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Chinese Traders In Kampala: Status, Challenges, and Impact on Ugandan Society

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Abstract: Chinese petty traders are the most popular and yet most controversial foreign population that most Africans meet and engage with on a regular basis. Although the quality of their goods is suspect, their contribution of affordable goods to some African societies is recognized. There has been much discontent directed towards them, especially by small traders, because they are seen as undercutting local traders, not contributing to the local economy, and only interested in short-term gain. This paper examines the role of Chinese traders in Kampala, Uganda and their contributions to that country's economy according to a number of economic indicators as informed by the survey that the authors conducted in Kampala in 2012. It also analyses the Ugandan government's attitude toward these traders, the policies it implements, and the prospects for further investment in Uganda.

Introduction

In 2011, shopkeepers in Kampala went on strike to protest among other things the increased competition from Chinese traders who were flooding the market with cheap goods and thus posing a threat to local businesses.[1] Local government officials added fuel to the fire by claiming that many Chinese traders were illegally engaged in business ventures, contravening the restrictions of their visas.[2] While many Ugandans welcomed Chinese investment, they insisted that this investment actually contribute to the socio-economic development of the country rather than purely benefiting Chinese interests.[3]

There has been a rapid increase in China's engagement in Africa in the last decade. In 1992, African imports from China accounted for 1.8 percent of all imports to Africa.[4] By 2014, imports from China accounted for 17 percent of all imports.[5] African exports to China increased from 1.7 percent of exports in 1992 to 21 percent of all exports in 2014.[6] China's Foreign Direct Investment (FDI) to the continent has also increased rapidly. In 1996, China's FDI stock on the continent stood at $56 million, by 2007 it stood at $4.46 billion.[7] FDI flows have also been increasing rapidly. From 2007-2008 the FDI flows increased by 81 percent.[8] In addition there is also increased development assistance through concessional loans, grants, debt relief, infrastructure construction as well as scholarships, malaria research centers, medical teams, etc. This rapid increase in engagement from China has led to calls by many that Africa should develop a China policy. Coordination among the fifty-four African states

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is difficult, however, and effective bilateral relations with China seem to require coordination at the level of the African Union.[9]

The field of China-Africa research has in the last few years moved from broad macro international relations and geo-political studies towards country case studies, sector studies, and analyses of different Chinese actors engaged in Africa. There have been numerous studies on Ethiopia, Nigeria, Ghana, South Africa, Sudan, and many other African countries, along with studies on China's impact in infrastructure, agriculture, trade, and other sectors. Finally, there have been analyses of Chinese state-owned enterprises, privately owned enterprises, and traders. This paper will focus on the last group, which has variously been called traders, petty traders, wholesalers, retailers, or migrant traders.

Chinese Traders in Africa

Traders are often the most common face of China's engagement with Africa for most ordinary African citizens. While Chinese employees of large state owned or privately owned enterprises work and reside in gated areas generally isolated from the African communities in which they live, Africans have daily interactions with Chinese traders and shopkeepers that have taken a prominent position in many African cities, town, and villages.[10] These traders, while most visible, receive no support from the Chinese government and therefore do not represent China's "official" image. While the experience and perceptions of Chinese traders in Africa differ from one country to the next, there are some common trends. Chinese traders are perceived to provide low quality goods, compete with local traders, and only seek short-term gains to send back to China.[11] These issues have led to increased discontent among African citizens and businessmen. African authorities have, therefore, responded to popular demands for increased regulation. Foreign traders in Malawi, for example, are restricted to establishing business in the four main cities.[12] Botswana has drawn up a list of professions exclusive to its own nationals.[13]

Geda, in his study of China-Ethiopia relations, argues that the losers in the relationship are the small-scale clothing and footwear producers, while the winners are consumers and Ethiopian traders who import from China.[14] Kernen provides a more positive reflection on Chinese traders in Mali and Senegal.[15] He states that the organization of business communities and the ability of local business communities to put pressure on local authorities to promote the benefits of their business and curtail the negative impacts of Chinese business, has led to a generally positive business environment. Jauch and Sakaria claim that Chinese small traders provide little benefit to Namibia's overall development.[16] This has led to widespread criticism of Chinese traders in the Namibian media. Based on this literature we seek to assess the role of Chinese traders in Kampala, the capital of Uganda.

The following presents summaries of studies undertaken of Chinese traders in different African countries including Namibia, South Africa, Botswana, Angola, Zambia, and Senegal, noting the similarities and differences and concludes that it is important for the countries to draw policies stating where and how the Chinese traders should operate. In his study of Chinese merchants in Oshikango, Namibia Dobler argues that in fact Chinese traders are not so different from the itinerant traders of eighteenth-century Europe.[17] He states that local producers find it difficult to compete with the cheap price of Chinese goods. He also notes that Chinese traders often do not reinvest their profits in the local economies. Dobler argues that the combination of these two factors has a damaging effect on local economies. Jauch and Sakaria similarly claim that small-scale Chinese traders provide little benefit to Namibia's overall development.[18] This has led to widespread criticism of Chinese traders in the Namibian media.[19] Dobler states that Chinese traders respond to claims by stating that they provide employment opportunities for local residents and that they, unlike their Namibian peers, pay local taxes. With regard to re-investment in the economy Dobler finds that it is often cheaper for Chinese companies to import from China than establish local manufacturing, and Chinese businessmen are concerned over protection of their interests.[20]

McNamee et al. conducted a survey of Chinese traders in South Africa, Lesotho, Botswana, Zambia, and Angola.[21] Their study shows the varying experiences and perceptions of Chinese traders in Africa. They found that 60 percent of Chinese traders in South Africa had been resident for more than five years and that more than half of those had been in South Africa for more than ten years. They state that South Africa is the only country in their study where there were Chinese traders who had been resident for more than twenty continuous years. It is also the country with the highest number of Chinese traders responding that they planed to remain for the long term. Nevertheless, Chinese traders in South Africa employed the lowest number of local workers, with an average of three. These traders in South Africa reported high levels of crime, corruption, and intra-Chinese competition as the main problems they faced.

