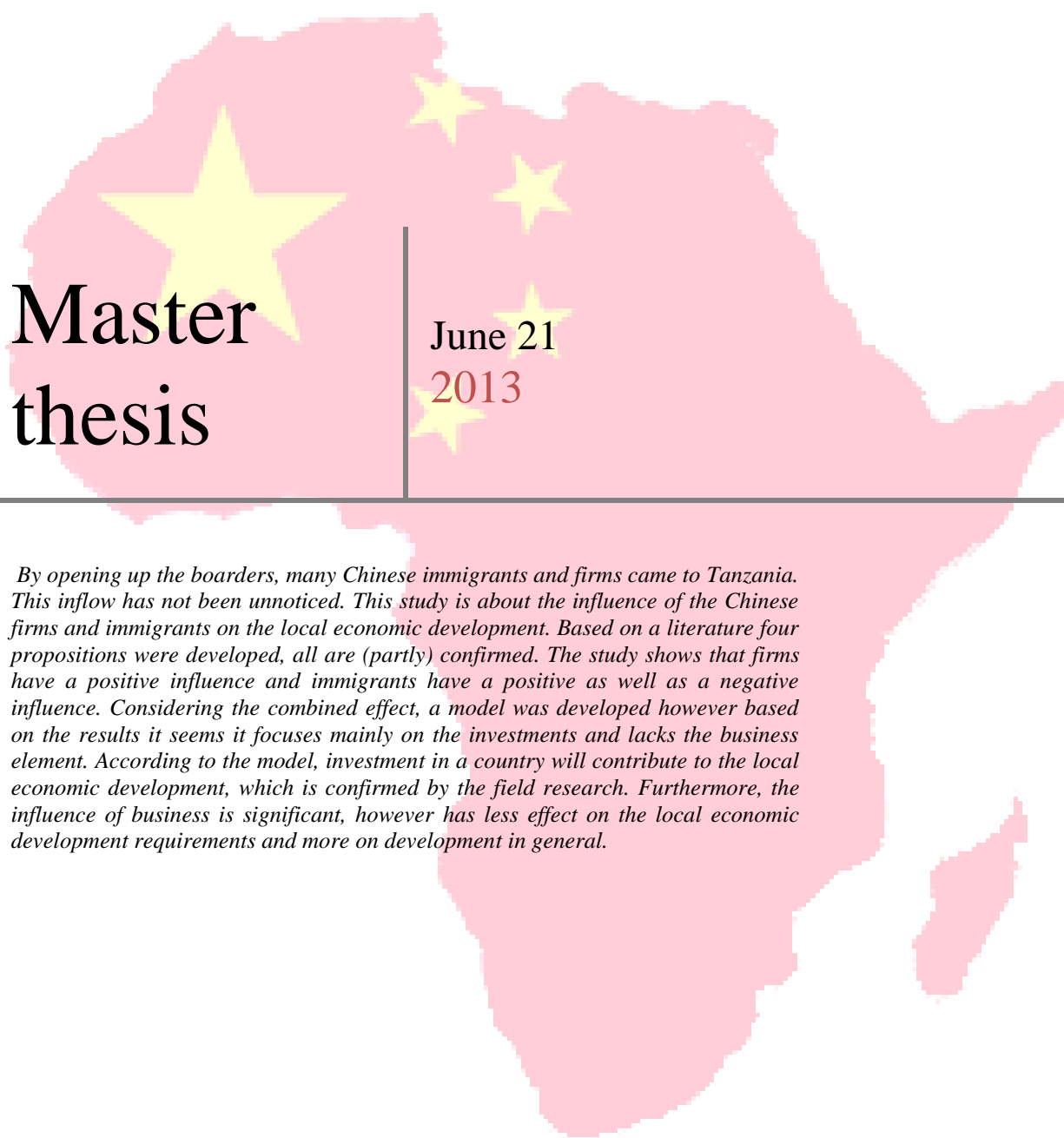


The influence of Chinese firms and immigrants on the local economic development

The case of Dar es Salaam



Master
thesis

June 21
2013

By opening up the borders, many Chinese immigrants and firms came to Tanzania. This inflow has not been unnoticed. This study is about the influence of the Chinese firms and immigrants on the local economic development. Based on a literature four propositions were developed, all are (partly) confirmed. The study shows that firms have a positive influence and immigrants have a positive as well as a negative influence. Considering the combined effect, a model was developed however based on the results it seems it focuses mainly on the investments and lacks the business element. According to the model, investment in a country will contribute to the local economic development, which is confirmed by the field research. Furthermore, the influence of business is significant, however has less effect on the local economic development requirements and more on development in general.

Author: Femke H. de Jong
Student number: 2226197
Supervisor: Dr. B.J.W. Pennink
University of Groningen

Key words: Africa, China, Local economic development, Immigrants & FDI



Table of content

1. Introduction.....	3
2. Background literature: China – Africa.....	7
2.1 Local economic development	7
2.2 Economic growth in Africa.....	7
2.3 FDI-driven economic development	8
2.4 China’s aid program.....	10
3. The core of this study: conceptual model	11
3.1 Social and human capital	11
3.1.1. <i>The inflow of Chinese firms</i>	12
3.1.2 <i>The inflow of Chinese immigrants</i>	12
3.2 Local economic development	15
3.3 The model	16
4. Research method.....	18
4.1 Type of study	18
4.2 Data collection and processing	18
5. Empirical results: Chinese firms and immigrants in Dar es Salaam	20
5.1 Tanzania and China.....	20
5.1.1 <i>The friendship</i>	20
5.1.2 <i>The opinion of the society</i>	21
5.2 Chinese firms	23
5.2.1 <i>Investments and doing business</i>	23
5.2.2 <i>Work method</i>	24
5.2.3 <i>Stakeholders</i>	25
5.2.4 <i>(Business) networks</i>	25
5.3 Chinese immigrants	26
5.3.1 <i>Number of Chinese immigrants</i>	26
5.3.2 <i>Permits</i>	26
5.3.3 <i>Duration of their stay</i>	27
5.3.4 <i>Culture</i>	27



6.	Analysis: are the propositions supported?	29
6.1	The inflow of Chinese firms	29
6.2	The inflow of Chinese immigrants.....	29
6.3	The combined influence: influence on the requirements of development	30
6.4	The new model.....	32
7.	Conclusion	35
7.1	Answering the research question	35
7.2	Further research	35
	References.....	36
	Appendix 1: Summary of the collected data.....	39



1. Introduction

There is a clear distinction between economic growth and economic development made by Kindleberger and Herrick (1977), in their work on economic development, they state the following: while economic growth is solely about an increase in output, economic development is about an increase in output and changes in the technical and institutional arrangements by which this increase is produced and distributed. This thesis will focus on the economic development caused by the Chinese firms and Chinese immigrant in a local setting in Africa.

China is active in Africa, at least according to the Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC), “China has become Africa’s largest trading partner with two-way trade reaching over USD 166 billion in 2011. Chinese policy banks are now major sources of finance for African governments. Chinese companies are investing in Africa’s natural resources, infrastructure, manufacturing, and agriculture” (DIIS, 2012). According to previous research, China’s interest in this continent is based on economic reasons; Africa as market for the Chinese goods, Africa as source for fossil fuels and as a source for raw material (Shelton, 2001 and Alden, 2005). Besides, there are as well diplomacy reasons for China to be in Africa; China sees in Africa a potential partner in the international field and in global multilateral forums (Giry, 2004).

There is already a lot of research conducted on the Sino-African relationship. In which the centre of attention was established at the macro level of this relationship, many is written about the development of this relationship and the resulting effects on China as well as Africa. However, not much attention is paid to the effect of this relationship at the micro level. What happens in a local setting in Africa if Chinese people and firms settle down?

Furthermore, the fact that this tightened relationship between China and Africa goes together with a remarkable growing stream of Chinese immigrant to Africa is as well underexposed. “Extrapolating on the basis of the high rates of growth, we assume here for the first time that Chinese migration to Africa has probably already passed the one million mark” (Asche & Schuller, n.d., p.31). Mohan and Tan-Mullins (2009) state that these waves of immigrants to Africa are the new shapers of development in Africa. And considering the fact that the Chinese are increasingly investing in Africa this stream of immigrant is expected to grow even further. The stream of immigrants consist of people who go there as employees of a company but there are also many adventurers and company leavers: “Asian firms tend to use large numbers of expatriate managers and supervisors in their foreign investments, and these individuals often leave their employers to set up their own firms in the economies where they find themselves. The greater prospects offered abroad are an incentive for aspiring entrepreneurs from China,



Taiwan or India to move from their home countries, where their opportunities are more limited” (Teunissen, 2005: 16). As Teunissen states; “Don’t forget that the overseas Chinese community has been a driving force in the market-led integration of Asia” (P.16).

Even though it is clear that there is a growing wave of Chinese in Africa, the extent of this wave is based on speculations. According to Mohan and Tan-Mullins (2009) the settlement in Africa in terms of Chinese migrants is even the lowest compared to other continents, however: “the generally small size of local economies means that relatively few new entrants to a market can have disproportionate effects” (p. 589). Hence, the impact that China has on Africa is remarkable. However the impact of the Chinese firms and Chinese immigrants on the micro level is not yet researched.

Africa is interesting to study because of the combination of Chinese firms and Chinese immigrants who both try their luck in the continent. This makes the situation different for example Australia which is more characterized by immigration compared to FDI. Therefore, this study will focus on the impact of the Chinese companies and immigrants separate as well as the combined impact of those two variables. The results of this study focusing on the local perspective can deliver the missing pieces in the puzzle about the influence of China on Africa which currently solely focused on the influence on the macro level and mainly uses MNEs as variable. This study is important because the stream of Chinese immigrants and firms is huge and is expected to grow even further. It’s important to study the consequences of this phenomenon because at the end of day that is what the daily life of ordinary people will influence and determine. The research question of this thesis will be:

What are the impacts of Chinese firms and Chinese immigrants on the local economic development when settling in Africa?

When a Chinese multinational goes to Africa they essentially aim on the generation of profit and market share. Pursuing these goals could be seen as social responsible when the local community experience an improvement of the individual and community’s life conditions. According to previous research local economic development and MNC’s gains can go together (Nagi & Pennink, 2013). In their model (Figure 1) they brought the needs of the local communities together with the strategies of the MNCs.

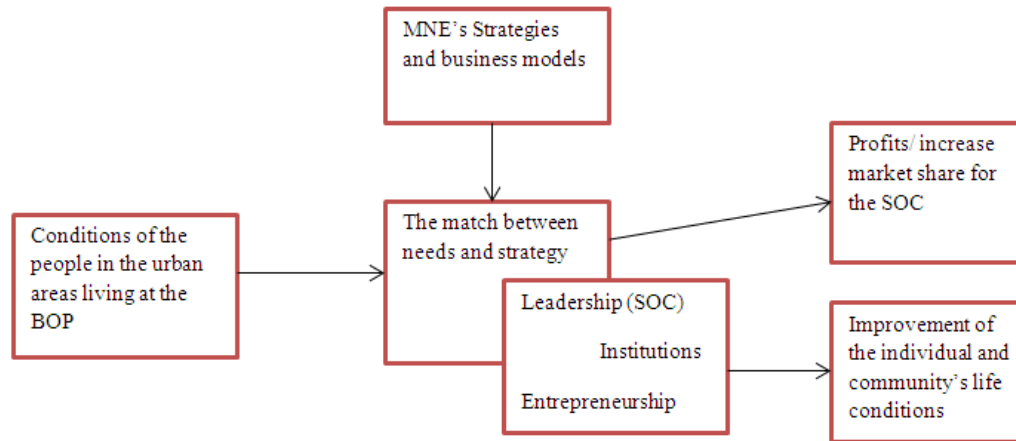


Figure 1 Local economic development according Nagi & Pennink (2013)

However, there are not only MNEs that come to Africa; those companies will bring some of their employees as well. Furthermore it can be expected that there is as well a stream of immigrants who try their luck by going there individually. Hence, the tightened relationship between China and Africa goes together with a remarkable growing stream of Chinese immigrant to Africa. For the purpose of this study, the model of Nagi and Pennink will be extended and modified, which can be seen in figure 2.

