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The China Shop Phenomenon:
Trade Supply within the Chinese Diaspora in South Africa[1]

Abstract

The recent wave, dating from the mid 1990s, of newcomers within the Chinese Diaspora in South Africa has managed to establish and dominate a line of trade supply all the way from the ports of China to the homes of millions of South Africans. This paper examines the economic environment within which small 'China shops' are active, exploring competition within the group of Chinese traders in particular and how the latest wave of Chinese immigrants has affected supply chains and demand within South Africa. A case study in one small South African town demonstrates how the Chinese community utilizes its competitive advantages to maximize the value of its trade. This paper also strives to shatter the notion of a 'China Inc', arguing that although Chinese traders in consumer goods may have altered consumer demands within South Africa, above all they compete in an individualistic scramble to gain competitive advantage over other 'China shops'.

Keywords

China, South Africa, Export, Trade, Competition, Consumer

Just who invented the fortune cookie remains a mystery and a controversy, but the origin of this famous dessert found in Chinese restaurants is undisputed: the USA. It may seem strange to many who enjoy cracking open this cookie to find their fortune that a common staple of Chinese culture and cuisine was neither created nor commonly eaten in China. The fortune cookie,

1 In the preparation for this paper and my field work, I have benefited greatly from the support of The Centre for Chinese Studies at Stellenbosch University, South Africa and, in particular, guidance from Dr. Martyn J. Davies, Hannah Edinger, Hayley Herman, Johanna Jansson and especially Christopher Burke. Many thanks are due to Darryl Accone and Deborah Brautigam for granting me several meetings during my field research and writing of this paper. And finally, this paper could never have been written without the interviews with countless Chinese retail shop owners and wholesale traders throughout South Africa, who took precious time to answer numerous questions.

however, is not an exception. Chinese immigrants around the world readily adapt to the changing demands of their consumers within the competitive market for cheap commodity goods. At the same time, this Chinese Diaspora raises many issues: in particular, how Africa's current economic, political and social environment affects Chinese trade and businesses practices and how an increase in Chinese trade affects Africa's development.

This paper looks closely at the Chinese trading network's supply chain in South Africa, closely examining business between the Chinese wholesalers and retail China shop owners. The most recent wave of newcomers within the Chinese Diaspora in South Africa has managed to establish and dominate trade supply all the way from the ports of Hong Kong to the homes of millions of South Africans. This paper examines the economic environment within which small China shops are active, exploring particularly the competition within the group of Chinese traders and how the latest wave of Chinese immigrants has affected supply chains and demand within South Africa. A case study involving one small South African town demonstrates how the Chinese community utilizes its competitive advantages to maximize the value of their trade. This paper also strives to shatter the notion of a 'China Inc',[2] arguing that while the supply of Chinese traders in consumer goods may have altered consumer demands within South Africa, above all they compete in an individualistic scramble to gain competitive advantage over other 'China shops'.

Within the South African Chinese Diaspora there are three distinct groups of Chinese:

1) South Africa born Chinese, who are the descendants of Chinese immigrants from the mid 1800s,
2) the Taiwanese Chinese community, which migrated to South Africa during the 1970s,
3) the newest wave of immigrants from mainland China during the 1990s.

The approach for this paper is to look closely at the newest wave of Chinese immigrants that have established 'China shops' throughout South Africa. Most of the research was focused in South Africa's three major cities, Johannesburg, Cape Town and Durban plus a particular case study and interviews in one small town located in the Western Cape.

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2 One of the discussions under the notion of 'China, Inc' is that Chinese businesses overseas receive benefits bestowed by the Chinese government. Mitchell Silk points out that over the past few years, 'Chinese government policy has actively encouraged the global ambitious of China's corporations' (Silk 2006). Though the Chinese government may regulate and direct FDI, the author argues that small Chinese retail and wholesale traders in South Africa work individually or in small family networks, thus not gaining from government benefits.

There are many ways of defining a 'China shop':

a) a South African owner selling Chinese goods,
b) a Chinese owner selling Chinese staple cultural goods (such as Chairman Mao watches, Chinese paintings, Chinese tea), or
c) Chinese owners selling Chinese made goods for the everyday consumer (such as clothes, shoes, jewellery, children's toys).

For the purposes of this paper, the term 'China shop' will describe Chinese owned shops that sell Chinese made goods for the everyday South African consumer.