Chinese traders in Botswana reported an increased sense of hostility towards them.[22] They stated that recent legislation was passed that effectively barred Chinese small businesses in the clothing sector from renewing their licenses. McNamee et al. added that many Chinese traders had therefore stated their desire to return to China when they had sold off their stocks of goods. In Lesotho, none of the Chinese traders responded that they planned to stay for the long term due to high crime rates, poor education, and a low quality of life. They too experienced increased resentment directed towards them by the local population. For instance, McNamee et al. mentioned one Mosotho respondent who had worked for a Chinese company and who said that the Chinese presence was positive and that the Basotho mindset had to change as it was impeding entrepreneurship.[23] He added that the Basotho could learn a lot from the Chinese in terms of hard work and business and technical skills. The research underlines the importance of looking at the characteristics of Chinese traders and to what extent they are competing with local producers and traders.

Respondents in Angola had been in the country for only two years, which was the shortest amount of time of all respondents in the McNamee et al. survey.[24] These traders, although reportedly earning three times as much as they could in China, encountered the highest perceived levels of corruption and crime of all the respondents in the survey. They added that the Chinese embassy did not assist them. Chinese traders in Angola also noted an increased sense of anti-Chinese sentiment. Respondents in Zambia similarly felt more hostilities directed towards them, as riots in 2006 indicated. As in Botswana, they noted that there was legislation that would make owning their own businesses in Zambia prohibitively difficult. As in all countries in the survey, Chinese traders in Zambia stated that corruption and crime were the major problems they faced.

Cissé describes the situation of Chinese traders in Senegal.[25] He notes that these traders do not integrate into Senegalese society and instead form enclave societies as they do elsewhere around the world. They do not speak the local languages and only employ locals to negotiate on their behalf. Chinese traders often come from poorer socio-economic backgrounds and emigrate to try their luck. These traders often sell clothing, footwear, kitchenware, accessories, toys, hardware, and similar products. Most traders complain of a lack of support from the Chinese embassy.[26]

In a survey of Chinese investment in Ghana, Baah et al. described the loss of jobs and livelihoods in Ghana due to cheap Chinese imports that often outcompete locally made substitutes.[27] They found that local retailers complain that some Chinese companies were active in the retail sector, which in fact is reserved for Ghanaian entrepreneurs and that some Chinese retailers register as manufacturers but engage in retail.[28] Gadzala states that aside from the positive impact of (limited) job creation, infrastructure development, and access to affordable consumer goods, Chinese traders' comparative advantage through the business networks and enclave business nature are displacing Zambian traders.[29] Gadzala further argues that Zambia's weakness in implementing regulatory guidelines facilitates China's exploitation of the Zambian economy. He adds that although Zambia's immigration law requires immigrants to secure work permits prior to their arrival in the country, it is not observed until they are in Zambia. We conclude, then, that it is not only the presence of Chinese vendors that is significant but also the type of products they bring and to what extent these products are competing with local alternatives and hence local producers.

African Consumers and Criticism of Low Quality Chinese Goods

Criticism of the poor quality and low price of Chinese goods neglects the role of African consumers. The local demand for affordable products has led to the supply of low quality goods. In South Africa many local citizens are pleased with the increased availability of affordable consumer goods, though there were some complaints of the poor quality.[30] Chinese traders employ African agents to help identify consumer demands.[31] Additionally, a rapidly increasing number of African traders are going directly to China to purchase their products for resale in their own markets.[32] African banks working with their Chinese counterparts to lower the trade costs and ease access to the RMB further facilitates trade.[33] In Cameroon Nkotto found that Chinese businesses did not perform worse than entrepreneurs from other countries with regard to complying with local laws when appropriate monitoring systems were in place.[34]

The African Research Institute (ARI) observes that many African leaders have failed to capitalize on the growth fuelled by China's and other Asian countries' demand for oil and hard commodities.[35] The ARI policy brief adds that African governments should do more to diversify their economies, channel investments to priority sectors, and demand greater skills and technology transfer in order to guarantee the long-term effectiveness and socio-economic development impact that increased engagement with China can provide. Sun et al. place the responsibility of guaranteeing the effectiveness of China's engagement with Africa on the shoulders of African leaders.[36] They argue that at the Fifth FOCAC Summit the Beijing Action Plan (2013-2015) was declared, but African leaders should take action on issues such as increasing African youth employment, improving attention to labor standards, and improving the transparency of environmental contracts.[37] ACET called on Rwanda to develop a more "proactive" policy to encourage investment in sectors such as ICT and agribusiness, in order channel this investment to achieve the government's Vision 2020 policy.[38] The literature shows that there is still much that African leaders can do to maximize the benefits to their citizens and economies of increased engagement with China. As shown by recent legislation in Botswana, Malawi, Kenya, and Zambia, however, African leaders are taking preliminary steps to protect their citizens from the adverse affects of

Chinese traders and potentially to maximize the benefits that Chinese traders can provide. We therefore conclude that it is important for African countries to develop policies to deal with Chinese retail traders and to specify in which parts of the country they are allowed to trade and what goods they can sell.

Chinese Engagement with Uganda

The Uganda Investment Authority states that trade volume between China and Uganda increased from $156 million in 2006 to 222 million in 2014, with an annual growth rate of 42 percent.[39] Trade has increased, but there is a notable trade imbalance between the two countries. Shinyekwa and Othieno report that the trade volume between China and Uganda rose from $16.5 million in 2001 to over $251.2 million in 2009, while Ugandan exports to China rose from $0.234 million to $20 million over the same period.[40] This contrasts with Chinese exports to Uganda, which rose from $16 million in 2001 to over $231 million in 2009. The trade imbalance has risen from $16 million in 2001 to over $228.7 million in 2009.[41] In their study of China-Uganda relations Obwona and Kilimani state that a reduction in the trade gap is unattainable in the near future.[42] Shinyekwa and Othieno argue that Uganda has a very limited range of products that have revealed comparative advantage, and they indicate that the technology gap is one reason Ugandan products cannot compete with Chinese heavy industrial products, high-tech electronics, and processed products. China has recently extended further special preferential treatment to African goods exported to China.[43] However, Shinyekwa and Othieno find that Uganda only has a revealed comparative advantage in 234 of 4401 product lines with special preferential treatment. They argue that the government should develop more deliberate policy actions geared towards increasing the productivity of its exports to China in order to maximize the benefits of the special preferential treatment. They see the greatest potential lies in agricultural commodities, for China has well-known expertise and this is an area where Chinese investment is still low in Uganda. One Chinese respondent in our survey stated that a Chinese company had invested in agriculture but had not been successful. He wanted to invest in agriculture because he saw the potential but lacked the expertise and the network to do so.[44] The agricultural demonstration center that was being implemented by a private Chinese company informed us of their plans to consider entering the Ugandan market as a private firm after the project was completed.[45]