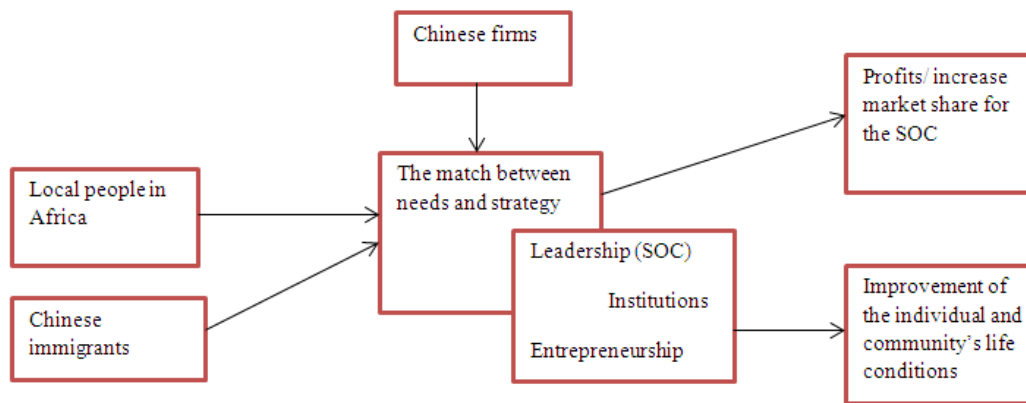


Figure 2 Local economic development according Nagi & Pennink, extended version (2013)

According to the model of Nagi and Pennink there will be improvement of the life conditions and profits when there is a match between the needs of the local community and strategy of the MNCs. Whether there is a correct match between these two factors depends on the MNCs on the one hand and the local people on the other hand. Furthermore, it can be stated that the match between the needs and the strategy leads to improvement of the life conditions and profits, in a way that the match positively impacts (the local economic development requirements which results in) local economic development. Therefore, the question is what has as well an influence on local economic development (requirements) and in the end

will result in profits and improvement of well-being? This study will show what the impact is of the Chinese immigrants and firms.

Figure 3 shows two additional steps which are not shown in the model of Nagi and Pennink: Impact on local economic development requirements and Local economic development. Therefore, the idea is that a match between the needs of the community and the strategy of the MNC has impact on the local economic development (requirements) and when this impact is positive this will lead to local economic development. This study claims that not only alignment between the strategy and the needs boost local economic development, but the influence immigrants and firms play a role as well. Therefore, this study focuses merely on a part of figure 2; which is represented in figure 3.

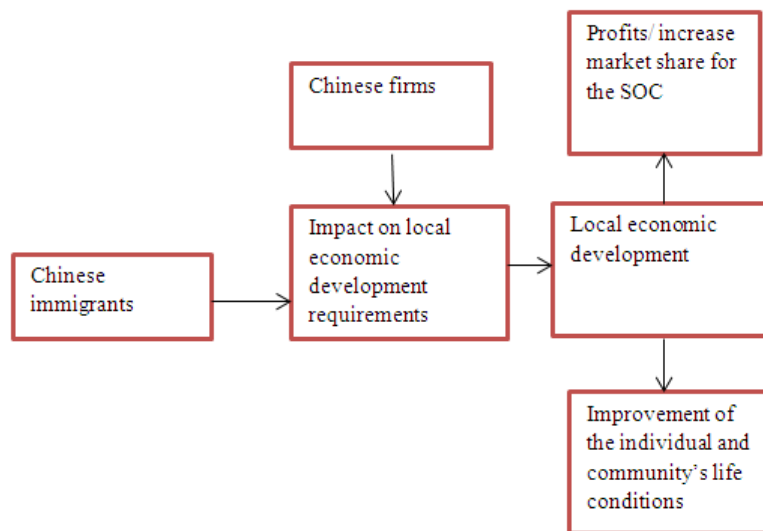


Figure 3 Conceptual model; influence of the Chinese firms and immigrant on the local economic development

The first step of this conceptual model is the consideration of the Chinese companies and their influence on the local economic development (requirements). The second step is the identification of the nature of the Chinese diaspora and their influence on the local economic development (requirements). The last step is the examination of the integrated influence of both, the Chinese immigrants and the Chinese firms, on the local economic development requirements in Africa. The end result of this study will be a description of the influence of the Chinese immigrants and companies on local economic development, this could contribute to the results of Nagi and Pennink (see figure 1). There is a representation of a more detailed version of this conceptual model in chapter 3. The next chapter will discuss the background literature which supports the core of this study.



2. Background literature: China – Africa

2.1 Local economic development

To begin, it is relevant to make the distinction between economic growth and economic development considering the different meaning. Kindleberger and Herrick (1977) make this distinction as follows: while economic growth is solely about an increase in output, economic development is about an increase in output and changes in the technical and institutional arrangements by which this increase is produced and distributed. Furthermore, the authors define the concept of economic development as the improvement of material well-being as well as the improvement in the distribution of income and “greater participation of broadly based groups in making decisions about the direction, economic and otherwise, in which they should move their welfare” (Kindleberger & Herrick, 1977:1). The definition of Woman and Spitzley (1996) is related to this definition, however is more compact and therefore more practical to work with. Therefore the definition of Woman and Spitzley (1996) will be used to describe economic development: “an increase in the economic well-being of area residents, usually manifested by positive changes in the level and distribution of area employment and per capita income” (p. 116). The word ‘change’ in the definition is crucial since this study is investigating whether the incoming stream of Chinese firms and immigrants has led to a change, and whether this has positive or negative consequences for the economic well-being of residents.

2.2 Economic growth in Africa

In the Economic report on Africa 2011 is stated that the main economic goals of the continent’s policy are the achievement of sustainable economic growth and social development. However, despite some progress in the improvement of macroeconomic management, many economies of the continent did not show high growth rates and reaching high levels of social development has been rare (UNECA & AUC, 2011). However: Africa has strengthened the recovery that started after the global financial and economic crisis, with GDP growth rising from 2.3 per cent in 2009 to 4.7 per cent in 2010” (UNECA & AUC, 2011:29). The growth in Africa is partly the result of the raising commodity prices and demand from India and China. Nevertheless, Africa is very diverse; the 53 countries are all at a different stage of development according to Bannock and Darroll (2007). The recovery speed after the crisis was therefore different among the countries; there is a clear distinction between the oil-exporting and oil-importing countries visible in terms of growth, see figure 4.

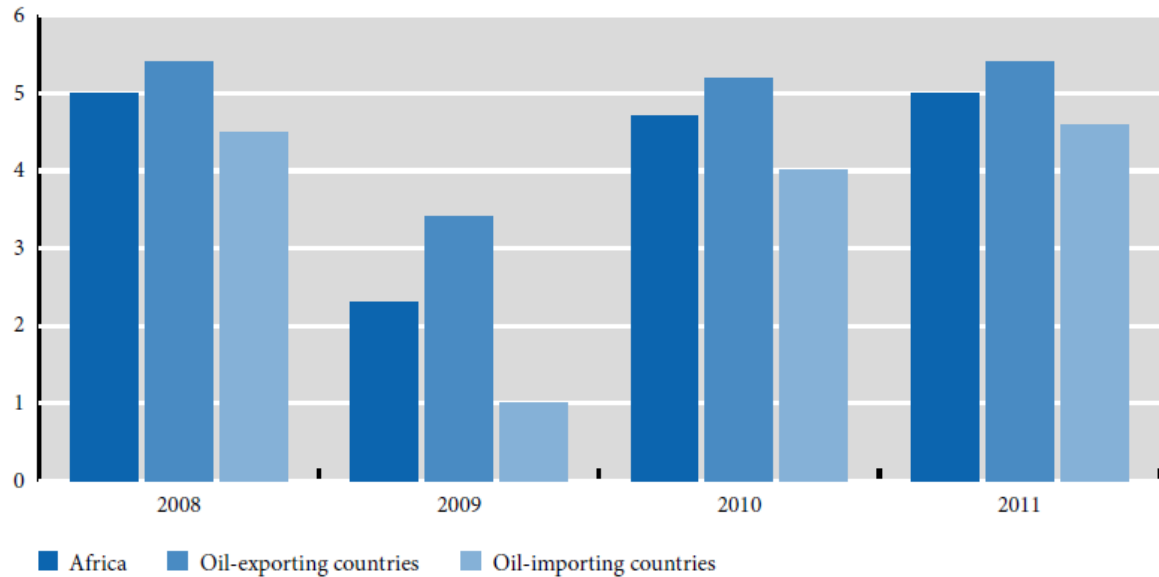


Figure 4 Growth in Africa, oil-exporting versus oil-importing countries, 2008–2011 (%) (UNECA & AUC, 2011).

Because this study focuses on the situation in the urban area, it is important to consider the following literature. Beyer et al (2003) state that urban growth leads often to GDP growth, however this is not the case in Africa, though Africa has the highest rates of urbanization of the world. “An increase in the number of people causes increased demand for food, water, land and other essential materials from the natural resource pool. It also increases pressure to environmental resources, and demand for social services that have to be financed by the national economy” (Madulu, 2004: 96). Moreover, it is expected that by 2025 more than half of all African will live in the urban area. However this urbanization goes without the necessary investment in the basic infrastructures. Hence, many African living in cities will lack access to safe water and sanitation (Regional overview). The forecasting further growth of the population in cities refined the role of cities and local governments. “The fiscal and non-fiscal needs of urban population growth can be better met by creating well-defined local economic development (LED) strategies” (Beyer et al, 2003: 7). Those strategies can support the diminishing of the negative consequences of urbanization and leverage internal resources. In order to create and implement a successful LED strategy the local authorities need be able to engage a wide array of stakeholder.

2.3 FDI-driven economic development

According to previous research FDI could play a role in the stimulation of economic development by means of facilitating transfers of technology, the creation of jobs, supporting import substitution and contribution to export enlargement (Chen, Melchroinos & Chang, 2010). In the literature debate is going on about the actual effects of FDI. There is a general assumption that FDI leads to an increase in social welfare and raises income, however there is not enough empirical evidence to prove this (Mullen & Williams, 2005). DeMello (1999) states that the influence of FDI on the economic growth depends on



the degree of complementarity and substitutability between foreign and domestic capital. Others argue that it depends on the FDI itself: “The direction, magnitude and duration of FDI effects on the economic development of the host region depend largely on the kind of investment that is attracted there” (Chen, Melchroinos & Chang, 2010: 215). It is important to make the distinction between the effect of FDI on the local economy compared to the whole economy of a country. Mullen and Williams (2005), argue that the effect of FDI does not occur consistently across the geographic area: “Rather, those specific locales where such investment is initially concentrated are likely to reap the early rewards in the form of stronger output and employment growth” (p. 269). They found that inward FDI has an important influence on regional economic activity. Driffield (2006) conclusion is equivalent to this, he founds that the effects of FDI in UK are not equal for all regions, the spillover effects are more localized that previously has been thought. Hence, whether the result of FDI is positive or negative depends on the local economic development depends on the characteristics of the FDI itself and the local characteristics as well.

“China’s FDI outward stock in Africa increased to \$2.56 billion in 2006 from \$49.2 million in 1990 and FDI outflows from China to Africa reached \$520 million in 2006 up from \$1.5 million in 1991” (Besada et al., 2008:3). Figure 5 shows a table of the largest recipient African countries of Chinese FDI flows.