The definition of 'Diaspora' in this paper refers to a population which has settled into a new territory and shares a common ethnic identity. The term 'community' in this paper refers to a group of people that interacts economically, politically, and socially within a shared environment. When using that definition, the Chinese population in South Africa is referred to as a 'Diaspora' for its members share common ethnic identities but not all people within it have chosen to live within a 'community.' This distinction between Diaspora and community seems appropriate when looking at the third wave of Chinese immigrants, who have come from similar backgrounds but may not have chosen to socially and economically interact with other members of the Diaspora.

Overview of China's involvement in South Africa

Post-colonialization and the advent of the New World Order have complicated Western involvement in African dynamics. For decades that involvement has taken the form of unsustainable extensions to aid and policy change, leaving African countries hanging in the balance. A change in status quo is emerging not thanks to a Western handout, but rather as a new economic giant eager to open its doors and markets: China has jumped at the opportunity to increase its economic, political and cultural involvement with South Africa, and South Africa has opened its arms to China.

Chinese involvement has quickly become the most hotly debated subject when South-South trade and investment is being discussed. China is often set apart from the rest of Asia, especially when the rise and fall of the 'Tiger Economies' are being referred to. China seems to be in a league of its own. In the same regard, South Africa is the 'China' of Africa. Neither country receives foreign aid nor is an oil exporter, while both are thought of as territorial economic giants. As such, both countries have been excluded from previous 'policymakers' judgments when they are referring to problems within the two continents. These two countries share GDP rates at the level of developed countries while both have the same internal problems as other developing countries.

South Africa's Deputy-President, Phumzile Mlambo-Ngucka referred to South Africa's and China's developing bilateral relationship as a win-win approach during a Bi-National Commission (BNC) meeting in Beijing in 2007 (Naidu 2008:167). Though this bilateral relationship is still at an early stage, formal diplomatic relations were only established in January of 1998, both sides have expressed a desire to continue this 'win-win' relationship. As of May 2008, following an Industrial and Commercial Bank of China (ICBC) deal, China became South Africa's largest foreign investing nation.

This developing bilateral relationship is not without its critics. There are many South Africans who fear that the relationship is only serving Chinese economic growth. Since the economic and political connection between the two countries has intensified, so too has the fear of 'China Inc' coming and invading South Africa's economy. This notion that 'China Inc' is making it harder for South African businesses to compete with Chinese economic actors is echoed in the media, academia, and the business sector alike. The South African and Chinese governments, responding to the notion that increasing Chinese trade was hurting South Africa's local businesses, imposed quotas on the importation of selected clothing lines from China. But, as will be further explored in this paper, these quotas were nothing than a political stunt to silence critics, while no real economic benefit was gained for struggling South African businesses.

It is the argument of this paper that it is not in South Africa's long term economic interest for either consumers or businessmen to fear increasing trade supply through Chinese wholesalers and retail shop owners. Deborah Brautigam argues in her case study on Mauritius that Chinese trade networks can ultimately be extended to include local economic actors, thus reproducing the 'flying geese' pattern from South East Asian countries in Africa (Brautigam 2003: 447-467). As Brautigam shows, Chinese trade networks provide credit and other key resources that can help stimulate local economies and businesses. Building upon Brautigam's argument, Chinese networks not only provide credit but these China shops in South Africa can serve as a model of how small businesses need to find new ways of increasing profit margins. The answer may not be to establish quotas that would limit Chinese products from entering South Africa, but rather to use this competition to force South African businesses to find their own competitive advantage.

Background on Chinese Diaspora in South Africa

Western analysts all over the United States and Europe have anxiously watched China, the fastest growing economy in the world, become the largest investor in South Africa. Micro-analysis by Western countries has grown dramatically due to concern that their economies will be negatively impacted

by large investment deals between China and South Africa. However, most analysis of China-South Africa ties has focused more on the growing levels of bilateral investment and formal trade in an attempt to find if this relationship is a truly mutually strategic partnership. Beneath the glamour of FOCAC and high levels of media coverage for large-scale trade and investment deals between these two countries lies the Chinese Diaspora: a stable and growing population that has seen many different waves and many different cultural identities since its immigration to South Africa in the mid to late 1800s.

The population of the Chinese Diaspora in South Africa remains relatively unclear some reporting the figure to be between 200,000 and 300,000 (Naidu 2008:185) yet many others believe the actual number is substantially higher.

> One very prominent member of the Chinese Diaspora suggested the total number of ethnic Chinese in South Africa from all three groups could be approaching one million (Burke and Corkin 2007:117).