In a similar vein, Allen and Baguma question the benefits to Uganda's economy of China's engagement given the increasingly large presence of Chinese traders and Beijing's support of investment in natural resources.[46] The former is the issue that will be taken in the analyses that follows. Of the forty-two companies interviewed in their survey of Chinese companies in Uganda, Warmerdam and van Dijk found that only three were engaged in oil, gas, and energy.[47] Of those three only one was engaged in oil and gas exploration. This state-owned company with a privately owned minority share had bought exploration rights from an Irish company. The Ugandan subsidiary of another of the three, although its parent holding company was engaged in the oil sector, was mainly focused on construction. The last of the three was engaged in hydropower as a subcontractor to a larger project financed by the World Bank and the African Development Bank. China's positive contributions include dispatching medical teams since 1983, building the Naguru Friendship Hospital and the Mandela Stadium, rice schemes, an ice plant, an anti-malarial drug donation, scholarships for Ugandan students, and provision of computers among other things.[48]

Allen and Baguma describe the challenges that Chinese traders present to local businesses. Ugandan customers prefer cheaper more easily available products than those of local businesses, making it difficult for local businesses to stay afloat.[49] They add that Chinese manufacturers have also been pushing local producers out of the market through increased competition for the local market, local contracts, and high consumption of scarce resources such as water and power. Local unemployment is also said to have increased.[50] They question whether Beijing can find a way to balance the interests of the government elite and ordinary citizens.[51] The pertinent question that gives the appropriate amount of agency to the African government is: "Can the Ugandan government find a way to balance its interests in its engagement with China in such a way as to maximize the benefits to Ugandan citizens, Uganda's socio-economic development and the interests of the Ugandan elite?"

On July 7, 2011 animosity towards the influx of foreign traders reached a boiling point in Kampala. Shopkeepers went on strike for two days to protest rising fuel and commodity pries, the unstable exchange rate, and increased competition from Chinese and Indian businessmen who were flooding the market with cheap goods undercutting local business prices.[52] Chinese traders have now replaced Indian traders as the primary target of African resentment and hostility.[53] In fact, traders interviewed by *Starbroek* said they had no major problems with Indians.[54] The Chinese traders were accused of hoarding dollars that they then sent back to China, having a negative impact on the exchange rate.[55] Ugandan Trade Minister Amelia Kyambadde pointed to Chinese traders in particular, stating that many came in on tourist visas but started trading and engaging in unfair competition with Ugandan traders.[56] Some Ugandan shopkeepers stated Chinese traders could help develop Ugandan markets as long as they were properly regulated, but others disagreed.[57] Many Ugandan businessmen and traders welcomed Chinese investment, but they also demanded that it should be real investment in productive industries to help further Uganda's industrialization and socio-economic development and not simply an investment in retail and wholesale trade.[58] A survey cited in Seruwagi stated that of the one hundred and fifty Chinese enterprises surveyed sixty-five were engaged in wholesale and retail trade.[59] It revealed that many Chinese businessmen who had been licensed as investors had turned to petty trade. Of the one hundred and fifty enterprises, forty-four were engaged in manufacturing, eleven in gastronomy, and ten in construction. The survey found that all the companies employed more Ugandans than Chinese.

Methodology

The authors conducted a survey of Chinese companies in Kampala in July 2012. The sample consisted of forty-two Chinese companies, including both state-owned and private enterprises. The Secretary of the Economic and Commercial Counselor's Office (ECCO) provided an updated list for 2012 with thirty-one names of Chinese companies registered with the ECCO. Eighteen companies not on the ECCO list were also interviewed. These were observed or identified through conversations with Chinese companies on the ECCO list. Data was gathered for a total of forty-two companies. An interview schedule of eleven questions was used for the semi-structured interviews focusing on economic variables, the history of involvement and the problems Chinese companies are facing in Uganda. They also interviewed some Ugandan stakeholders and policy makers.

Characteristics of Chinese Companies in Uganda

Chinese companies fall under three different forms of ownership: state owned enterprises (SOEs), privately owned enterprises (POEs), and hybrids or mixed ownership companies. In Uganda 64 percent of the companies in the survey were POEs, 21 percent were SOEs and the remained were mixed ownership companies, as shown in Figure 1.

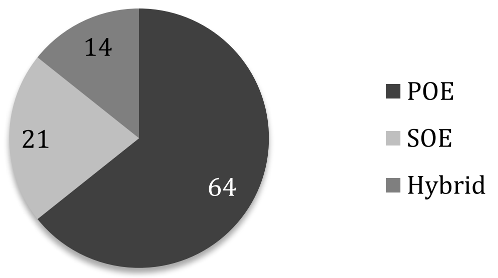

Figure 1. Ownership of Chinese Companies in Kampala, Uganda

Chinese enterprises in Uganda were mainly active in four sectors, namely construction, import, manufacturing, and wholesale. The construction sector was dominated by SOEs, although one POE and one hybrid were also engaged in construction. Companies from all three ownership forms were engaged in import. No SOEs were engaged in manufacturing in Uganda. Although it should be noted that an SOE engaged in the manufacture of consumer electronics has established an assembly plant in Uganda through its partnership with a Chinese POE. POEs dominate wholesale. See Figure 2.