	2003	2004	2005	2006	Total 2003–2006
Sudan		146.70	91.13	50.79	288.62
Algeria	2.47	11.21	84.87	98.93	197.48
Nigeria	24.40	45.52	53.3	67.79	191.01
South Africa	8.86	17.81	47.47	40.74	114.88
Zambia	5.53	2.23	10.09	87.44	105.29
Congo, Democratic Republic of	0.06	11.91	5.07	36.73	53.77
Guinea	1.20	14.44	16.34	0.75	32.73
Ethiopia	0.98	0.43	4.93	23.95	30.29
Egypt	2.10	5.72	13.31	8.85	29.98
Mauritius	10.27	0.44	2.04	16.59	29.34
Angola	0.19	0.18	0.47	22.39	23.23
Congo, Rep.		0.51	8.11	13.24	21.86
Total	74.81	317.43	391.68	519.86	1303.78

Figure 5 Largest African host countries for Chinese FDI (in current US\$ million) (Kolstad & Wiig, 2011: 36)

The opinions about the development and consequences of this intensifying relationship are divided. Some scholars view China’s involvement in Africa, as an opportunity for Africa to grow and develop. “Chinese investments have also been seen as beneficial to African economies, particularly when they are coupled with the transfer of skills and technology to Africans” (Alden, 2005:6). Kolstad and Wiig (2011) state that the Chinese government defends its policy in Africa as reciprocal. The government emphasizing



the mutual benefits and the win-win situations instead of the exploitative Western way of dealing with Africa. However, others believe that this bilateral relationship is not built on equitable terms as a consequence that Africa's trade deficit with China has increased significantly (Alden, 2005). Others even state that because of the inequality in economic and political weight between the two partners, China is responsible for African development (Grimm, 2011). Clapham (2008, p. 364) states that “[o]ne very important reason why China’s involvement in Africa has been so widely welcomed and readily accommodated has been that it fits so neatly into the familiar patterns of rentier statehood and politics with which Africa’s rulers have been accustomed to maintain themselves” so that “far from providing any new model for Africa’s involvement in the global economy and political system, China’s role has been precisely to reinforce the old one.” Moreover, Kolstad and Wiig (2011) found new quantitative evidence that Chinese FDI flows are mainly drawn to countries with large natural resources and with weak institutional environments. According to the authors proofs this that the ones who believe that the Chinese activities in Africa are altruistic are wrong. However, the authors believe the Sino-African relationship is not really that different from any other major powers active in Africa: “Exploiting resources and weak institutions appears to be the name of the investment game in Africa” (Kolstad & Wiig, 2011: 46).

2.4 China’s aid program

“Give a Fish, Teach to Fish, and Share the Fish”(Tingting, 2010; 58). According to van de Looy (2006) was the strategy of China to encourage as many allies as it could and maintain old friendships. Although this relationship is about trade and mutual benefits, China is still providing Africa with direct aid: building projects, Chinese medical teams and scholarships for Africans to study in China (van de Looy, 2006). ”It was in 1967, for example, that Beijing concluded an agreement to build the Tanzania-Zambia Railway, China's largest foreign aid project (\$600 million plus)” (Yu, 1988:854). According to Tingting (2006) this huge investment was the result of the friendship between Nyerere and Mao. Nowadays this relationship results not only in aid programs but also in increased trade and FDI streams between Tanzania and China. Van de Looy (2006) mentions different project of the Chinese in Africa like the constructed roads, wells and telecommunication facilities in Africa.



3. The core of this study: conceptual model

The literature described in the previous chapter support the core of this study. Based on that background literature it can be concluded that at the macro level China has an influence on the economic development of Africa. In this chapter the influence on the economic development is studied at the micro level. The theory and the there from resulting propositions and the conceptual model are represented in this chapter constitute the core of this study.

3.1 Social and human capital

“Each community boasts a unique combination of assets upon which to build its future” (Kretzmann & McKnight, 1996: 25). Kretzmann and McKnight wrote an article about asset-based community development, they argue that development has to start from within the community. Asset-based community development strategy (ABCD) focuses and builds upon the strengths and assets of individuals, associations and institutions to address the needs of the local community (Yeneabeat & Butterfield, 2012). Nel (2006) came to the same conclusion; development must be internally focused, hence it has to be community-driven and owned. Moreover, if a community development process is asset-based and internally driven, then it will be relationship driven as well, therefore it is important to constantly create and recreate the relationships between the locals, the associations and the institutions. Furthermore, Kretzmann and McKnight (1996) argue that outside resources are needed, since the assets of lower income communities are necessary but often not sufficient to meet the challenges that arise from community development. Hence, based on these studies it can be stated that the development of an area:

- (i) is dependent on the resources and capabilities of the members within the community,
- (ii) furthermore, the relationships between the members play an essential role during the development process and finally,
- (iii) resources from outside the community are required for the development.

Based on the above described theory it can be concluded that relations are significant and these relationships can be expressed in networks. These networks can be seen as social capital: “it is the “investment in social relations with expected returns in the marketplace” (Heilbrunn, 2005: 114). Social capital is important for development because it fosters self-development of the community. Furthermore, Heilbrunn (2005) argues that the entrepreneurial potential of the community depends on the human capital. High level of entrepreneurial potential increases the business activity in an area which will stimulate development. Eraydin, Tasan-Kok and Vranken (2010) also highlight the importance of social capital; they found that outsiders can positively contribute to social capital. In their conclusion they state: “Immigrants contribute to the growth of different forms of production and services, not only as a result of their talents and skills, but also as a result of their social connections (p.538). Bräutigam (2003)



conducted research in Nigeria and Mauritius on business networks, he argues that positive externalities can arise from the links made between Chinese business networks and networks in Africa, or with Chinese who have been in Africa for a long time and made it their home. Bräutigam found that Chinese transnational networks are increasingly present in Sub-Saharan Africa: “forging links with African capitalists and stimulating industrial transitions in areas such as eastern Nigeria, and Mauritius, that had shown little industrial development before” (p. 466)

To summarize, for the development of an area, social and human capital are required. Social capital can be found in networks and is about the interaction between people. Human capital is dependent on the people, entrepreneurs, themselves. Furthermore, outsiders, immigrants and firms, positively contribute to social and human capital. This study focuses on the idea that the inflow of Chinese firms and immigrants contribute to social and human capital, through the new resources and capabilities they make available, and therefore contribute to the local economic development. Both will be explained more in detail in the next subparagraphs.

3.1.1. The inflow of Chinese firms

Chinese firms that come to Tanzania can contribute to the local economic development through spillover effects. Spillovers are the result of the intrinsic advantage of the MNC; a MNC is different from local firms based on their technology, capital, organizational and managerial capabilities and international market access. Hence, when the MNC does not protect this advantage from leaking out there is a potential for spillover on the local economy and local firms. These spillover effects can take place without direct interaction with the MNC, however, linkages and direct interaction, will facilitate the spillover effect (Rugtaff and Hansen; 2011).

Based on the above stated theory, the following proposition is created:

Proposition 1: The incoming flow of Chinese firms to Tanzania positively contributes to the local economic development by means of spillover effects.

3.1.2 The inflow of Chinese immigrants

The stream of immigrations from China to Africa has existed for 500 years, however, in the last years a drastic increase was noticeable. “We assume here for the first time that Chinese migration to Africa has probably already passed the one million mark” (Asche & Schuller, p.31). Although the real numbers of Chinese in Africa are not clear, some scholars made estimations which are shown in table 1. The growing presence of Chinese in Africa illustrates the intensifying economic and political ties between China and Africa. And as with all aspects of the Sino-African relationship this could be seen as opportunity as well as a challenge (Mohan, 2008).



Table 1: Chinese in selected African countries (Mohan & Mullins 2009; 590)

Country	1963 (Chang, 1968)	2000, unless ^a for 1989 (Chinese sources)	2001 (Ohio University database, cited in Sautman and Hairong, 2007)	Estimate for 2003–2007 (Sautman and Hairong 2007, plus various sources)
South Africa	5105	70 000	30 000 ^c	100 000–400 000 (2007) ^b
Mauritius	23 266	40 000	35 000 (for year 1990) ^d	30 000 (2005) ^b
Cameroon	NA	450	50	1000–3000 (2005) ^b
Sudan	NA	45 ^a	45	5000–10 000 (2004–2005) ^e
Lesotho	NA	2500	1000	5000 (2005) ^b
Ghana	NA	465	500	6000 (2004) ^b
Liberia	27	45 ^a	120	600 (2006) ^b
Nigeria	2	10 000	2000	100 000 (2007)
Mozambique	1735	500	700	1500 (2006) ^b
Ethiopia	18	8	100	3000–4000 (2006) ^b
Algeria	NA	30	2000	8000 (2003) ^b
Cote d'Ivoire	NA	1300	200	10 000 (2007) ^b
Zimbabwe	303	500	300	10 000 (2007) ^b

QiaoQing (2005)

^aZhang *et al* (1993)^bSautman and Hairong (2007)^cPoston *et al* (1994) put the number in 1993 as 36 000^dPoston *et al* (1994)^eAbdalla Ali (2007) puts the number in 2004 as 24 000

There can be made a distinction between immigrant entrepreneurs and normal immigrants; the immigrant entrepreneurs create their own jobs and when they are successful this will have an influence on the local economic development, for example they will create job for others as well. Although the immigrant entrepreneurs have the tendency to recruit people from their own community, there is a growing fragmentation and dispersion of ethnic communities which creates situations where ethnicity and gender blend (Schrover et al., 2007). Therefore, this will lead to job creation for the whole society. Furthermore, the group of immigrant entrepreneurs contributes to the creation of social capital because they link suppliers and customers (Putnam, 1998). This group of entrepreneurs does not only differ from the normal immigrants but also from the indigenous entrepreneurs since they have the capability to introduce new products and new ways of working which makes them innovators. The economist (2002) describes that immigrant entrepreneurs increase the range of goods and service available, it argues that this gives indigenous entrepreneurs the chance to focus on their own specific comparative advantages. Kloosterman and Rath (2003) add that migrant entrepreneurs can add vitality to a street or neighborhood, they point out that entrepreneur immigrants as owners of local businesses have an influence of the prosperity, accessibility and safety of the street. Politzer (2008) found that there are approximately 800 Chinese firms in Africa, those companies employ mainly Chinese immigrants. Entrepreneurs are a growing category as well, many Chinese start restaurants and selling a variety of goods (Politzer, 2008). These entrepreneurs



have the tendency to cluster in one part of a city: “planting the seeds of future Chinatowns” (Politzer, 2008).

The movement of the Chinese immigrants, whether normal or entrepreneurial, is not just the movement of production factors. It is the movement of people and therefore it has an important social component. Besides, when they bring new resources and capabilities, which are valuable for innovation, they could contribute to local development since: improvement in living standards for households is mainly the result of an increase of the productivity of capital and labor. And productivity growth is the result of innovation that creates new products and processes (Hanson, 2012).

Based on the above stated theory, the following proposition is made:

Proposition 2a: The incoming flow of Chinese immigrants to Tanzania positively contributes to the local economic development through the jobs they create and the new resources and capabilities they make available in the Tanzanian market.

Whether migration leads to development is according Papademetriou and Martin (1991) questionable, they characterize this relationship as an “unsettled” one. International migration can be seen as a reaction on the imbalances in development between sending and receiving countries. When the growth of materials in a country cannot keep up with the growth of inhabitants this will lead to migration (Sørensen et al, 2002). Looking at the situation of China – Africa, then Africa has resources that China needs to keep up with the growing population. Likewise, as Teunnisen (2005) stated: “the greater prospects offered abroad are an incentive for aspiring entrepreneurs from China, Taiwan or India to move from their home countries, where their opportunities are more limited” (p: 16).

According to Mohan (2008) tensions have emerged between the Chinese and the local African people. He argues that these tensions arise from economic aspects however they are referred to as cultural differences. Mohan (2008) mentions the following tensions:

- Domestic traders and manufacturers experience losses through the cheap Chinese imports;
- The poor quality products of the Chinese leads to problems;
- The Chinese imports are free from some regulations and taxes, this leads to unfair competition;
- Labour practices

Such tensions can lead to protest according to Mohan (2008) and he refers to the situation in Zambia where candidate Michael Sata threatened to eject all Chinese if he became president. Tull (2006) adds:



“The least one can say is that China’s massive transfer of personnel is unlikely to have a positive impact on African job markets, the building of local capacities and the transfer of technologies” (p. 473). Mohan (2008) ends his part with the conclusion that the result of the Chinese immigration will be mainly based on the policies of the African government. But, as Mohan (2008) stated, at the end of the day “it will be the everyday relationships that determine whether China’s presence in the continent is a positive long term development” (p. 8). Hence, based on this it can be concluded that the local situation determines whether it will have a positive impact; what the Chinese immigrants will do in the local situation, how they interact with the local community, etc.