One informed source working within the South African governmental migration office says that the numbers are 'more towards the higher end' than the lower estimates around 200,000.[3] What is known about the Chinese population is it has mostly immigrated to South Africa in three distinct waves; three groups of immigrants whose passports may have displayed the same country's name but in actuality have come from three very different Chinas.

Leaving from the southern Chinese port of Canton, the first wave of Chinese immigrants came to South Africa as early as the 1870s. These Chinese headed towards Johannesburg to work on the gold mines that had been recently found there, bringing their customs and local Cantonese dialect with them. They established what is now referred to as the first Chinatown in Johannesburg, located on Commission Street in the Central Business District. As time passed, the Chinese community moved out to Cyrildene, which is located outside the Central Business District, forming Johannesburg's second (also called 'new') Chinatown. These Chinese immigrants worked as unskilled labour, mostly living in the Johannesburg area, and stayed in South Africa past the gold rush boom of the 1800s. The generations of descendants that followed this initial wave may be referred to as 'South African born Chinese' (or SABCs), but are South African citizens. They speak several of South Africa's official languages and have moved into other forms of employment beyond unskilled labour.

The second wave of Chinese immigrants to South Africa arrived from Taiwan during the late 1970s. At that time the apartheid government was searching for alliances with countries of similar marginal status; forming a strong relationship with Taiwan served both countries' interests. Therefore, this wave of Chinese immigrants had an advantage over the first wave from

3 Interview: Cape Town, 14th August 2008.

mainland China in that the Taiwanese were able to benefit from substantial investment perks. The Taiwanese community was more or less isolated from the Chinese community already established within Johannesburg and so the Taiwanese did not suffer from the same restrictions under apartheid which South Africa-born Chinese were facing (Accone 2008:1-3).

The third and most recent wave is from mainland China, arriving post-1994 and settling all over South Africa. These immigrants, unlike the politically connected Taiwanese, are seen to affect South Africa's economy at a micro level as many of these small scale traders from China have gone beyond Johannesburg and can be found in any rural area within South Africa. Also, unlike the first two waves of Chinese immigrants, this wave has not formed a 'Chinese community' nor has it worked to set up 'Chinatowns' throughout South Africa. This wave of Chinese immigrants has come to South Africa as businessmen, trying to find any competitive advantage they can to make their businesses succeed.

Case Study: a small town located in the Western Cape

My field research followed an 'anthropological' approach, looking at how Chinese supply chains work throughout South Africa by spending time observing and interacting with the Chinese Diaspora, with most of detailed interviews being conducted in the town of the case study.[4]

Physical characteristics of the China shops

Located in the Western Cape is a small town[5] of around 200,000 people with a town centre occupied by various shopping centres and restaurants. In a town that hosts several vibrant shopping centres there have been ten China shops scattered throughout the centre since August 2008. Unlike in Johannesburg which hosts two Chinatowns, this town represents how these new China shops are not located all in one area or street but are scattered throughout the town.

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4 My study was partly financed with the help of the Tinker-Walker scholarship that was provided via American University. Having spent three months in the field, I was able to visit around 80 China shops, retail and wholesale shops, with the bulk of the wholesalers located in Johannesburg, South Africa. Detailed interviews and short encounters in the China shops were conducted in both English and Chinese, depending on the comfort of the shop owner.

5 The name of the town is withheld in order to protect the privacy and identity of the China Shop owners. Though the names of the shop owners have also been changed, it is the perception of this researcher that disclosing the name of the town would also make it possible to identify many of these shop owners, many whom shared their own personal business dynamics with the researcher.

The majority of the China shop owners (seven out of the ten) are from the newest wave of Chinese immigrants , having migrated into South Africa during the mid 1990s from mainland China. Six of the shop owners are from southern China and three are from the Shanghai region. The other three China shop owners are in fact three sisters from Taiwan. These three sisters migrated with their entire family, yet while the other family members run wholesale shops in Johannesburg these three sisters came to this small town to open three retail shops.

