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Transnational business networks of African intermediaries in China: Practices of networking and the role of experiential knowledge

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Abstract

Chinese cities like Hong Kong, Guangzhou or Yiwu have become major ports of call for Sub-Saharan African traders active in the import-export trade of Chinese goods to Africa. This study highlights the role of African intermediaries in the city of Guangzhou, who work as negotiators within the Sino-African trade system. Between 2008 and 2011 33 case studies were conducted, using qualitative interviews and participatory observations. A qualitative network approach was used to investigate the intermediaries' business practices as they build up multi-local economic relations. Different forms of knowledge embodied in the business practices were of special interest for this paper. Results show the importance of multi-local forms of organisation across different nations and ethnic boundaries as well as the relevance of experiential knowledge for the success of these organisational forms. The findings may open up a research perspective on the organisation of transnational migrant business networks.

Zusammenfassung

Chinesische Städte wie Hong Kong, Guangzhou oder Yiwu haben sich zu wichtigen Anlaufhäfen für Händler aus dem subsaharischen Afrika entwickelt, die im Import-Export-Handel von chinesischen Waren nach Afrika tätig sind. Die vorliegende Studie behandelt die Rolle afrikanischer Händler in Guangzhou, die als Vermittler im chinesisch-afrikanischen Handelssystem fungieren. Zwischen 2008 und 2011 wurden 33 Fallstudien durchgeführt, mit Hilfe qualitativer Interviews und teilnehmender Beobachtung. Um die Geschäftspraktiken der Vermittler zum Aufbau multilokaler Wirtschaftsbeziehungen zu untersuchen, wurde ein Ansatz der qualitativen Netzwerkanalyse verwendet. Verschiedene Formen des Wissens, die in den Geschäftspraktiken implizit enthalten sind, waren für diesen Beitrag von besonderem Interesse. Die Ergebnisse zeigen die Bedeutung multilokaler Organisationsformen über verschiedene Nationen und ethnische Grenzen hinweg sowie die Relevanz von Erfahrungswissen für deren Erfolg. Sie eröffnen eine Forschungsperspektive auf die Organisation transnationaler Geschäftsnetzwerke von Migranten.

Keywords Transnational trade; multi-local networks; business practices; experiential knowledge; Africa; China

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1. Introduction

Since the turn of the century, a considerable increase of African traders from Sub-Saharan countries active in the trade of Chinese goods to Africa can be noticed. While World Bank Group studies show that the introduction of Chinese goods into the African market follows informal African business networks (Broadman et al. 2007), we now observe that African traders also spread their economic activities across continental borders and into China (e.g. Bertonecello and Brede-loup 2007; Bodomo 2010; Haugen 2012; Li et al. 2012; Lyons et al. 2012; Mathews and Yang 2012). By offering cheap consumer products for the mass market and thereby supporting an export-oriented industry, cities like Guangzhou have become major ports of call for African traders and migrants. Consequently, these actors have established transnational business practices and networks that connect the demand side of African markets to the supply side of Chinese production centres.

In the past, studies of transnational business practices and networks have mainly focused on established migrant communities, which are mostly made up of individuals of the same nation state or a common ethnic affiliation (e.g. Kim 2003; Portes et al. 2002; Zhou 2004) and on migrant networks, where social mechanisms such as mutual support, solidarity and reciprocity facilitate the successful integration of actors into the immigrant economy and support system (e.g. Gold 2005; Rath 2002; Riccio 2004). Social network analyses in particular have focused on such group characteristics and network structures as the main explanations for the creation of economic opportunities (and constraints) and the success of immigrant businesses. In current migration research, however, little attention has been given to the reproduction and significance of such mechanisms and structures in emerging migrant communities and their businesses. Starting from the basis of a general paper about the constitution of African trader networks in Guangzhou (Müller and Wehrhahn 2011), this article highlights the role of the special group of African intermediaries and their practices of networking in building up business relations. These intermediaries establish and maintain multiple economic connections across traditional forms of affiliation and embeddedness and, in so doing, combine different merchants, markets and economies in their personal business networks. In the sense of 'globalisation from below' (Mathews et al. 2012) the African intermediaries establish multi-local forms of organisation that require a wider perspec-

tive to be taken on immigrant entrepreneurship and their transnational business networks.