Based on the above stated theory, the following proposition is made:

Proposition 2b: The incoming flow of Chinese immigrants to Tanzania negatively contributes to the local economic development as result of the tensions which arise between Chinese and the local African people.

To summarize: The increasing stream of Chinese firms and immigrant (entrepreneurs) who come to Tanzania to try their luck will not only benefit themselves but also benefit the local community by contributing to the human and social capital and therefore positively influence local economic development. The stream of Chinese enables development by the new capabilities and assets which they make available to Tanzania, e.g. spillover effect, these resources and capabilities are needed to meet the challenges of the development as argued by Kretzmann and McKnight. These resources and capabilities will also contribute to the human capital, in the way it stimulates entrepreneurial potential. Besides, relations between people, social capital, are influential. The Chinese can contribute to the development of social capital by means of integration into the Tanzanian society and become member of (business) networks

3.2 Local economic development

There can be four elements assigned as requirements for local economic development; “First, adequate infrastructure is needed to support economic activity and community life. Second, a healthy economy depends in part on new business starts ups, access to venture capital, improving the efficiency of existing firms or the establishment of new industries or enterprises. Third, policy settings can help position rural and regional areas in an economically competitive, socially just, and environmentally responsible position. Fourth, the delivery of services in rural communities allows the local economy and social system to function, sustaining employment, population and quality of life in rural areas” (Cavaye , 2001:111). It should be noted that it is important that the provision infrastructure and the services in the local area



match the rates of population. Hence, with an increase in this rate there will be an increase in the demand for social economic and environmental resources (Madulu, 2004).

To identify the impact of the Chinese firms and Chinese immigrants on the local economic development in Dar es Salaam, the four interrelated components of Cavaye are considered: infrastructure, new business startups, policy setting and service delivery, these components represent what is needed to create development. It can be stated when those components are available, in a local setting, there should be development. Therefore; when Chinese firms have an influence on those four components then it could be argued that the Chinese firms and immigrants have an influence on the local economic development. This influence of the Chinese on those components could be by means of development aids and investments.

The components of Cavaye are about the state of development of a community itself, however this study is about an incoming stream of 'something new' into the community. The stream of Chinese immigrant and Chinese firms could bring something new and therefore something valuable; new resources and capabilities which are valuable for innovation and development. Furthermore, when they integrate into the Tanzanian society, social capital will be developed which stimulates local economic development, this could arise in (business) networks. Therefore, next to the components of Cavaye, there are two additional components: new resources and capabilities and business networks.

Based on the above stated theory, the following proposition is formed:

Proposition 3: The incoming flow of Chinese firms and immigrant positively contributes to the local economic development because they have a positive influence on the six components; infrastructure, new business start ups, policy setting, service delivery, new resources and capabilities in a local area.

3.3 The model

The foregoing propositions are represented in the following conceptual framework, schematically presented in figure 6. The model mainly represents proposition 3, the combined effect of the Chinese firms and immigrants. However, the direct separate influence on local economic development of the firms and immigrants (entrepreneurs) are also represented in the dotted line square.

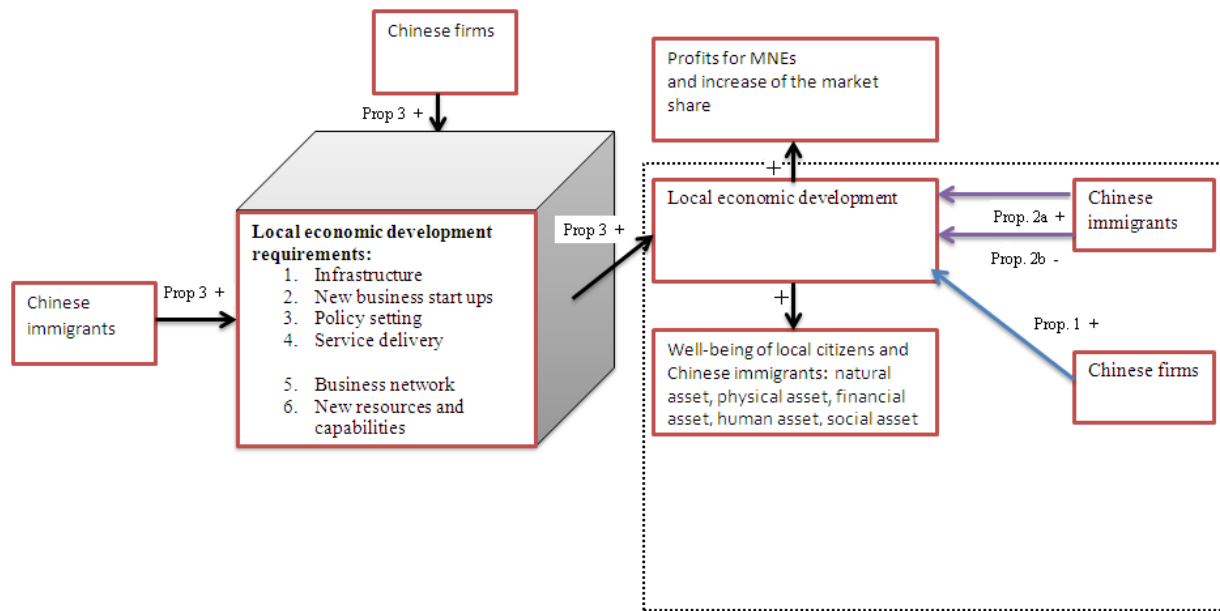


Figure 6: Extension conceptual model: influence of the Chinese firms and immigrant on the local economic development

To determine whether the Chinese firms and immigrants have an influence on the six requirements of local economic development, the ‘black box’ can be opened with help of the following components:

- *Infrastructure* is about the influence of Chinese on the construction of means needed for transport telecommunications, water conservancy, electricity, energy
- *New business startups* are the Chinese firms in Dar es Salaam. Within this component it needs to be considered whether the employees, partners, suppliers and customers are Chinese or African, what the core business is, how they do it, what the influence is on the Tanzanian business and what their activities in the environment are.
- *Policy setting* is about policies established for the promotion of economic development.
- *Service delivery* is a component that consists of two topics; education and health care. The contribution of Chinese to the delivery of health care services and education has to be determined.
- *Business networks*, here will be determined whether there are business networks in Dar es Salaam in which Chinese are active.
- *New resources and capabilities*, it is important to determine whether the Chinese firms do something different than the Tanzanian firms do. Furthermore, this component is about the Chinese immigrant, here it should be questioned whether the Chinese immigrant (entrepreneurs) can contribute to the development of Dar es Salaam by means of new resources and capabilities.

The next chapter will show how the proposition of this chapter will be tested.

4. Research method

4.1 Type of study

This study aims to describe and explore a local environments and the impact of the Chinese on the development of the area, the use of a combination of different types of data and sources will contribute to the understanding of the environment. “Each data source is one piece of the “puzzle,” with each piece contributing to the researcher’s understanding of the whole phenomenon” (Baxter and Jack, 2008: 554). Therefore, we will make use of case study design and grounded theory. Furthermore, this research can be categorized as qualitative.

“As a working definition we may characterize a case study as a detailed examination of an event (or series of related events) which the analyst believes exhibits (or exhibit) the operation of some identified general theoretical principle” (Mitchell, 1983: 192). Baxter and Jack (2008) mention in their article four reasons when a case study is an appropriate research method when: (a) the focus of the study is to answer “how” and “why” questions; (b) you cannot manipulate the behavior of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context (p. 545). Considering these reasons, a case study is the appropriate and therefore chosen as research method.

Grounded theory is a research approach that is characterized by a constant interplay between data collection and analysis to produce a theory during the research process. A grounded theory is resulting from inductive reasoning through the systematic collection and analysis of data relating to a phenomenon (Strauss & Corbin, 1990). According to Blumberg et al (2008) the advantage of this method is the creation of a convincing framework for systematic inquiry into qualitative data involving theory development. There are also disadvantages, next to the fact that this method is very time consuming, grounded theory is also criticized for not generating theories but just categorization systems (Blumberg et al, 2008).

4.2 Data collection and processing

The capital of Tanzania, Dar es Salaam is chosen as the unit of analysis. Data was collected by means of interviews. The interviews were semi-structured. The interviews were conducted with Chinese immigrants and Tanzanian. They were all approached in a different way. The first approach was the ‘Introduction letter’, these letters were written by The Institute of Finance. This approach was required to be able to arrange an appointment at a governmental institution. The second approach is ‘Ring-the-bell approach’, this means that I approached the respondent without any announcement, however I was



recommended to go there by other people which I used as a kind of introduction. The third approach is called the ‘Street approach’; randomly I met people and asked whether they could share some of their experiences.

	Name of the group of respondent	Type and number of respondent	Approach
1.	Chinese immigrants	2 Traders	Ring-the-bell approach
		4 Businessmen ¹	Street approach
		1 Government officials	Ring-the-bell approach
2.	Tanzanians	2 Local people	Street approach
		4 Businessmen	Ring-the-bell approach
3.	Government agencies	8 Government official ²	Introduction letter
Total	21 Respondents		

Table 2: Respondents

¹: including investors and business people like employees for companies or factory owners

²: including employees with different function at a variation of government institutes, including professors at educational institutions.

The approaches that are used to collect data contain some flaws. Moreover, to have more valid results more respondents should be included into the study, besides, respondents should be nominated on a-select grounds. However, to expand the group of respondents more time is required, especially considering the nature of the study, which is social focused; it takes time to ‘dig’ into a community. Although the way of data collection is not perfect, I have succeeded to collect many different perspectives on the topic. Seen this variation within the group of respondents there is a clear picture created, all different views together contribute to the complete puzzle.

Example of the ‘street approach’: On a sunny morning I walked down the main street of Dar es Salaam when my eye fell on two men in nice suits who were enjoying their cigarettes, they looked Chinese. That was my chance, so far I had talked only to traders and I was in need of information about the Chinese investments. So I zigzagged through the traffic to reach the other side of the street: ‘may I ask you a strange question’, I asked with an angel face, ‘are you Chinese?’. Yes they were! And they were willing to tell help me. We exchanged phone numbers and the next day I had an appointment with the two Chinese investors. Mission accomplished.

After the data was collected, a verbatim transcription was produced, i.e. a written record of the interviews. During in-depth analysis of the transcription the data was divided into three different topics; Chinese firms, Chinese immigrants and the society. Based on these results the propositions, including the six components of the model, were considered and the conceptual model improved. There is a summary of the collected data in appendix 1. The next chapter will discuss the results of the field research.



5. Empirical results: Chinese firms and immigrants in Dar es Salaam

5.1 Tanzania and China

5.1.1 The friendship

China and Tanzania have been enjoying cordial and continued friendship that dated back more than forty years, it is based on solid principles of mutual respect laid down by the founding fathers of Tanzania and the Chinese government- Mao Zedong and Mwalimu Julius K. Nyerere (Ministry of industry and trade, 2013). The Tanzania –Zambia Railway (TAZARA) of 1800 km is seen as a monument of the friendship. According to specialists is Tanzania China's foremost ally on the continent. "Long before China recalibrated its relations with Africa under the Forum on China Africa Co-operation (Focac) in 2000, Tanzania had been the single most significant recipient of Chinese aid ranging from railway and shipping infrastructure to agriculture and the military and hacking back to the early 1960s" (Wekesa, 2013).