The China shops in this town are usually smaller retail shops, therefore able to staff fewer employees than would be required by larger wholesale shops. Nine of the China shops are staffed by two Chinese people, one of them stationed behind the cash register while the other mans the floor and serves customers. Seven of the ten stores also employ at least one South African worker. Usually, this employee has worked there for at least six months and has no plans to leave in the immediate future. All seven of these stores were employing South Africa women, all of whom had at least one dependent at home. [6]

All of the China shops seem at first glance to be exactly the same; they sell similar, if not the same, products and are located in similar sized store, the average being around 100 square meters. The stores in this town are all retail shops, which differs from larger cities such as Cape Town and Johannesburg, where the China Shops are usually wholesalers. For a retail owner, maintaining a good relationship with wholesalers is very important in order to keep and maintain the cheaper prices that each retail shop seeks. In the case of China Shops, the retailers tend to do business with wholesalers other family members or long-term friends are usually found. Mr. and Mrs. Wang [7] have owned a retail shop in the city centre for one year. This couple left Shanghai, China, nine years ago and headed to Australia. Mr. Wang said that he left China because small retail owners were starting to be put out of business in China by larger shopping centres coming in and replacing the smaller shops. But after having spent three years in Australia, Mr. Wang found the same problem there, plus too much red tape.[8] One of Mr. Wang's childhood

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6 The staffing female South African workers was only observed in this particularly small town, but was not found to be the case throughout the rest of South Africa. In other towns throughout South Africa, especially in larger wholesalers, the employees were non-South Africans from all over Africa, and were typically male. There could be various reasons why in this town more South Africans were employed than in China shops in other parts of South Africa, but that must be explored in a further study.

7 All the names of shop owners have been changed in order to respect their identity.

8 'Red tape' in this case refers to the numerous governmental procedures required for starting up a private business. Though South Africa's governmental procedures may consume a massive amount of small business owners' time, the initial costs for visas and permits are cheaper and easier to for foreigners to obtain than seems to be the case in many Western countries.

friends was in South Africa, running a wholesale business. After his friend ensured him that South Africa did not have the red tape problems that Australia had, and that small retail businesses were maintaining high levels of success, Mr. and Mrs. Wang packed up for the Western Cape. With a friend with a wholesale business who had maintained strong business relations with mainland China, Mr. Wang was able to run a large retail shop in Cape Town and eventually earned enough to turn his business into a wholesale business.

Mr. Wang came to South Africa with immediate business connections. His Chinese wholesale business owning partner was able to give Mr. Wang cheap prices for his retail goods, and recommended this small town where Mr. Wang could take over his store until he was able to get his own business going. After five years, Mr. Wang was able to buy his own retail business while continuing to purchase his goods from his long-time friend. In turn this helped to boost his friend's business by providing him with a loyal and long-term retail buyer of Chinese products. Since South Africa has a growing economy, and still supports small-scale businesses, Mr. Wang has found that in South Africa he and his wife have been able to make a good living.

Supply chains

Retail China Shops have been successful in South Africa and particularly this town by buying cheaply produced goods and by directly importing these products themselves. All China Shops in this town buy products that are directly imported from China. If the China Shop is a wholesale shop then the owner will call his contact in Hong Kong or Shanghai directly to place his order. Depending on whether the goods have already been assembled or have one or two weeks production time left, it will take four to six weeks until the container arrives at the South African destination port. However, no container leaves a port in China until the money has been wired from the South Africa wholesaler to his business contact in China. Ms. Pong, who owns a large textile wholesale business in the Western Cape, places an order for one container of goods per month. Each container is around sixty six square meters in size, and products range from clothing, shoes, jewellery and hand bags to toys and school supplies. The price for each container is $ US 3,500.00, which covers the empty container, plus the cost of the goods and a South African tax – a value that can be anywhere from 20 % to 40 % of the value of the cargo.

Ms. Pong never knows how many customs officers will arrive at the port where the container waits to be opened; anywhere from one to four officers might come to view her products. If there is a discrepancy between what her records show she ordered and what is within the container, the wholesaler must pay a fine. The amount of the fine depends on how much is miss-

ing and which products were sent instead and how many customs officers turn up to open and evaluate the container. Ms. Pong stressed that bribing the customs officers is not as common in South Africa as in other countries because often a number of officers show up, which seems to discourage open bribes. Furthermore, Ms. Pong said that if a businessperson offers a bribe to a South African official, the officer often thinks the container is bringing in something illegal, and will search the container more closely. If an officer does not give clearance for a container, then the entire shipment may be lost and the wholesaler may lose thousands of dollars. A wholesaler in South Africa depends on a supplier in China to carefully and accurately pack the container to prevent discrepancies which could result in fines or the loss of the entire container. Traders often expressed that a long and friendly relationship with their contacts in China increases their level of accountability in this trade network. A close relationship with contacts in China seems to make the loss of entire shipments dramatically less likely than would happen with a new relationship.