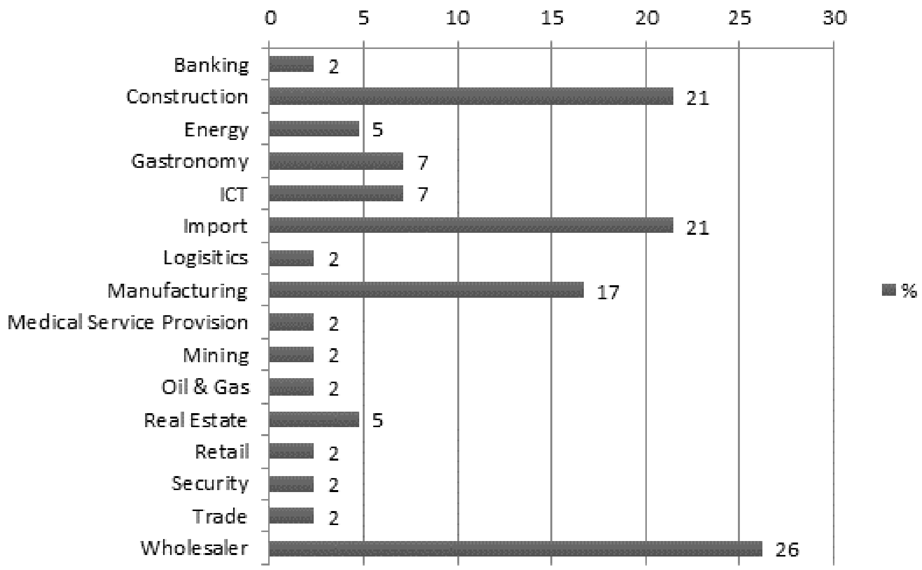

Figure 2. Sectors in which Chinese Companies were Engaged

Figure 3 below summarizes some of the main characteristics of the Chinese companies surveyed in 2012 in Kampala. The y-axis shows the level of initial investment in millions of dollars. The x-axis shows the year the company came to Uganda. The bubble size indicates the size of the workforce. The bubble line shows the form of ownership. For ease of presentation not all bubbles have been labeled. The figure shows that mostly SOEs had larger workforces and higher levels of investment; however there were also some larger private firms although their levels of investment were lower than SOEs. The figure also shows that more than twenty-five companies arrived after 2000, the year China's "Go Out" policy was launched. These are mostly POEs with small workforces. It is these companies to which we shall turn our attention next as these are the traders or wholesalers that have been causing the biggest stir and were the cause of the strike and riots in July 2011.

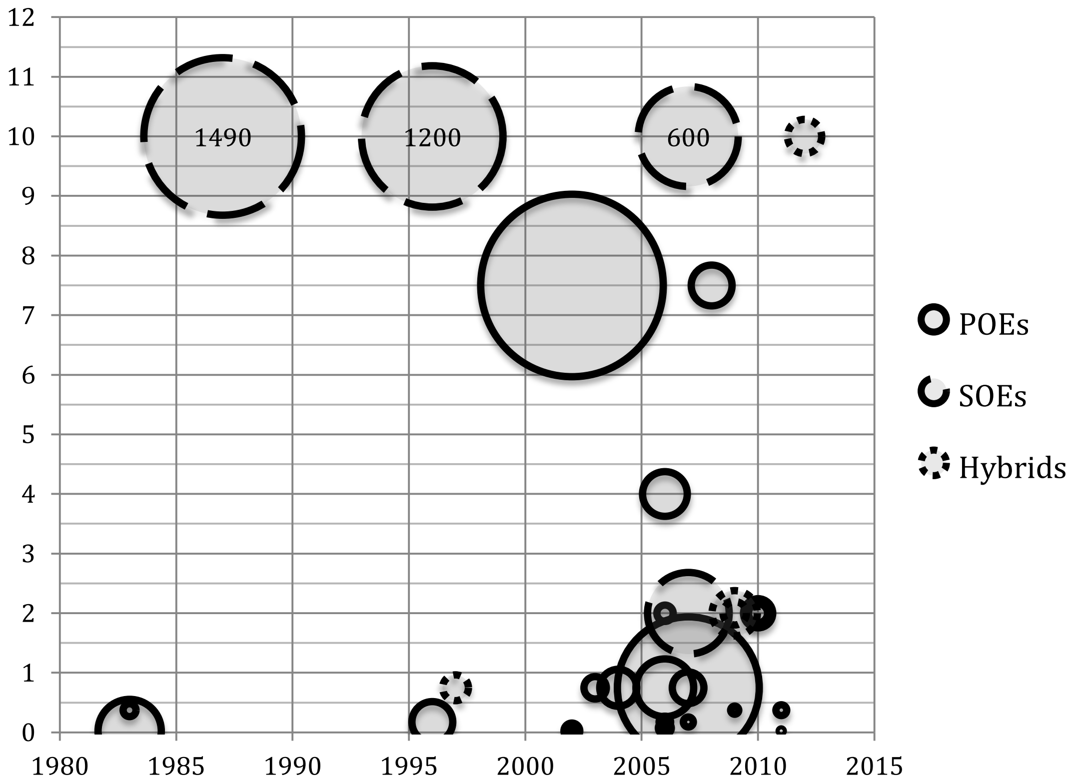

Figure 3. Bubble Chart of Investments, Size of Workforce, Ownership, and Year of Entry of Chinese Firms in Kampala

Are Chinese Traders Operating in and Competing with the Urban Informal Sector?

Before we conducted our analysis of the characteristics of Chinese traders an important issue needed to be cleared up, namely whether or not Chinese traders in Uganda can be considered as operating in or competing with the Ugandan urban informal sector. Definitions of the urban informal sector can be based on size (for example less than five to ten employees), location (in slums or on sidewalks or markets), or by some legal criterion (for example incorporated or not). Van Dijk noted that the process of formalization may have five dimensions:[60]

1. Obtain legal status, implying access to government markets, but also more cost, for example because of the need to respect labor legislation;
2. Pay taxes, some or all, which may be expensive;
3. Comply with current regulations regarding commercial enterprises;

4. Obtain legal title or a formal arrangement for the use of the plot or building;
5. Other types of registration, for example with the Chamber of Commerce.