As time goes on the friendship between China and African countries was further consolidated by the Sino-African forum which was launched in 2000 (Ministry of industry and trade, 2013) .The Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) goal is to strengthening the cooperation between the China and the African continent in this new age of globalization while aiming at common development (FOCAC, 2013). Since the first FOCAC; "China has become Africa's largest trading partner with two-way trade reaching over USD 166 billion in 2011. Chinese policy banks are now major sources of finance for African governments. Chinese companies are investing in Africa's natural resources, infrastructure, manufacturing, and agriculture"(DIIS,2012). Furthermore, according to the Ministry of industry and trade, China helps Africa to develop, for example by means of Africa Special Preferential Tariff Treatment whereby more than 4000 products are allowed to be exported to the Chinese market duty and quota free. Besides, China has been motivating the Chinese investors to invest in Africa (Ministry of industry and trade). China has boosted the development of many industries in Tanzania, according to the Ministry of industry and trade: Ubungu Farm implementers, Urafiki Textile Mills and Mangula Mechanical and Machine Tools.

As to political exchanges and cooperation, Africa and China have maintained frequently reciprocal high visits by the heads of the government (Ministry of industry and trade, 2013). It could be said that this was not only a fruitful relationship in the past, nowadays the tights are still strong. After the inauguration of the new Chinese President Xi Jinping his first formal country visit on the African continent was Tanzania. The existing friendship has been translating into increased bilateral trade and economic cooperation (Ministry of industry and trade, 2013). Both countries adopt nowadays a more open market policy which resulted in an increase in trade and FDI:



- (i) “Since the year 2007 the volume of trade increased from Tshs. 688,618 million to Tshs. 2,667,243 million in 2011, this means an increase of 74%.
- (ii) In 2011 China ranked first as Tanzania’s major trading partners and registered 9.4% of trade volume to total Tanzania’s trade.
- (iii) By 2008, China had 224 projects in Tanzania with a value of \$833.23 million which accounted for 8% of the total foreign projects and ranked fourth from the total FDI. These projects employed more than 50,000 people. (Ministry of industry and trade, 2013) ”

5.1.2 The opinion of the society

There is a clear division of opinion on the Chinese in the Tanzanian society. Originally there is mistrust of the locals to the Chinese presence in Tanzania because of the cheap imported products from China which threatened the survival of the local entrepreneurs as well as local industries particularly in the textile and leather sector (Ministry of industry and trade, 2013). Moreover, as the Professor 2 explained; “there are two different views on the Chinese in Dar es Salaam. The traders can buy cheap products from China and therefore it is advantageous for them that the Chinese are here in our country. On the other hand, there are the producers, this group will complain because of the increased competition. Similarly, the traders who trade products from the Tanzanian market cannot handle the cheap import from China, so logically they will complain as well. ” Local 1, owner of a local eatery, and Local 2, the taxi driver, experience both negative consequences. Local 1 stated: “The Tanzanian people don’t like the Chinese here; they ruin our business. For example we are supposed to make and sell charcoal, but now the Chinese do that as well, and they can produce it cheaper and therefore they can a lower price. So what should the Tanzanian firm do? Sell it also for a lower price, but they cannot produce it for such a low price”. Unfair competition doesn’t seem the only difficulty; there is protest about the quality of the Chinese products as well. Tanzanian Bureau of Standards (TBS) has been active in checking the quality of the import since 1999. Initially TBS solely checked the quality of high risk products, however this seemed not enough, now a wider range of product are checked by means of sampling. In name of TBS three international companies check the quality of the import; Bureau Veritas, SGS Tanzania Superintendence Co.ltd, and Intertek Tanzania Liaison office. Although most freight is checked on quality, it is impossible to check everything. Moreover, TBS is only capable of conduct checks at 5 boards e.g. there are no conduct checks on the import to Zanzibar. Therefore, poor quality can get easily into the country when first shipped to Zanzibar and thereafter with small ships to Dar es Salaam. Hence, because TBS is not able to check all import it is possible that there are poor quality products sold by the Chinese.

Next to the people who are not pleased with the presence of the Chinese in Dar es Salaam, others take advantage of it. China invests money in different kind of projects. There are different arrangements with



DIT, the University of Dar es Salaam and the national hospital, these arrangements consist of exchange of experts and trainings. This boosts the knowledge base of Tanzania. In addition, the presence of the Chinese firms in Tanzania leads to the creation of employment and revenue for the government (Ministry of Industry and trade, 2013). Besides, “the presence of the Chinese increases the money circulation in Tanzania, with result that more people get the chance to do their business and that is good for development (Professor 1)”. Furthermore, it creates business opportunities for the Tanzanian firms: the CRDB Bank set up the first “China Desk” in Tanzania. It is used to facilitate trade and investments between China and Tanzania: “First we only offered our service to Tanzanian business people who were doing business with China, now we extended our service and have also many Chinese clients, 250 Chinese customers and 90 SMEs” (Businessman 2). The founder of the China Desk stated that the main reason for the establishment is the increasing trade and investment streams between China and Tanzania. Besides, trading in USD is more expansive. Businessman 3, Tanzanian owner of a SME, is another example of someone who benefits from the good China-Tanzania relationship. She exports many products from China and sells it in Tanzania. She has good experiences with doing business with China, “it’s cheap and in my opinion the Chinese are very reliable people” (Businessman 3). Finally, although the quality of some Chinese products is not high, they are cheap and do work: e.g. “The cell phones which are sold by the Chinese have a low quality, but they are cheap as well and it works. This makes communication possible and available for everybody, this helps entrepreneurs make their business run” (Professor 1).

The Chinese businessman 3 admits that through the influence of Chinese business there is an increase of competition, with consequence that local businesses are ruined. However this could make the Tanzanian entrepreneurs more aware, they have to work more efficient and effective. Or as the Government official 2 it stated: “Pole Pole¹ is nonsense; the rest of the world is overtaking you”. He continued: “Chinese are good in producing cheap products, but we should not want to achieve that as well, we have to make a high quality product for which we can ask a better price” (Government official 2). Besides, ruining local business by foreign entrepreneurs happens in China as well: “many Africans go nowadays to China to sell their products; this could be done likewise by the Chinese. And Africans also go to China to buy their products to sell it thereafter in Africa, and that was first the job of the Chinese” (Chinese businessman 1). “That are the rules of the game, called the free market” (Chinese businessman 3). According to the Professor 2 a country needs to open up to develop: “You cannot lock yourself in a room and develop yourself.”

¹‘Pole pole’ is Swahili for slow, take it easy.



5.2 Chinese firms

5.2.1 Investments and doing business

Wherever you go in the world you will meet Chinese. “We are looking for opportunities to get a better life” explained Chinese businessman 1. According to Chinese businessman 2 there are now approximately 500 firms in Tanzania, private and stated owned companies. The most firms are settled in and around Dar es Salaam, around 70%, “this is a rough estimation” (Chinese businessman 1). The dominating part of the Chinese in Dar es Salaam is doing business, they are the traders, and they buy products in China and sell in Africa. In China they are able to produce a product with different levels of quality. “For the American market they use a product with a higher quality, and therefore a higher price, than for the African market” (Businessman 4). “These trading companies are often private owned companies; they trade in food, clothes and construction material. There are also private owned factories, but the biggest group consists out of trade companies. The other category is state owned companies, companies owned by the Chinese government, most of these companies are construction companies; they build roads, buildings, bridges, power station and gas fields” (Chinese businessman 2). According to Government official 3 it is important to make a distinction between investments and doing business. Investments boost the economy; it leads to the creation of something tangible. Doing business, on the other hand, is the process of buying and selling goods.

The Chinese businessmen 1 and 2 stated that they are active in Tanzania because of the opportunities: market and resources. Furthermore, “I think Tanzania is relative stable, there are no wars or political chaos, this is significant for investments” (Chinese businessman 1). According to Tanzanian Investment Centre (TIC), a service delivering organization that supports (foreign) investors by doing investment in Tanzania, can the fact that there are at the moment many Chinese firms and immigrants coming to Tanzania be explained by the situation in China itself. China’s economy is growing, in the early stages of economic growth the labour costs were low, western countries like USA and Japan saw opportunities e.g. market opportunities, raw material and cheap labour therefore they started to invest in China. This triggered economic growth in China, which resulted in increasing labour costs, with effect that the inward FDI flows to China decreased. Meanwhile, China was transformed into a more developed country and was in need of markets to sell their products and for resources to make these products (TIC, 2013), therefore they came to Africa “to fulfill their hungry industries” (Government official 4). Furthermore, China has a lot of investment capital which need to invest (TIC, 2013). China has the largest amount of US Dollars (Businessman 2). Chinese government, Chinese private investors and SOCs invest in Tanzania, they invest throughout the spectrum; they invest in all sectors. (TIC, 2013). Before a Chinese investment company comes to Tanzania it does an extensive market research; “You need to know where you invest in, so



figure out the opportunities, how do the people do business, where do they care about, what is their culture, etc” (Chinese businessman 1).

5.2.2 Work method

Ever wondered whether the Chinese have a business secret? According to Chinese businessman 1 and Chinese businessman 2 they don't: “We just work hard and try. After you investigated the market/country, you need to have a good plan, and of course you need contacts in the country; without local people you are not going to survive. You have 10% chance of succeeding, if you fail it's no problem, you try again.” According to the Government official 4 “No they do not run their business in a different way than we do, however if you look at construction companies they can do that much cheaper. When a Chinese construction company is working on a project the big boss goes to the field to control everything, but a Tanzanian boss would stay in an expansive hotel and send other people to do his job, that is more expansive.” Furthermore, he states, the Chinese are more disciplined, they can work very effective and efficient. Chinese government official 1 experienced a difference in culture and mentality: “When it is 5 o'clock the Tanzanian people drop their work and go home, while we work over to finish everything.”

Many Chinese firms in Tanzania rely on their government. The government supports them; it enables them to produce cheaper (Businessman 1). According to the ministry of Industry and Trade are the Chinese firms progressive with the use of high-technology in their business, this empowers them to produce in mass production leading to decreased unit costs. With result that Chinese products are more competitive compared to the African products. Their sophistication has increased the level of competition between the Chinese and Tanzanian firms (Ministry of industry and trade, 2013). This visible in the infrastructure;

- (i) From July 2011 till June 2013, The Tanzania National Roads Agency (TANROADS) signed a total of 17 Works contracts: 3 have been awarded to European companies, 1 to Ugandan company, 1 to Japanese company, 3 to Tanzanian companies and 9 to Chinese companies. That is 53% of all contracts (TANROADS. 2013)

One of the employees of TANROADS, explained that contractors are selected based on quality criteria and price. “The Chinese contractors were able to deliver the best value for money, this is often the result of subsidies of the Chinese government” (Government official 5). In the infrastructure the Chinese are obvious present, the Chinese signed a contract, worth US\$ 138 million, for the construction of the bridge that is going to link the harbor and downtown Dar es Salaam to the upcoming city part Kigamboni peninsula (Africanmanager, 2013). Furthermore, the state-owned giant Chinese National Petroleum



Corporation (CNPC) is going to construct the pipeline of a 500km 1.2 billion dollar pipeline between Mtwara and Dar es Salaam which will transport Tanzania's gas. (Anthony, R. 2012)

5.2.3 Stakeholders

Hence, local knowledge is required to be able to run a business smoothly in a foreign country, according to Chinese businessman 2 Chinese firms bring their own people from china and hire approximately 80% of their workers in Tanzania. Businessman 1 even states: "you cannot do business without local people." Trader 1 and Trader 2, both employ Chinese as well as Tanzanian employees. Also in the factory, there are Chinese and Tanzanian workers.