Once the container is opened, checked and cleared by custom officers, the wholesaler takes the goods to his storage areas, often located within the wholesale shop or, for the larger wholesalers, in a separate building close by. Once the goods have been deposited, a phone call is placed to the retail businesses that their goods have arrived. Retail traders will then drive to the wholesalers to collect their products. By driving to the wholesalers themselves, retail traders are able to increase their profit margins by cutting out a distributor acting as a middle man.

Chinese wholesalers are able to keep their prices so low by directly importing their products from China themselves while also controlling the stocking and distribution of goods once they reach South Africa. They stress that even with high taxes and the prices of the containers, it remains cheaper to import their products directly from China rather than buy them from within South Africa or anywhere else within Sub-Saharan Africa. The easiest and most common way of obtaining cheaper goods directly from China is through the extremely important Chinese practice of maintaining 'Guanxi' with every business contact; there is a high premium on an individual's social capital within his group of friends, relatives, and business associates. Friendly and long-term relations between wholesalers and retailers, and especially between wholesalers and their Hong Kong or mainland China contacts, help to keep end prices at a lower 'friendship' level.

It is not only that these China shop owners maintain friendships with their mainland China contacts, but often, and particularly within this small town, many businesses maintain control along every aspect of the supply chain by having family members in every aspect of the business. As mentioned above, there are three sisters who own three China shops within the centre of this small town. These three stores have a similar feel to them, but

are located in three different shopping areas of the town centre. The sisters have their business in retail and their uncle owns a wholesale business in Johannesburg.[9] Once a month, one of the sisters makes the drive to their uncle's wholesale business in Johannesburg. This drive can take between one or two days, depending on the speed she drives and the number of stops, but the journey is worthwhile due to the favourable prices they receive from their uncle. Most of the retail owners in this town drive to Cape Town to conduct business with their wholesaler.

Even without a low 'friendship' price given to family members or long term friends, there are several additional reasons why Chinese products can often be bought at lower prices than would be purchased elsewhere on the African continent. One reason is the cheap exchange rate given as a result of the low value of the Yuan compared to the dollar or pound. Economists have long claimed that China keeps its currency undervalued, some claim it is somewhere between 40 % and 60 % undervalue[10] in order to maintain a competitive advantage over other international markets. Regardless of this debate, China Shops in South Africa are able to buy their products much more cheaply directly from China due to China's long history of cheap labour costs. Therefore, China Shop owners are able to increase their profit margins by taking advantage of China's low production costs, directly importing the products themselves and maintaining good relations and control throughout every step of their business.

Competition

When asked who their competition is, South African retail owners in this small town often draw a line between China Shops versus non-China Shops. This division seems to define two distinct business groups, Chinese versus non-Chinese retail shops. Moreover this division seems to indicate that all China Shops work together socially and economically, a feeling that contributes to this notion of 'China Inc': that all Chinese immigrants can be lumped together as one .

But when Mr. Fu, a China retail shop owner was asked who his competitors are his answer was simple: everyone. Mr. Fu went on to explain that it is not the non-Chinese stores that compete with him, but every retail store in town. When asked if the Chinese stores are competitive, Mr. Fu stressed that it was 'especially the China Shops' that are competitive. He went on to

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9 The term 'uncle' in Chinese culture can have two meanings. One 'uncle' refers to an actual uncle, meaning the brother of a father. Another version of 'uncle' means an older male who is considered a close friend of the family and subject speaking. In this case, when the sisters refer to their 'uncle', they are talking about their father's brother.

10 The Economist's Big Mac Index indicates the *Yuan* is 59 % *undervalued.*

explain the dynamics between himself and the three Taiwanese sisters. According to Mr. Fu, the three sisters are known all over the town for going into other China Shops and gossiping about their other two sisters. But raising his eyebrow Mr. Fu added: 'At least that's what they want us to believe.' He then went on to talk about how one sister would come into his store complaining that her other sister was 'raising her prices' or 'going to focus more on shoes or bags', and then that sister would walk out of this store. Mr. Fu stressed, 'I never believe them. They are just trying to see what I am going to do.'

When asking Mr. Wang, another retail owner, if the entire community lives near each other or would even get together for dinner, Mr. Wang just shook his head.

> 'Why would I eat with them? I have nothing in common with them. We are not from the same areas in China, we do not speak the same dialect or even language, and moreover they are my competitors! Yes we know of each other and are friendly, but I am like that with everyone in this town.'