In the case of Chinese enterprises in Africa two criteria could be added:

6. Have the proper immigration documents, not a tourist visa, but a working permit for doing business in the country concerned;
7. Being registered with the Economic and Commercial Counselor's Office of China (ECCO) in the country concerned.

Considering these criteria, the forty-two enterprises for which we collected information would find it very difficult not to respect the first five dimensions in Uganda. They are too visible and too easy to identify in terms of escaping regulation, registration, or taxation. This does not mean, however, that some of the smaller Chinese traders or enterprises may try to neglect existing labor legislation. We also found some cases that gradually ended up in the informal sector because they no longer complied with some of the criteria mentioned. This was often due to overstaying visas or not obtaining the appropriate work permits. Nevertheless, the traders all responded that they were trying to obtain the necessary permits, indicating their desire to remain formal or to formalize.

Our conclusion is that it is not useful to analyze the Chinese enterprises in Kampala as informal sector enterprises, with all the theories concerning the constraints the enterprises are facing and their potential to develop.[61] In fact, constraints for foreign enterprises are very different.[62] Since African governments tax Chinese enterprises (although some enjoy tax holidays in the special economic zones for a period of time) and oblige them to comply with existing regulations and legislation, the dominant mode of production is not the urban informal sector. It seems more useful to analyze the development of the enterprises in terms of the literature on foreign direct investment (FDI).[63] While Chinese traders cannot be considered as operating in the urban informal sector, it can be argued that they are competing with the urban informal sector.

Characteristics of Chinese Traders in Uganda

The first issue that must be dealt with is terminology. Chinese traders in the survey have been characterized as wholesalers as they are meant to supply businesses rather than individual consumers. However, the more appropriate term is trader. This is, first, because they refer to themselves as traders. Additionally, although the retail sector was reserved for indigenous businessmen, many foreign traders, Chinese, Indian, and Pakistani included, traded in the murky area between wholesale and retail. As has been mentioned above, there are accusations that Chinese traders in fact engage in retail. Similar accusations have been made in other African countries. As a matter of fact most of them started as wholesalers, but they sometimes ended up as retailers because they could not sell the quantities wholesalers normally sell.

Chinese traders sold a wide variety of products, including mobile phones, shoes, blankets, textiles, ladies accessories (bracelets, necklaces, belts, purses, etc.), electronics, and spare parts, as well as hardware. One product they did not sell according to the survey was pharmaceuticals, which seemed to be dominated by Indians and Pakistanis. The bubble chart in Figure 4 below provides a summary of a number of the general characteristics of Chinese traders in Kampala. It should be noted that the traders who did not reply with information regarding their investments were removed from the chart. The y-axis indicates levels of investments in millions, the x-axis the year the companies entered Uganda, and the bubble size the size of the workforce. From the figure it can be seen that all traders entered Uganda after 2000, the year the "Go Out" policy was launched. The majority of them were small. Nevertheless, it seems that the average size was larger than the average for traders in South Africa as described by McNamee et al.[64] In terms of investment and workforce size it can be argued that these traders do not make large contributions to the local economy, although this is not always true since one trader invested more than $2 million.

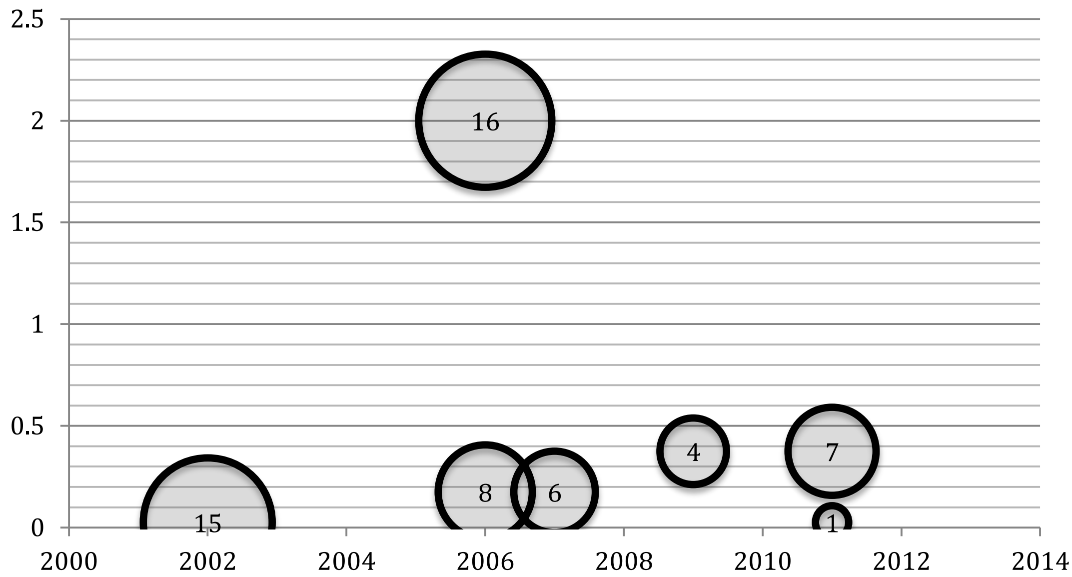

Figure 4. Bubble Chart of Investments, Size of Workforce, and Year of Entry of Chinese Traders in Kampala

A look at the turnover of these traders shows a slightly different picture. Again companies that did not provide clear information regarding their turnover have been excluded. The bubble chart in Figure 5 below follows the same format as the ones above. Two traders claimed they were making no money. One stated that this was because the Ugandan authorities had sealed or closed down his shop and warehouse, as he had not paid his taxes and was unwilling to do so.[65] The other was an old man who said that he never had any customers and his products were continuously stolen.[66] Two of the three traders who had annual turnovers of around $2 million were shoe wholesalers, the other was a ladies accessories wholesaler. Two mobile phone wholesalers were not making more than $300,000 in turnover per year. If these companies were all paying taxes, then they would be generating various degrees of revenue for the government. It should also be added, that if these traders were truly only engaged in wholesale their economic contributions should also be measured in terms of how much inventory turnover and how many employment opportunities they generated for their customers. Additionally, the mobile phones these traders sell have an economic impact beyond the taxes generated by their sale. Mobile phones provide users with access to information and facilitate efficient communication. These are two aspects that have integral benefits for users such as farmers, businessmen, and local traders.