- (i) Trader 1: 7 Tanzanian employees and 2 Chinese employees
- (ii) Trader 2: 7 Tanzanian employees and 2 Chinese employees
- (iii) Businessman 4: 15 Tanzanian employees and 5 Chinese employees

Trader 1 and Trader 2 both had negative experiences with some Tanzanian workers in the past; they were robbed. Especially Trader 1 has the feeling she cannot trust the Tanzanian workers. "It is too expensive to hire solely Chinese workers, and of course you need the local knowledge. Therefore, the Chinese are in the key positions and manage the business, the Tanzanian workers do the heavy and easy work" (Trader 1). Even the Chinese diplomat has some distrust regard the local employees. Job distribution is shown to be the situation in every kind of business; the Chinese are in the control positions and the Tanzanian people have the easy job: "The Chinese contractors employ their key positions Chinese engineers and the rest of the work is done by Tanzanian workers" (Businessman 5). The Tanzanian taxi driver experienced the distrust of the Chinese: "I am a qualified mechanic and had job at a garage but because the Chinese were taking over many garages the competition increased and I lost my job. Once I applied for a job at a Chinese garage, I could get the job but then I should work as an assistant of a Chinese mechanic. They don't want to work with us. We can only do the dirty jobs" (Local 2). Furthermore, with regard to the other stakeholder it can be stated that the Chinese traders only have Chinese suppliers and local customers, their competitors are other Chinese traders. The factories on the other hand use supplies from local firms and the raw materials that are not available in Tanzania are imported from China.

5.2.4 (Business) networks

As stated before the Chinese community is relative closed. The most Chinese meet in informal settings, in church for example. "In these places they meet regular and they can talk about everything, business as well as private life things" (Government official 4). Trader 2 explained they don't actively participate in network meetings and other social gatherings however she is a very active in the Church, furthermore they meet other Chinese in Karikoo. But they do not explicitly collaborate with other Tanzanian



entrepreneurs to create business opportunities: “We work together when we need each other” (Trader 2). Chinese businessman 3 states the same: “The Chinese entrepreneurs not really connect with other Tanzanian entrepreneurs. But we do connect often and a lot with other Chinese entrepreneurs.”

5.3 Chinese immigrants

5.3.1 Number of Chinese immigrants

The simple question how many Chinese immigrants are in Dar es Salaam proved to be hard to answer. Chinese government official 1 from the Chinese embassy stated: “not all Chinese immigrants register themselves at the Chinese embassy we do not know exactly how many Chinese immigrants live in Dar es Salaam”. Likewise, not all the Chinese immigrants come through the Tanzanian embassy in Beijing to Tanzania. “They come literally from everywhere, and many just come and go especially the private business people. However we do have an estimation; we estimate that there are 30.000 Chinese immigrants in Tanzania and the far most biggest part lives in Dar es Salaam” (Chinese government official 1). Chinese businessman 2 confirms this: “there are 30.000 Chinese in Tanzania.” According to Government official 4, there are problems with estimating the number of Chinese immigrants in Tanzania and Dar es Salaam because there are “unofficial Chinese immigrants in Tanzania, I would not say illegal immigrants, but unofficial”. Hence, there might be even more Chinese in Tanzania than expected. “Some come here to work for a construction company and after their contract ends they stay in Tanzania and start their own business” (Government official 4). Others come under a fake company name (Government official 4), or they pretend to be investors but end up doing whatever they want to do here in Dar es Salaam, like selling plastic flowers (Professor 1).

5.3.2 Permits

The working permit seems to cause trouble, there are different perspectives on this topic. According to Local 1, Tanzanian woman who owns a local eatery, have 80% of all the Chinese are not in the possession of a working permit. In her experiences there are in Dar es Salaam many Chinese who just came to the country and start selling stuff on the street, plastic flowers for example. A Tanzanian taxi driver has the same experience, according to him some Chinese start illegal businesses; first one Chinese comes to Tanzania and rents a house, after a while other Chinese comes as well and they start a little business in that house. A Tanzanian woman working for TANROADS is also familiar with this story. Meanwhile, a Chinese businessman does not agree with this kind of stories: 98% of the Chinese immigrants have a work permit because they are part of a company; they arranged these permits before they left China (Chinese businessman 2). According to Trader 1, a Chinese shop owner at Kariakoo, many Chinese immigrants come to Tanzania on a tourist visa but they will arrange a work permit when they get there and are sure they want to start doing business. Although Professor 2 agrees that there is a stream of



immigrants without a work permit, according to it cannot be avoided: “Those Chinese immigrants sneak into the system”. This does not only happen in Tanzania but also in other countries, in the Netherlands as well. At the moment there are many Africans who sneak into the Chinese system as well: “human beings are strange, the world is ours but all of a sudden we put border in it and made rules and regulations and claim it’s ours” (Professor 2).

5.3.3 Duration of their stay

There is a difference in the duration of the stay of the Chinese in Dar es Salaam. The engineers stay as long as the project requires (Chinese government official 1). Overall many Chinese are already part of a company, whether they are investors or traders. They come here in the name of a particular company (Chinese businessman 2). This group will stay in Tanzania as long as their contract is. Other Chinese, the entrepreneurial immigrants who come here to do business, will return to China when they believe it is enough (Chinese businessman 2). Trader 1 is an employee from a Chinese firm and is importing products from China and sells it on Kariakoo, she has a contract of three years and when that contract ends she will go back to China immediately. “I have headache all the time, I have to control everything and there is danger; malaria, crime and it is hard to trust someone” (Trader 1). Meanwhile, shop owner Trader 2, an independent entrepreneur does good business here and plans to stay here for a while, although not forever: “The business is going well and I like it here, why shall I leave?” (Trader 2). There is a clear difference between Trader 1 and Trader 2; Trader 1 was sent here by her boss and Trader 2 came by herself because she believes she can make a good profit here.

5.3.4 Culture

Chinese are hardworking people, just a fraction of the money earned will be spent, the rest will be saved and/or sent back to China (Businessman 1) “We work hard, that is part of our culture, there are many Chinese and to be successful you have to work hard.” (Chinese businessman 3). Chinese businessman 3 explained that happiness according to the Chinese culture not only covers the individual state of well-being, the state of condition of their family and friends is very essential. Additionally, the Chinese have a long term focus which influences their behavior; e.g. the savings, which results from the un-balance between large population and limited resource, people tend to plan for their life and business in long term (Chinese businessman 3). On the other hand, people in Tanzania have a different perspective towards planning for the unexpected. As Chinese businessman 3 stated: “My personal experience is that people in Tanzania are more likely to be satisfied in terms of expenditure, social welfare and etc.” This corresponds with the story told by a consultant of BG Group, his job was to hire employees, young local people: “Tanzania has enough qualified people, however there is a lack of motivation to perform”. The Businessman 4 told about his experience on an assessment day where a common activity is to building a card house: “during



the activity it was remarkable that the candidates did not push to the limit, they built a small tower and they were satisfied with it, without trying to make it higher”.

According to Chinese businessman 2 “the Chinese people cannot be characterized as very open people.” Moreover, there are in Dar es Salaam Chinese occasions where only Chinese come together in an informal setting; during this gathering they can discuss private issues as well as business issues. Although the Chinese are not very close to the Tanzanians, they like to be in contact with them, which is also necessary for making their business run smoothly (Chinese businessman 2). “We are attached to our own culture and people, especially the food, wherever we go we prefer to eat Chinese food. That why the Chinese restaurants here in the city are packed with Chinese” (Chinese businessman 3). This difference in culture is not considered as an issue for the Tanzanian society; “there are 120 different tribes in Tanzania with their own traditions, therefore we are used to different cultures and that makes us a very tolerate community” (Government official 4). According to Businessman 1, the Chinese are in the beginning very attached to the Chinese embassy, this will change over time when they are more integrated. Learning the local language is an important part of integration. For many Chinese languages is a huge barrier. The Chinese working in the factory do not speak Swahili at all, often they only speak Chinese. The traders know the basis of Swahili, they also know the business related words/sentences in Swahili. They speak English as well. The people at the embassy and the Chinese businessmen speak good English, often they do not speak Swahili except for a few words.

Furthermore, the location of living determines the level of integration as well. “Chinese people live in small houses, with many people. The Chinese who work in a factory often live in the factory itself” (Businessman 1). Chinese businessman 4 explained that he lives together with the 5 other Chinese workers of the factory in a part of the factory itself. The Chinese who live close to/in their workplace do not really integrate in the Tanzanian society. Chinese government official 1 and Chinese businessman 3 live in Masaki, a part of Dar es Salaam which is more developed and where many expats live, therefore they do not really mingle with the locals. Trader 1 and Trader 2 live in apartments in Kariakoo where also many Tanzanians and other nationalities live; they have more contact with the local community. In the next chapter these result will be analyzed with regard to the propositions.



6. Analysis: are the propositions supported?

6.1 The inflow of Chinese firms

According to proposition 1 the incoming flow of Chinese firms is beneficiary for the local economic development when there are spillover effects. Based on the results it can be concluded that Chinese firms have an intrinsic advantage, in a way that they differ from local business based on their advanced technologies and market and capital access. These advantages are mainly the result of the support they receive from the Chinese government. According to the theory there will be spillover effect when the firms do not protect their advantages from leaking out. Based on the results it cannot be concluded whether the Chinese protect their advantages well enough. However it can be assumed that while the Chinese insert their advantages to do business, at the same time, they reveal their advantages which can lead to spillovers of advantages to local firms. Furthermore, close relationships between Tanzanians and Chinese stimulate the spillover effect, nevertheless, according to the results they do not participate together in business networks. However, according to the theory spillovers can take place without direct interaction. Based on the fact that the Chinese firms have an advantage compared to local firms, proposition 1 is supported.

6.2 The inflow of Chinese immigrants

There are two different propositions stated about the influences of the Chinese immigrants. According to proposition 2a the influencing will positively contribute to the local economic development because of the new resources and capabilities and the job that are created. On the other hand, proposition 2b assumes that there will be negative consequences because of the tensions that arise between the two communities.

First of all, the two main resources that China brings to Tanzania are capital and knowledge. This is positive since these resources are necessary for development. With regard to capabilities, there are culture differences between the Chinese and the Tanzanians, especially the perception of time. Chinese have a long term orientation while the Tanzanians are more short term oriented. These results match the data from Hofstede:

- (i) “Tanzania scores 30 on this dimension, making it a short term orientation culture. Societies with a short-term orientation generally exhibit great respect for traditions, a relatively small propensity to save, strong social pressure to “keep up with the Joneses”, impatience for achieving quick results, and a strong concern with establishing the Truth i.e. normative.” (Hofstede, 2013a)
- (ii) “With a score of 118 China is a highly long term oriented society in which persistence and perseverance are normal. Relationships are ordered by status and the order is observed. Nice



people are thrifty and sparing with resources and investment tends to be in long term projects such as real estate. Traditions can be adapted to suit new conditions.” (Hofstede, 2013b).

This culture difference results in a different way of doing business, the long term focus can help to develop Dar es Salaam because development requires time and many project will only yield in the future. Furthermore, the Chinese way of working could help to speed up the Tanzanian society which is charmed by ‘pole pole’.

With regard of the creation of jobs, there is no Chinese in Tanzania that runs its business without local people, therefore the presence of the Chinese leads to the creation of jobs, however there are as well complains that Chinese ruin the market by practicing jobs that could be done by the Tanzanians. Hence there exist different views on this topic, therefore more data and also more quantitative data is required to give a decisive answer. Besides jobs, resources and capabilities, the Chinese stimulate development in more ways: they also increase the availability of different products, e.g. cheap cell phones which is necessary for communication and therefore a stimulation of business. Furthermore, the additional competition could be an incentive to make the local entrepreneurs be more effective and efficient.

To summarize, with regard to new resources and capabilities, the proposition is supported. However, considering employment the opinions are divided and qualitative data is required, therefore, it can be concluded that proposition 2a is partly confirmed.

According to proposition 2b the consequences are negative because tensions will arise. Based on the results it can be confirmed that there are indeed tensions between the communities. These tensions arise first of all, because of the poor quality products from the Chinese. Secondly, there is distrust between the communities, especially the Chinese do not completely trust the Tanzanians. Thirdly, the Tanzanians have the feeling that there is a higher level of (unfair) competition which caused by the fact that the Tanzanian entrepreneurs cannot keep up with the Chinese and therefore they blame the Chinese for ruining their businesses and detract employment. These tensions harm local economic development because there is a low degree of cooperation between the communities. Based on this, proposition 2b is confirmed.