When asked if he connects with the older population of Chinese immigrants, Mr. Wang just said, 'We come from very different Chinas.' Mr. Wang came to this town because of a good friend's business contacts, and though he knows some other retail owners may buy from the same wholesaler, Mr. Wang stresses he would never leave for another wholesaler.

With several retail owners buying from the same wholesaler many of the products in these China Shops appear to be the same, a reality that many cannot get away from. Therefore, when Mr. Wang was asked how he can compete with other China Shops that look exactly the same, he stressed:

> 'But we don't all look the same. I focus more on bags and luggage, and I stay away from clothing. I don't know anything about clothing, plus that China shop across the street sells clothing.'

By working on selling a more diverse range of products than another China shop is selling, Mr. Wang believes he is able to remain competitive. Along with cheaper prices, a variety of products will always bring the consumers back to his shop.

Finally, what gives Mr. Wang and Mr. Fu their competitive edge is the ability to change their supply according to the demand of the consumer. During a time of high food costs, high oil prices[11] and a country that is facing unemployment and poverty issues, Chinese traders believe they have found a market within South Africa for cheap consumer goods. Mr. Fu stressed that

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11 Prior to publication, oil prices began to fall from an all-time high in July 2008 when field research was conducted. It is the opinion of the author that this will be a short-lived period of relief and that oil prices are still high relative to living standards in South Africa.

if he finds that more people are buying larger bags than smaller hand bags, 'I just call my friend in Cape Town and get them brought in the next container from China. Whatever will sell, I will stock.'

Every China Shop in this small town is working in a competitive business; but as long as these shops can sell cheap goods to a market in which the consumers themselves demand these prices, China Shops will always do business: a competitive business that will be willing to adapt and change in order to survive.

Current Environment for 'China Shops' within South Africa

Textile Quotas

China Shops throughout South Africa, though found to be competitive in price, still trade at a much smaller volume than numerous other retail stores owned by non-Chinese owners that sell Chinese-made goods. Since they were initiated in 2005, the quotas imposed on Chinese textile imports have been a major topic of conversation and contention. In 2005, it was believed that a quota placed on Chinese textile imports would give the South African textile industry some breathing room, allowing the industry to remain competitive against the high volume of cheaper products coming into South Africa. When the agreement between the South African and Chinese governments was signed in 2005, Chinese imports accounted for 74 % of all apparel imports into South Africa (Naidu 2008:182).

Johann van Eeden and Ron Sandrey (2007) have studied extensively South African quotas on Chinese clothing and textiles and have found that they did little to improve the South African industry. There are two reasons for this: first, the void left in the South African market for cheap garments was filled by other Asian countries (such as Vietnam, Bangladesh and India) and second, a number of South African wholesalers continued to import Chinese garments beyond the limit of the quota through third countries such as Dubai. Furthermore, retailers and other small traders found that buying Chinese-made products was the only way to maintain their profit margins; therefore they continued to buy their retail products from wholesalers selling cheap Chinese goods.

Xenophobic attacks

Emerging in the second half of 2008 were three elements that have begun to shake the Chinese communities in this small town and throughout South Africa. Firstly, the xenophobic attacks in South Africa which broke out initially in Johannesburg in late May 2008. The attacks seemed to be directed initially at Mozambican nationals, but quickly spread to any group of non-South Af-

ricans who appeared to be succeeding in a country that has a massive unemployment problem. After a few weeks, more than 17,000 people had been displaced, 42 people killed and more than 400 suspects arrested.[12] Though the Chinese community may not have been the initial group at which the violence was directed, the attacks quickly moved to any non-South African group. Thus, there were several reports of violence on Chinese shop owners in Johannesburg. Though China Shops in the town in which the case study was focused did not experience any such attacks, many Chinese owners stressed that this was the first time that they felt they belonged to this community; a community that was being targeted and now lacked a sense of belonging to the country in which these people have lived for a decade.

Black empowerment rulings

The second event that has stirred the Chinese Diaspora throughout South Africa was a court case which occurred after years of lobbying the South African government to clarify the position of the Chinese in black economic empowerment legislation. The Pretoria High Court on the 18th of June, 2008 ruled that South Africans of Chinese descent qualify for the full benefits of the country's employment equity, thus fall within the ambit of the definition of 'black people' in the Employment Equity Act (EEA) 55 of 1998 and the Broad-Based Black Economic Empowerment Act (BBBEEA) 53 of 2003.