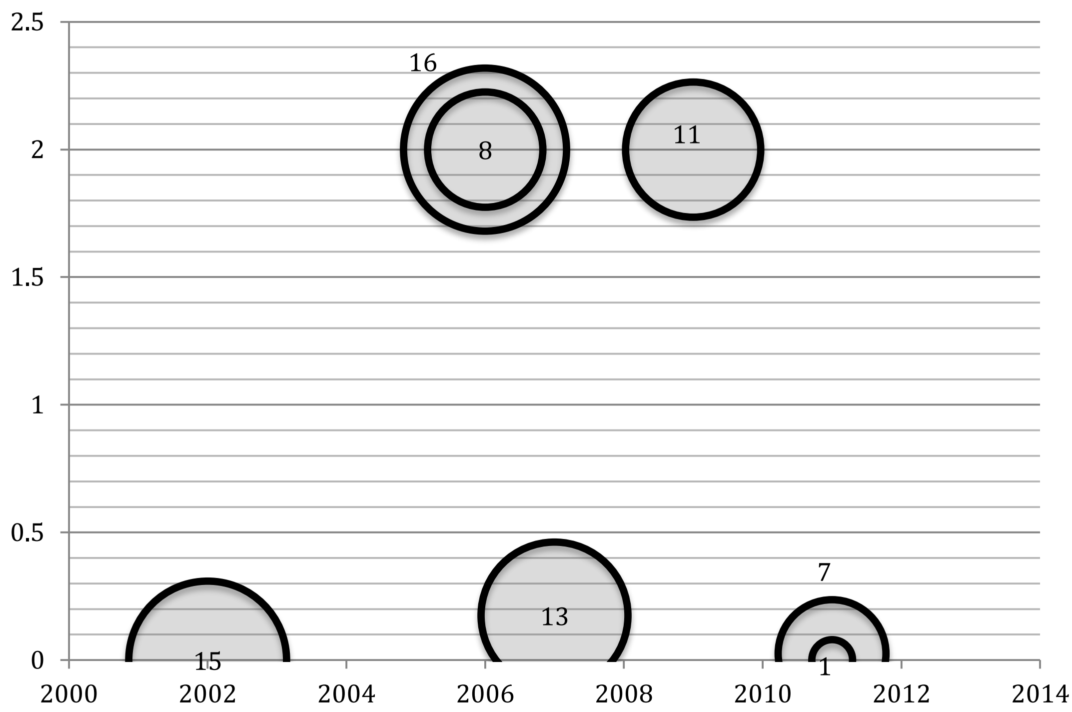

Figure 5. Bubble Chart of Turnover, Size of Workforce, and Year of Entry of Chinese Traders in Kampala

A controversial issue related to China's engagement in Africa is the composition of its workforces, as Chinese companies are often accused of importing their own labor. The survey cited in Seruwagi noted that all the companies had workforces composed of more Ugandans than Chinese.[67] The survey conducted by the current authors in July 2012 corroborates the findings cited in Seruwagi.[68] While the majority of traders had workforces composed of more than 60 percent Ugandans, three had workforces of less than half Ugandans. Even more worrying is the fact that only one trader had more than 60 percent Ugandans in management positions. This respondent stated that as his Chinese colleagues had all been deported he had no other option.[69] In this sense, as far as providing higher levels of tax revenue on management salaries and allowing Ugandans to determine the economic engagement of the companies in which they were employed directly, these traders were contributing very little to the Ugandan economy.

In the interviews with traders we determined that they often came on tourist visas or acquired a visa upon landing. This is similar to Gadzala's findings in Zambia.[70] Chinese traders in Uganda would then try to convert their tourist visa to a work permit. However, Ugandan regulations about this are very clear. Work permits must be applied for and granted in the country of origin prior to arrival in Uganda.[71] One trader reported that at least a third of all Chinese traders in Kampala were there illegally, either without work permits or having overstayed their visas.[72] However, the traders would genuinely like to get work permits. One trader stated: "We feel that the Ugandan government is not giving us work permits for reasonable reason. We go there to get our work permits, and are willing to pay…and there are a lot of unofficial fees."[73] The application procedures can take very long, and this means that many traders overstay their visas. The representative from the Economic and Commercial Counselor's Office similarly stated that there was a lack of clarity about immigration policy. Some traders state that Ugandan government policy should be much clearer: "If you don't want us then don't give us visas to even come to Uganda."[74]

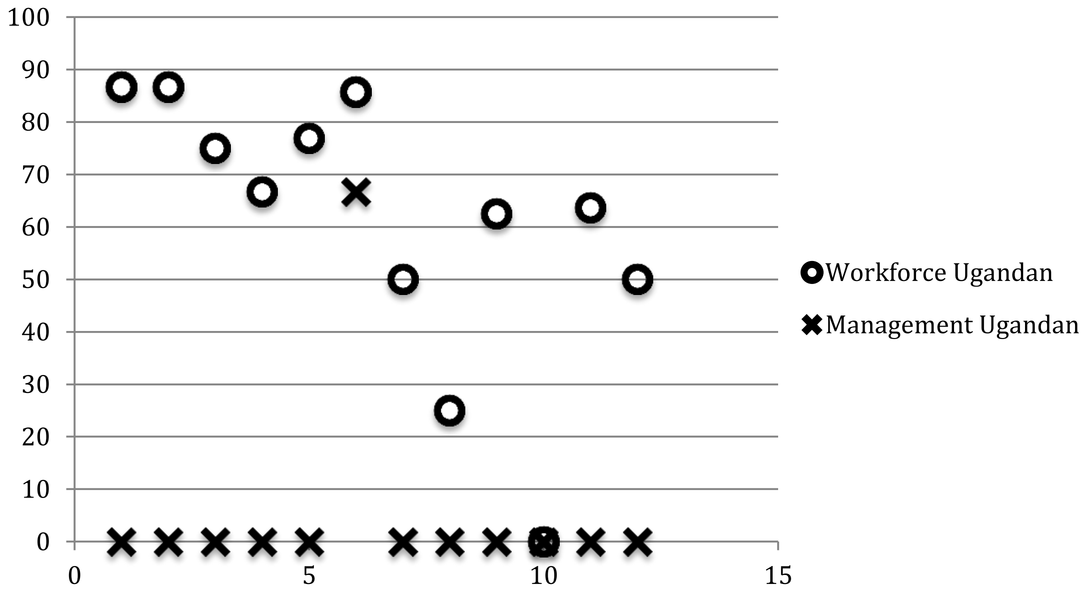

Figure 6. Comparison of Workforce and Management Compositions (%)