6.3 The combined influence: influence on the requirements of development

The model that stands as the basis of this paper, and which considers the combined effect of the firms and immigrants, consist out of the components of Cavaye, infrastructure, business startups, policy setting, service delivery (education and health care) and two added components business networks and new resources and capabilities. These components are important factors which are required for development of a local region. Therefore, proposition 3 states if Chinese firms and immigrants have predominantly a



positive influence on these components, then it could be stated that they contribute to the development of an area.

Infrastructure: according to Tanzania National Roads Agency are 53% of all roads are constructed by Chinese firms. The TAZARA railway is also constructed by the Chinese, which was even a gift from the Chinese government. Furthermore, Chinese will build an important bridge in Dar es Salaam and they will construct the gas pipeline between Dar es Salaam and Mtwara. Hence, the Chinese have a significant influence on the infrastructure.

New business startups: there are relative not many Chinese factories compared to traders. The factories in/around Dar es Salaam produce products for the Tanzanian market, their suppliers are Chinese as well as Tanzanian and their employees are mainly Tanzanian however for the key positions Chinese are employed. The facilities are rented from a Tanzanian landlord. These factories contribute to the creation of employment and stimulate the circulation of capital. Furthermore, because they buy raw material from local suppliers and rent the factory from a Tanzanian this has a positive influence on the economy as well. However, there are not that many factories in/ and around Dar es Salaam, therefore the contribution is wee.

Policy setting: the establishment of the Forum of China-Africa Cooperation and the Africa Special Preferential Tariff Treatment lead to more trade and FDI between China and Tanzania and are therefore stimulating local economic development. However these policies are exclusively on the governmental level.

Service delivery: there is a clear contribution from the Chinese to the improvement of the education and healthcare system in Dar es Salaam. By means of exchange of doctors, teachers and special trainings there is a knowledge base improvement in Dar es Salaam.

Business networks: the Chinese entrepreneurs in Dar es Salaam, the traders as well as the businessmen and investors, indicate not to be active in Tanzanian Business networks. They stay close to their own community by means of informal meetings and only connect with Tanzanians to make their business run smoothly. There is no cooperation between Chinese and Tanzanian entrepreneurs to learn from each other and explore new opportunities. Hence, on the governmental level there is 'cordial and continued friendship', which resulted in cooperation. However, on the firm and the 'street level' there is a sometimes mistrust and a lack of cooperation.



New resources and capabilities: as mentioned before Chinese firms have advanced technologies and market and capital access, these resources and capabilities will come available to Tanzanian business through spillover effects. Furthermore, the main resources that the Chinese contribute to the Tanzanian market are capital and knowledge. With regard to capabilities, the Chinese have a different work mentality.

In summary, the Chinese firms and immigrants have a positive influence on infrastructure, new business startups, policy setting, service delivery, and new resources and capabilities. Only the component business network is underrated. The components that are influenced by the Chinese are beneficiary for the development of Tanzania. Therefore, proposition 3 is supported. However it is important to take into account that a distinction is necessary between investors and traders, because the positive contribution to the requirements of local economic development of investors is more significant compared to the traders. This is based on the distinction which is made between investments and business. The next paragraph will explain this in more detail.

6.4 The new model

According to TIC (2013) it is important to make a distinction between investments and doing business. Investments boost the economy, it leads to the creation of something tangible. Doing business on the other hand is just the process of buying and selling goods. The study has shown that the prior created model focuses mainly on the investments and lacks the business element. According to the model, investment in a country will contribute to the local economic development. The field research has shown the same result; the investments done by the Chinese in for example infrastructure have contributed to the development of Dar es Salaam. Furthermore, the study has shown that the influence of business is also significant, however it has less influence on the local economic development requirements but instead more on development in general. Concerning the business conducted by the Chinese entrepreneurs and the impact on the local economic development it can be concluded that it leads to an increase in the availability of different products. Furthermore, the additional competition could be an incentive to make the local entrepreneurs more effective and efficient.

The result of the study requires adaption of the first model, which was solely based on literature, the following adaptations are made:

- (i) Instead of six requirements for local economic development, there are now five requirements. Business networks are removed. However, this does not mean that networks and collaboration are not required for development, it is important. But in the case of Dar es Salaam there are not (yet) networks in which Chinese and Tanzanians closely collaborate.

- (ii) Chinese immigrants are divided into Chinese traders and Chinese investors, because there is a difference in their influence on the requirement for development. Chinese investors influence four components while Chinese traders only one. Although their contribution to the requirements is relative low, they contribute to development by means of other stimulations. These stimulations are not separated represented in the model but assigned to the direct influence of Chinese immigrants and firms in the dotted line square.
- (iii) Chinese government is added into the model because that is the only group that has an influence the fifth requirement 'policy setting'. That is also the reason why that square is not a part of the big black box.

All these adaption together leads to the following model:

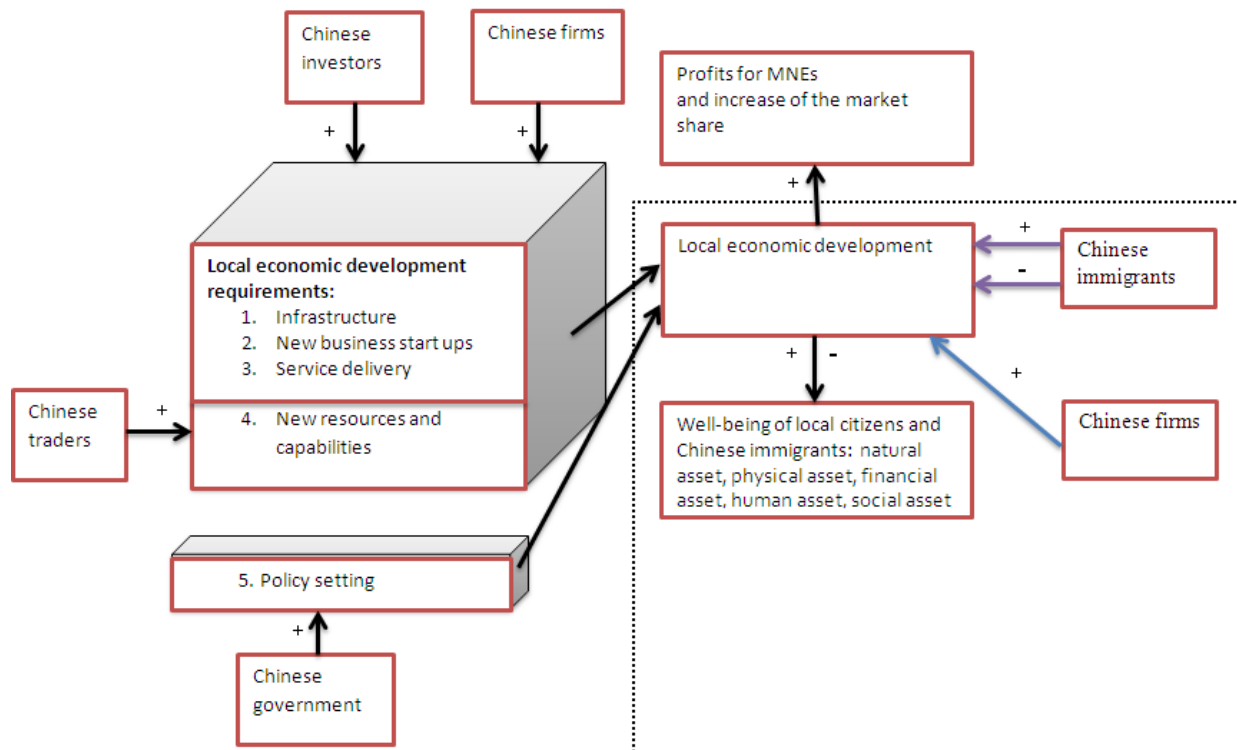


Figure 7: Influence of Chinese firms and immigrants and the local economic development

In summary, with regard to the combined influence of the firms and immigrants: infrastructure, new business startups, service delivery, new resources and capabilities and policy setting will all contribute to the development of area. Chinese investors and firms positively influence the local economic development of Dar es Salaam in the way that they impact the following basic requirements of local economic development; infrastructure, new business startups, service delivery and new resources and capabilities. The component policy setting is solely influenced by the government. Finally, the Chinese



traders contribute positively to the local economic development of Dar es Salaam by means of the contribution to new resources and capabilities.

Considering the separate effect of the firms and immigrants (entrepreneurs), both have a direct positive impact on local economic development; the firms by means of spillover effects and the immigrants (entrepreneurs) through new resources and capabilities, increase of employment and availability of different products and the creation of incentives to be more effective and efficient. On the other hand the presence of the Chinese in the Tanzanian market leads at the same time to degrade of the local economic development because of poor quality products, high level of (unfair) competition, and mistrust. In the end this will result in negative consequences for the well-being of the local citizens. This negative influence of the Chinese on the local economic development is indicated by the two minus signs in figure 7.



7. Conclusion

First of all, looking back on the first model of this paper, the model of Pennink and Nagi, in which the idea was promoted that alignment between MNC and the local community leads to development and gains for both parties, I can add something to that idea now, the immigrants (entrepreneurs); this group can stimulate development because they bring new resources and capabilities, create jobs, increase the availability in products and they stimulate business.

7.1 Answering the research question

To give an answer to the research question: *What are the impacts of Chinese firms and Chinese immigrants on the local economic development when settling in Africa?* Overall it seems that the Chinese firms and immigrants (entrepreneurs) have a predominantly positive influence on the requirements of local economic development: infrastructure, business startups, service delivery and resources and capabilities. With regard to the fact that those elements enable development of an area it can be concluded that the Chinese firms and immigrants have a positive influence on the local economic development of Dar es Salaam. Furthermore, the firms contribute to development by means of spillover effects and the immigrants (entrepreneurs) also contribute to development, however, through other stimulations. Hence, the bottom line is that the presence of the Chinese in Dar es Salaam has positive consequences. However, occasionally there is distrust between the two ethnic groups, which leads to lack of cooperation and tensions within the society which detracts local economic development and therefore has negative consequences on the well-being of the local citizens. Therefore, as Mohan (2008) already stated: “it will be the everyday relationships that determine whether China’s presence in the continent is a positive long term development” (p. 8).

7.2 Further research

Further research could be conducted in the following areas; first of all, research could be conducted with the same research question but in a different country. Second, during the field research the amount of Indians who live and work in Dar es Salaam was notable. The same research could be conducted whereby the Indian community should be taken as unit of analysis instead of the Chinese immigrants and firms. Both contribute to the generalizability of the model. Finally, this research is qualitative, to make the results more valuable it needs to be complemented by further quantitative research.

To end up and go back to the very beginning of this paper that started with the difference between economic growth and development, in which the latter is defined as an increase in output and changes in the technical and institutional arrangements by which this increase is produced and distributed. It is true that the Chinese contribute to this phenomenon, and it could turn out even more positive when there is more understanding and collaboration between the Chinese and Tanzanians at the local level.