After the ruling came out, many South African business owners stressed their anger with the ruling saying that Chinese in South Africa are using this ruling to gain advantages in business, namely the perks of black empowerment that are given to people who were oppressed during apartheid. The South African media reported on some black businesses, such as the National African Federated Chamber of Commerce (Nafcoc), who stressed that they would appeal against the ruling if the government would not.

One reason that black businesses were lashing out against the ruling was embedded in the anger that it was only the Chinese who benefited from the court's decision and the fear that South Africa would 'be flooded by everything from China.'[13] Limited media coverage and governmental briefings have attempted to change and clarify these misconceptions of the recent rulings, which have added to existing anger towards the Chinese community and 'China Shops' throughout South Africa. Many Chinese shop owners expressed anger towards these new levels of backlash towards their trade in South Africa, expressing fear that these misconceptions would hurt their businesses.

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12 'South Africa: xenophobia attacks spreading. UN Integrated Regional Information Network', 23 May 2008.

13 Stated by the Labour Minister in a briefing to the media on the 24th of June, 2008.

What needed to be widely explained is that those who qualify for employment-related benefits are those who had suffered and been discriminated against during apartheid; i.e. they must have lived in South Africa prior to 1994. As defined in the introduction, the Chinese Diaspora contains three waves of Chinese immigrants. The first wave of immigrants, having lived in South Africa from as early as the 1870s, are the South African-born Chinese who, during apartheid, were classified as non-White and thus had to struggle and fight for equality. It is this group of South Africans who will and should benefit from the recent High Court rulings. The newest wave of Chinese immigrants, who are the focus of this study, arrived in South Africa in the mid to late 1990s. Not having suffered under apartheid, the rulings have no bearing on this more recent wave of immigrants, thus the backlash that has been targeted at the China Shops in South Africa as businesses that are receiving benefits from the South African government is farcical and lacks merit.

City politics

Within the small town in which the above case study was conducted, new developments have surfaced in August 2008 that will impact the China Shops. Many of the buildings located in the central shopping area are being renovated and business owners have been told that they must shut down their shops for eight months during these renovations. Afterwards, the businesses will be able to reopen but at the new higher rent prices. Business owners in various shops have had to reassess their business plans for the coming few years and the loss of eight months of revenue may put many out of business unless these owners can find a new location to set up shop.

Six out of the ten China shops in this town are located within this area which is being shut down for at least eight months. Business owners have been given thirty days to make a decision about whether they were going to renew their business once the construction is completed. Mr. Kong expressed that he was feeling driven out, and that raising the rent was just a method to drive his China shop from the centre of town. Stressing that no one will drive him out, Mr. Kong is relocating his business to another area within the town during the period of construction and will return to reopen his business. But three of the China shops have yet to decide if they will stay in this town, expressing concerns about financial restrictions as well as fear of being targeted. While I was in Mr. Kong's store, one of the three Taiwanese sisters walked in. After a few minutes, she started talking about how one of her sisters was thinking about leaving the town and trying her luck in another town. Announcing that she herself did not see any future in the town she then asked what Mr. Kong was going to do, and he simply shrugged his shoulders. Once she left, he sneered that he did not believe anything that she

said and that this was just another tactic to drive his business away from hers. But regardless of Mr. Kong's or other China shop owners' decisions, it is clear that the presence of China Shops within South Africa has reached the point that makes it impossible to ignore their competitive social and economic presence within South Africa.

Conclusion

The new 'third wave' of Chinese immigrants has not only dominated the line of trade supply from Hong Kong to South Africa, but has also managed to bring global competition to South African towns in their small China Shops. These Chinese traders are not only highly competitive with other non-Chinese traders, but in many cases show an increasing level of competition with other Chinese traders.

Increasing levels of competition between China Shops could also be attributed to market saturation that is a common feature of increasing Chinese migration and a growing number of China Shops. Heidi Ostbe Haugen and Jorgen Carling argue in their case study of Chinese shops (termed 'baihuo shops') in Cape Verde that this market saturation has resulted in falling profit margins for many Chinese businesses (Haugen 2005:639-662). One common solution to market saturation according to Haugen and Carling is geographical expansion. Such expansion not only explains how China Shops throughout Africa, including South Africa, gained a foothold but also why China Shops in South Africa have expanded beyond the major port cities into smaller towns throughout the country. But regardless of whether the same argument of market saturation that was made for Cape Verde can be made for South Africa, South African China Shops have already begun to seek new ways of gaining competitive advantages over other China Shops. The main trend that can be seen within these South African China Shops is that the increasing levels of competition have resulted in a more individualistic scramble to improve profit margins, not a unified network of Chinese businesses working collectively to control the market.