Most traders were affected by the number of issues on the list in Table 1 below, although one trader said he considered some things on the list, such as corrupt officials or high taxes, not as problems but just the facts of life.[75] He added: "Some Chinese companies like to avoid the rules, but if you abide by local laws and regulations you will not encounter any problems with the government."[76] For other traders the most important problems are getting visas, mentioned by 72 percent of traders, and corrupt officials, mentioned by 55 percent of all traders. Many were also afflicted by bureaucracy, shilling-dollar exchange rate fluctuations, revaluation of the Renminbi (RMB), unreliable local workforce, and theft by workers. There was also an increasing sense that Chinese were no longer welcome, mentioned by 27 percent of the respondents. Notable also is that the traders did not mention that Chinese workers were too expensive, likely because most employed their family members, or problems with import restrictions, indicating relatively efficient import procedures.

There was a general sense among the Chinese traders that they were being singled out by the police and the immigration and tax departments. There were numerous stories of traders being rounded up, even though they had the necessary documents and licenses.[77] Some traders believed that these roundups were used in order to solicit "tips" or bribes from the traders. All small traders agreed that they felt that the Chinese embassy and ECCO did not represent their interests, only the interests of large Chinese companies.[78] The majority of traders also had no faith in Chinese business associations. They were either not members, or believed that these associations just collected their contributions and supported only larger companies or people with the right *guanxi* (networks). Many traders, and respondents from other Chinese companies, however, felt that traders provided significant contributions to the Ugandan economy and society. As one respondent said, "Now local people can wear leather shoes, can afford to buy those shoes. This is because China provides affordable products."[79]

Table 1. Problems Faced by Chinese Traders

Problems	Percentage
Corrupt officials	55
Bureaucracy, inefficient officials	27
Re-valuation of RMB	27
Shilling-Dollar Exchange Fluctuations	27
Bank interest rates high	0
Bank interest rates irregular	0
Local workforce unreliable	27
Prices of local goods too high	0
Low skilled workforce	0
Workforce dissent	0
Local workforce lazy	0
Import restrictions	0
Fierce competition	18
Taxes too high	18
Workers steal things	27
Getting visas for Chinese workers	72
Chinese workers too expensive	0
Increasing sense that Chinese are not so welcome	27
Unstable investment climate	18
Limited market capability	0
Don't understand local procedures	0
Trade Unions	0
Negative image of China	0
No problems	9

Note: Respondents were allowed to give more than one answer. Figures are the percent of all traders who mentioned these problems.

Responses to Tighter Immigration Policies

Chinese businessmen are often displeased with the tighter immigration policies. Yang Zhengjun, chairman of the Uganda Overseas Chinese Association, argues that deportations harm Uganda's image in China. He urged the Ugandan government to reduce the investor threshold for visas and allow people who could not meet the threshold to remain in the country. There are Chinese businessmen and government officials however, who if not openly pleased with the stricter immigration policies, understand and support the Ugandan government's intentions. A Chinese embassy official commented that they did not really approve of the actions of some Chinese traders.[80] He stated that some of these traders were "stealing another man's rice bowl," a Chinese expression that means that these Chinese traders are taking away local traders' livelihoods. He added that they gave China a bad image, and he understood the Ugandan government's crackdown. Another official for the Economic and Commercial Counselor's Office of the Chinese Embassy similarly expressed his understanding of the Ugandan government actions. He stated, however, that he hoped these traders would act legally, invest more, grow and reduce competition with local firms, and create employment opportunities.[81] He added that since these were enterprises operating in Uganda the Chinese government had no control over them. A respondent from a Chinese enterprise also felt that these Chinese traders were "stealing another man's rice bowl."[82] One manager of a Chinese company even went so far as to call these traders "the poison of China."[83] This manager said that there is a difference in the contribution to the local economy between importing socks and manufacturing socks. He stated that he fully supported the Ugandan government's actions. There were also more sympathetic voices, however, most notably from a man who started out as a trader himself and was now the CEO of one of the largest Chinese companies in terms of workforce size. He stated that 80 percent of the Chinese in Uganda were traders, competition between companies is always going to exist whether the Chinese are here or not, and Ugandans have this misconception that Chinese traders have access to cheaper products in China than Ugandan traders who go to China.[84] The owner of a Chinese factory, formerly a trader in Senegal, Cameroon, the DRC, and Uganda, was also sympathetic to the plight of Chinese traders and wholesalers in Uganda.[85]

A number of successful Chinese entrepreneurs in Uganda started out as traders. The owner of one of the largest holding companies began as a trader just over a decade ago. He imported anything that he believed would sell well in Uganda, including bikes. A few years later he started a Korean restaurant. His business has now grown to include a security company, a bakery, a shoe factory, and a TV assembly plant. Another successful Chinese businessman who initially began trading in Cameroon and Senegal later moved to the DRC before coming to Uganda. When he first started trading in Uganda, he realized that the products he had imported originally for francophone Africa did not sell well in Uganda. He sought some private investors and invested a majority share himself in establishing an industrial zone on the outskirts of Kampala where he now has a shoe factory. He is establishing a steel pipe factory because shoe sales have declined. The two female owners of the largest furniture store in Kampala initially ran a restaurant with furniture as a side business in one of the unused rooms. Aside from their furniture store they were also engaged in real estate. Finally, the owner of a Chinese restaurant and hotel also owns a steel rod factory, a mattress factory, and a real estate firm and is engaged in mining, although he also initially was a trader.