References

- Africanmanager. (n.d.). *Chinese firm to construct bridge across Dar es Salaam Channel*. Retrieved on June 2013, from http://www.africanmanager.com/site_eng/detail_article.php?art_id=17775
- Alden, C. (2005). Leveraging the Dragon: Toward 'An Africa That Can Say No'. in *eAfrica*, 3. South African Institute of International Affairs. February
- Anthony, R. (2012). China's role in the East African oil and gas sector: a new model of engagement? *Centre for Chinese Studies*, University of Stellenbosch.
- Asche, H. & Schuller, M. (n.d.). China's Engagement in Africa – Opportunities and Risks for Development. *Africa Department, Economic Affairs. GTZ*. Retrieved on February 2013, from http://www.giga-hamburg.de/dl/download.php?d=/english/content/ias/pdf/studie_chinas_engagement_in_afrika_en.pdf
- Barba Navaretti G. and A.J. Venables. (2004). *Multinational Firms in the World Economy*. Princeton: Princeton University Press.
- Bannock, G & Darroll, C. (2007). Africa overview paper – donor support for business environment reform in Africa: A review of key issues. *Paper prepared for the Committee of Donor Agencies for Small Enterprise Development Conference on Business Environment Reform in Africa*, 5–7 November, Accra.
- Besada, H., Wang, Y., & Whalley, J. (2008). China's growing economic activity in Africa (NBER Working Paper No. 14024). Cambridge, MA: National Bureau of Economic Research.
- Beyer, Peterson & Sharma. (2003). *The role of participation and partnership in local economic development in Africa*. New York, NY: New York University's Robert Wagner Graduate School of Public Service.
- C.-M. Chen, K. A. Melachroinos & K.-T. Chang.(2010). FDI and Local Economic Development: The Case of Taiwanese Investment in Kunshan. *European Planning Studies*, 18(2): 214- 237
- Clapham, C. (2008). Fitting China in. In C. Alden, D. Large, & R. Soares de Oliveira (Eds.), *China returns to Africa: A rising power and a continent embrace*. London, UK: Hurst & Company
- Cavaye, J. (2001). Rural community development: new challenges and enduring dilemmas. *Journal of Regional Analysis and Policy*, 31(2), 109-124.
- De Mello, L. R. (1999). Foreign direct investment-led growth: evidence from time series and panel data. *Oxford Economic Papers*, 51(1), 133-151.
- DIIS; Danish Institute for International Studies.(2012). *The Future of China in Africa: An Alternative for Peace and Development?*. Retrieved on February 2013, from: <http://www.diis.dk/sw121766.asp>
- Eraydin, A., Tasan-Kok, T., & Vranken, J. (2010). Diversity matters: immigrant entrepreneurship and contribution of different forms of social integration in economic performance of cities. *European planning studies*, 18(4), 521-543.
- FOCAC. (2013). *FOCAC abc*. Retrieved on May 2013, from: <http://www.focac.org/eng/lttda/ttj/t933522.htm>
- Giry, S. (2004). China's Africa Strategy- Out of Beijing. *The New Republic*. 15: 19-23
- Grimm, S. (2011). China as Africa's ambiguous ally–why China has a responsibility for Africa's development. In *Academic Paper*. Stellenbosch University. Centre for Chinese Studies.
- Hanson, G.H. (2012) Immigration and economic growth. *Cato Journal*, 32(1): 25-34



- Heilbrunn, S.(2005). Entrepreneurship, social capital and community development: The case of the Israeli kibbutz. *Journal of rural cooperation*, 33(2), 111-126
- Hofstede, G. (2013a).The hofstede centre. *What about Tanzania?* Retrieved on June 2013, from:: <http://geert-hofstede.com/tanzania.html>
- Hofstede, G. (2013b). The hofstede centre. *What about China?* Retrieved on June 2013, from:: <http://geert-hofstede.com/china.html>
- ILO (International Labour Organization). (2006). *A Local Economic Development Manual for China*. ILO, Geneva.
- ILO (International Labour Organization). (2008). *Local Economic Development Outlook 2008*. ILO, Geneva.
- Kloosterman, R.C. & J. Rath (2003) *Immigrant Entrepreneurs: Venturing Abroad in the Age of Globalization*. Oxford/New York: Berg/University of New York Pres
- Kretzmann, J., & McKnight, J. P. (1996). Assets-based community development. *National Civic Review*, 85(4), 23–29.
- Kolstad, I., & Wiig, A. (2011). Better the devil you know? Chinese foreign direct investment in Africa. *Journal of African Business*, 12(1), 31-50.
- Kindleberger, C. & Herrick, B. (1977). *Economic development. International student edition*. London: McGraw-hill Kogakusha
- Lakwo, A. (2007). *Microfinance, rural livelihoods and women's empowerment in Uganda*. Leiden: African Studies Centre.
- Looy, J. (2006). Africa and China: A Strategic Partnership. ASC Working Paper 67. African Studies Centre Leiden, The Netherlands.
- Madulu, N. F. (2004). Assessment of linkages between population dynamics and environmental change in Tanzania. *African Journal of Environmental Assessment and Management*, 9, 88-102.
- Mohan, G. (2008). Social relationships of new Chinese migrants in Africa. *The China Monitor*, 26, 6- 8. Retrieved on March 2013, from <http://www.ccs.org.za/downloads/China%20Monitor%20February%202008.pdf>
- Mohan, G., & Tan-Mullins, M. (2009). Chinese Migrants in Africa as New Agents of Development? An Analytical Framework. *European Journal of Development Research*, 21(4), 588-605.
- Mullen, J. K., & Williams, M. (2005). Foreign direct investment and regional economic performance. *Kyklos*, 58(2), 265-282.
- Nel, J. B. S. (2006). The application of a larger group intervention method based on the asset-based approach: A repositioning of training in community development. *Social Work/Maatskaplike Werk*, 42(3/4), 234–250.
- OECD. (1978). Migration, Growth and Development. France
- Papademetriou, D., and P. Martin (Eds.) (1991). *The Unsettled Relationship: Labor Migration and Economic Development*, Greenwood Press, Westport, Connecticut.
- Politzer, M. (2008). China and Africa: Stronger Economic Ties Mean More Migration, Migration information source. Retrieved on March 2013, from: <http://www.migrationinformation.org/feature/display.cfm?ID=690>
- Putnam, R. D. (1998). Foreword to Social Capital: Its Importance to Housing and Community Development. *Housing Policy Debate* 9 (1): v-viii.



“Regional Overview,” Abstracted from World Bank Regional Reports – Africa Region, Spring 2001.. Retrieved on May 2013, from:: <http://web.mit.edu/urbanupgrading/upgrading/case-examples/overview-africa/regional-overview.html>

Rugraff, E. and Hansen, M. W. (2011). *Multinational Corporations and local firms in Emerging Economies*. Amsterdam University Press. Amsterdam

Schrover, M., Van der Leun, J., & Quispel, C. (2007). Niches, labour market segregation, ethnicity and gender. *Journal of Ethnic and Migration Studies*, 33(4), 529-540.

Sørensen, N. N, Van Hear, N. & Engberg-Pedersen, P. (2002). *Migration, Development and Conflict: State-of-the-Art Overview in the migration development nexus*. International Organization for Migration. Switzerland

Shelton, G. (2001). ‘China and Africa: Building an economic partnership’ in *South African journal of International Affairs*, 8(2): 111-119

Strauss, A., & Corbin, J. (1990). *Basics of qualitative research: Grounded theory procedures and techniques*. Newbury Park, CA: Sage.

Teunissen, J. J and Akkerman, A. (2005) *Africa in the World Economy The National, Regional and International Challenges*. Forum on Debt and Development (FONDAD). The Hague, the Netherlands

Tull, D. M. (2006). China's engagement in Africa: Scope, significance and consequences. *The Journal of Modern African Studies*, 44(03), 459-479.

UNECA and AUC. (2010). *The Economic Report on Africa: Promoting high-level sustainable growth to reduce unemployment in Africa*, UNECA, Addis Ababa, Ethiopia.

UNECA and AUC, 2011. *The Economic Report on Africa: Governing development in Africa - the role of the state in economic transformation*, UNECA, Addis Ababa, Ethiopia

Wekesa, B. 2013: *Why new Chinese president chose Dar over Nairobi in first Africa tour*. Business daily Africa. Retrieved on May 2013, from:: www.businessdailyafrica.com

Wolman, H., & Spitzley, D. (1996). The politics of local economic development. *Economic Development Quarterly*, 10(2), 115-150.

Yeneabat, M., & Butterfield, A. K. (2012). “We Can't Eat a Road:” Asset-Based Community Development and The Gedam Sefer Community Partnership in Ethiopia. *Journal of Community Practice*, 20(1-2), 134-153.

Yu, G. T. (1988). Africa in Chinese foreign policy. *Asian Survey*, 28(8), 849-862.



Appendix 1: Summary of the collected data

	Interview		Date	Summary
	Institute	Type of respondent		
1.	Tanzanian government agency	Government official 1	April 18, 2013	This library became the most advanced library of Tanzania through the gifts of China in 2012.
2.	Small local business	Local 1	April 19, 2013	Tanzanian people are unhappy with the Chinese because they ruin their business.
3.	Businessman from Pakistan, already for years in Africa	Businessman 1	April 21, 2013	The Chinese government has a lot of influence. The most Chinese firms are small and the Chinese community is closed.
4.	Educational institute	Professor 1	April 22, 2013	Because of the Chinese there is an increase in money which is beneficiary for business, the same goes for cheap cell phones.
5.	Educational institute	Professor 2	April 23, 2013	The school has benefit from the relationship with China; improvement of knowledge base. This relationship is based on mutual benefits. A country needs to open up to develop.
6.	Taxi driver	Local 2	April 30, 2013	The Chinese do not want to work with us.
7.	Chinese trading company, employee	Trader 1	May 1, 2013	Trading shop; 7 Tanzanian and 2 Chinese employees, the latter are in the key positions because of lack of trust. Tanzanian customers, the supplies come from China.
8.	Tanzanian government agency	Government official 2	May 4, 2013	Pole Pole is nonsense; The rest of the world is overtaking you
9.	Two different Chinese investment companies	Chinese businessman 1 & Chinese businessman 2	May 6, 2013	Chinese do not have a secret, they 'simply' work very hard. It is important to do research before you invest in a country and you need local people. Tanzania has many investments which makes it worth coming here. Besides, it's a stable country.
10.	CRDB Bank	Businessman 2	May 6, 2013	The bank anticipate on the growing relationship between Tanzania and China. They provide service for Chinese people doing business in



				Tanzania and Tanzanians who do business in China.
11.	s Investment Centre (TIC)	Government official 3	May 7, 2013	TIC provide service to (foreign) investors. There are many Chinese investors, they invest in all sectors of Tanzania. Make distinction between investments, creates something tangible and business, which is buy and sell
12.	China Shandon International Economic and technical cooperation group LTD	Chinese businessman 2	May 10, 2013	300.000 Chinese in Tanzania. It can be considered as a relative closed community. 500 firms in Tanzania, private and state owned firms.
13.	Chambre of Commerce, agriculture and industry	Government official 4	May 15, 2013	Liberalization lead to inflows of (Chinese) immigrants. The inflow of the Chinese in Tanzania can be explained by the needs of the 'hungry industries' of China. The unofficial Chinese make it hard to estimate the number of Chinese in Dar es Salaam. The Chinese do not participate in local networks but they meet in informal settings.
14.	Chinese trading company, owner	Trader 2	May 15, 2013	Came to Tanzania because of the opportunities. Trading shop; 7 Tanzanian and 2 Chinese employees, Tanzanian customers, the supplies come from China and the Chinese are the competitors. No participation in network meetings, do meet in informal settings as the church.
15.	Tanzanian SME, importing from China	Businessman 3	May 16, 2013	China offers a big variety of cheap products. The Chinese are very reliable.
16.	TANROADS	Government official 5	May 16, 2013	More than 50% of the roads are constructed by the Chinese. They offer good quality for a low price, they are empowered through Chinese government supports
17.	Chinese embassy	Chinese government official 1	May 17, 2013	Difficult to estimate the amount of Chinese here. There are two different groups; the



				construction engineers and the private business people. Chinese entrepreneurs do not particularly connect/meet with Tanzanian entrepreneurs.
18.	Chinese airplane construction company	Chinese businessman 3	May 18, 2013	Chinese people meet mostly in informal settings. There is a culture difference between Chinese and Tanzanians; long-short term vision. Chinese people are very hard working people and attached to their own culture. However, they try to connect to the Tanzanians.
19.	Chinese beverages factory	Chinese businessman 4	May 22, 2013	Factory; 5 Chinese and 15 Tanzanian workers. The Chinese live in the factory. They produce products for the Tanzanian market with raw material that come from the Tanzanian market as well as the Chinese market.
20.	Tanzanian Bureau of Standards (TBS)	Government official 6	May 23, 2013	Check the quality of import products. However, not able to check all products. Besides, they only check at 5 boards with result that poor quality product from China sneak into the market.
21.	BG-Group	Businessman 4	May 23, 2013	Some Tanzanian people are easily satisfied and do not push to the limit.