If one enters 'China city' in Johannesburg, one finds anywhere between 50 to 75 Chinese wholesalers, selling an abundance of goods. Many of their customers are Chinese retail owners, coming to collect their goods and personally transport them to their shops throughout South Africa. Half of the customers that buy Chinese products from these wholesalers are non-Chinese, a variety of South African, Indian and other African retail traders. When asked why he was shopping at this particular wholesaler, an Indian retail owner said: 'Where else can I buy? These are the cheapest and best products I can buy.' Though buying directly from Chinese wholesalers has been giving non-Chinese traders a higher margin of profit, these traders have

not managed to control the entire line of supply chains to the same extent as the Chinese. Until this happens, these China Shops will always have an edge over their competition.

As South Africa has witnessed in the past few years, different actors will come and go in their economy. During the years when Chinese enterprises were forced to decrease their supply by national quotas, other countries and industries stepped in to fill the Chinese supply vacuum. The lesson which South Africa must learn is that this type of 'Chinese competitive business' is here to stay. This business model may not always be in the form of China Shops selling cheap bags and shoes, but this type of competitive business has only become more intense in our age of globalization. In order to compete, South African businesses need to realize that their competitors do not just come from the Chinese market; they are from the global market. But if South African traders can learn from the adaptation that Chinese traders have mastered over the years, they will be able to compete with these China Shops at various levels.

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Zusammenfassung

Das Phänomen der „China-shops“: Handelsversorgung innerhalb der chinesischen Diaspora in Südafrika

Die jüngste Welle von Neuankömmlingen innerhalb der chinesischen Diaspora in Südafrika Mitte der 1990er Jahre etablierte in erfolgreicher Weise eine Handelslinie zur Versorgung von Millionen Haushalten in Südafrika aus den weit entfernten Häfen Chinas. Diese Studie untersucht das wirtschaftliche Umfeld, in welchem kleine „chinesische Läden“ arbeiten und beschäftigt sich insbesondere mit dem Aspekt der Konkurrenz innerhalb der Gruppen chinesischer Händler und den Auswirkungen, die die jüngste Welle chinesischer Einwanderer auf die Versorgungsketten und Nachfrage in Südafrika hat. Eine Fallstudie in einer kleinen südafrikanischen Stadt zeigt auf, wie die chinesische Gemeinschaft ihre Wettbewerbsvorteile nutzt, um ihren Handelswert zu maximieren. Ein Thema dieser Studie ist ebenfalls, die Vorstellung einer ‚China Inc' zu hinterfragen, indem dargelegt wird, dass chinesische Händler von Konsumgütern, selbst wenn sie die Nachfrage der Kunden in Südafrika verändert haben, doch vor allem in dem individuellen Streben konkurrieren, Vorteile über andere chinesische Geschäfte zu gewinnen.

Schlüsselwörter

China, Südafrika, Export, Handel, Wettbewerb, Konsument

Résumé

Le China Shop: le commerce de l'approvisionnement au sein de la diaspora chinoise en Afrique du Sud

Depuis le milieu des années 1990, une nouvelle vague d'immigrants déferle au sein de la diaspora chinoise en Afrique du Sud. Ceux-ci ont établi et contrôlent maintenant la chaîne d'approvisionnement du commerce, des ports de Chine jusqu'aux foyers de millions de Sud-Africains. Cet article examine l'environnement économique dans lequel chaque petit 'China Shop' se développe et analyse en particulier la compétition qui règne entre les commerçants chinois et la manière dont cette dernière vague d'immigration chinoise a affecté la chaîne d'approvisionnement et la demande en Afrique du Sud. Cet article repose sur l'étude d'une petite ville sud-africaine qui montre comment la communauté chinoise utilise ses avantages comparatifs pour maximiser la valeur de son commerce. L'auteur de cet article relativise fortement la notion de 'China Inc' en argumentant que bien que l'approvisionnement des commerçants chinois ait pu modifier la demande des consommateurs en Afrique du Sud, ils mènent avant

tout une compétition individuelle pour obtenir des avantages concurrentiels par rapport aux autres 'China Shop'.

Mots clés

Chine, Afrique du Sud, export, commerce, compétition, consommateur

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