Hope for the Future: Responsible Business Practices

A tripartite cooperation between the China Enterprise Confederation, the Federation of Uganda Employers, and the Confederation of Norwegian Enterprises established in 2007 aims to promote responsible business practices among Chinese, Ugandan, and Norwegian enterprises doing business in Africa. Specifically the program seeks to improve the understanding between Chinese, Norwegian, and African societies and enterprises by sensitizing employers on the importance of improving labor conditions and labor relations in Chinese, Norwegian, and African companies.[86] At their meetings experts are invited to give speeches clarifying issues such as immigration procedures and tax policies.[87] The Chinese Embassy in Uganda supports this initiative, as does the division of the embassy responsible for economic affairs, the Economic and Commercial Counselor's Office.[88]

Conclusion

This paper has shown that there are many similarities between Chinese traders in Kampala and other African countries. Many arrive on tourist visas, without required work permits, applying for work permits or investor/business visas after arrival. Most traders employ only small workforces and have low levels of investment. In most African countries Chinese traders are accused of competing with local businesses. The Chinese traders, on the other hand, argue that they are also contributing to the local economy. They provide affordable products allowing greater numbers of Africans to gain access to goods such as consumer electronics and mobile phones. Although locals might complain of a poor quality of some Chinese products, access to them has benefits beyond immediate sales revenue. Consumer electronics and mobile phones provide access to information and facilitate communication, essential elements for improving business performance for farmers, traders, and businessmen alike. Corruption in the immigration service is hindering the effectiveness of immigration policies designed to protect indigenous traders. If this form of rent seeking continues then not only will indigenous businessmen continue to suffer, but Chinese traders will not plan long-term investments due to the perceived instability and corrupt investment climate, choosing rather to maximize short-term gains before moving on to more attractive countries. Our survey found that a number of former Chinese traders have become some of the biggest Chinese companies in Uganda, and they are investing large amounts of money, generating large turnovers, and providing a great number of employment opportunities. The Ugandan government should be careful in its policy design and implementation to balance the interests of its local businesses and the socio-economic development contributions that Chinese investors can bring.

No longer are African leaders simply opening their arms to Chinese trade and investment but rather are negotiating trade and investment increasingly on their terms. This paper has shown that there are policies in Uganda towards specific sectors and sets of Chinese actors—for example, changes in Uganda's immigration policy and a tougher enforcement of this policy. This indicates a trend similar to that found in new legislation in Botswana, Malawi, Kenya, and Zambia to curtail the negative impact of Chinese traders in Africa. This is a trend that is likely spread throughout Africa as governments seek to balance the benefits of foreign trade and investment to their local economies with support for domestic businesses and industries.

Notes

1 Ghosh 2011; *Starbroek* 2011.
2 *Starbroek* 2011.
3 Ibid.
4 OECD 2011.
5 TradeMap 2016.
6 Ibid.
7 Renard 2011.
8 Ibid.
9 Van Dijk 2009, p. 218.
10 ARI 2012.

11 See ACET 2009, ARI 2012, and Baah et al. 2009 regarding low quality goods and competition with local traders; Park 2009 for competion with local traders; and Dobler 2005 and 2009 and *Starbroek* 2011 for the issue of short-term gains.
12 ARI 2012.
13 Ibid.
14 Geda 2008.
15 Kernen 2010.
16 Jauch and Sakaria 2009.
17 Dobler 2005, 2009.
18 Jauch and Sakaria 2009.
19 Dobler 2005, 2009.
20 Ibid.
21 McNamee et al. 2012.
22 Ibid.
23 Ibid.
24 Ibid.
25 Cissé 2013.
26 Ibid., p. 23
27 Baah et al. 2009.
28 Ibid.
29 Gadzala 2010.
30 Park 2009.
31 ARI 2012.
32 Ibid.
33 Sanya 2013.
34 Nkotto 2009.
35 ARI 2012.
36 Sun et al. 2012.
37 Ibid.
38 ACET 2009.
39 Sanya 2013.
40 Shinyekwa and Othieno 2011.
41 Ibid.
42 Obwona and KIlimani 2007.
43 Shinyekwa and Othieno 2011.
44 POEL-ZG 2012.
45 The demonstration center was a Chinese development assistance project. AID-AGRI 2012.
46 Allen and Baguma 2012.
47 Warmerdam and van Dijk 2012.
48 Allen & Baguma 2012.
49 Ibid.
50 Ibid.
51 Ibid.
52 Ghosh 2011.
53 Ibid.
54 *Starbroek* 2011.

55 Ibid.; POEN-LMF 2012.
56 *Starbroek* 2011.
57 Ibid.
58 Seruwagi 2012.
59 Ibid.
60 Van Dijk 2010.
61 De Soto 1989.
62 Warmerdam and Van Dijk 2012.
63 Dicken 2007.
64 McNamee et al. 2012.
65 POEN-DLTB 2012.
66 POEN-WS03 2012.
67 Seruwagi 2012.
68 Ibid.
69 POEN-WKXDMP 2012.
70 Gadzala 2010.
71 See online accessed 20 January 2012 http://www.immigration.go.ug/page/working-uganda.
72 POEN-WS04 2012.
73 POEN-WKXDMP 2012.
74 POEN-WS04 2012.
75 POEN-WLA 2012.
76 Ibid.
77 E.g. POEN-WWJ 2012.
78 POEN-WKXDMP 2012.
79 POEN-DLTB 2012.
80 GOVEMB 2012.
81 GOVECCO 2012.
82 HY-SAMH 2012.
83 POEN-LMF 2012.
84 POEL-ZG 2012.
85 POEL-Landy 2012.
86 CFE et al. 2012a.
87 CFE et al. 2012b.
88 As the speech by Jing Yanhui of the Economic and Commercial Counselor's Office at the meeting in March 2012 indicates (CFE et al. 2012a).

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