In order to understand the intermediaries' role and position in the multi-local business networks we propose to use a qualitative network approach that focuses on the qualitative nature and resource character of relations and their process of (re)production (see Emirbayer and Goodwin 1994; Portes 1995). We consider network analysis as an applicable perspective designed to help understand forms of organisation of different actors and their entrepreneurial success (Samers 2010). The subjects of investigation are, firstly, the transnational economic relations between actors. After identifying actors, relations and the structural outcome of the interactions we concentrate on the formation processes of the business networks. We focus on the intermediaries' practices of building up multi-local economic relations across and within multiple geographical spaces. In addition, we analyse the nature of these relations by focusing on different forms of knowledge embodied in the business practices.

Data collected over several research periods were used to analyse the emergence, maintenance and change of African transnational business networks in China. Narrative interviews as well as guided interviews were conducted with 33 African men and women from Burundi, the Democratic Republic of Congo, Ruanda, Uganda, Tanzania, Cameroon, Niger, Ghana, Burkina Faso, Mali and Senegal, who established themselves as intermediaries in the city of Guangzhou (cf. Tab. 1). Most of them were interviewed several times on a number of occasions between 2008 and 2011. Furthermore, a large number of informal conversations with African migrants and traders were held. Participation in the everyday life of the interviewees over a considerable period was used so that the object of research could be accessed through a process of socialization. In the course of this process, it was possible to observe the socioeconomic environment using the method of participatory observation. The interviewees were selected using snowball sampling as well as approach through gatekeepers. The aim was to cover the greatest possible spectrum of framework conditions in order to be able to tap into the diversity of existing practices. It was not intended to generate representativeness out of the individual cases for all African traders, but rather to reveal the plausibility of the practice schemes investigated. The interpretation of the empirical data is designed as a contrastive comparison of individual cases. This comparison serves to

uncover practices of networking and entrepreneurship and forms the basis for understanding the motifs and the contextual embeddedness of the entrepreneurial actions and strategies of our target group.

2. Transnational business networks in a globalised world

In the context of globalisation – in terms of economic as well as social, political and cultural processes – migration has become part of a complex system which includes the international division of labour, power structures and international mobility. The concept of transnationalism, understood as a network perspective on global interconnections (*Smith 2005: 235*), focuses on migrants' agencies in everyday spaces and multi-local connections across and within national boundaries in order to describe 'new' forms of organisation (*Vertovec 2009: 21; Wehrhahn and Sandner Le Gall 2011: 92f*). In this framework today's migrant entrepreneurs, workers and households are better equipped to establish multi-local relations that link together their places of origin, settlement and other localities (e.g. *Hillmann 2005; 2010; Light 2010; Schmidt-Kallert et al. 2012; Schmitz 2011*). Consequently, they are able to actively participate in several socioeconomic contexts (*Portes et al. 2007*). While establishing and maintaining networks, transnational entrepreneurs make use of advantages set forth by migrant networks, national and territorial borders and uneven economies.

Most of the studies on transnationalism and business cooperation 'envision the global economy as a thoroughly historicised set of political, economic, and cultural practices that can best be understood by a social imaginary capable of "locating" globalisation in the discursive and practical intersections of social [and economic] relations' (*Smith 2003: 98*). Economic practices and multi-local relations represent the key elements of transnational business research while the network form of organisation dominates the transnational business activities (e.g. *Guarnizo 2003; Harney 2007; Poros 2011; Vertovec 2009*). Nonetheless, in the majority of studies on immigrant economies networks are often taken for granted. In order to explain the success or failure of an immigrant business or the creation or specialization of immigrant entrepreneurs in specific locations, social networks are seen as a universal ethnic or cultural resource that can be drawn upon by every actor who is integrated into the

Tab. 1 Key characteristics of interview partners (33 persons)

Aspect		Number
Living in China for	10 years and more	9
	5-9 years	16
	1-4 years	8
Country of origin	Burundi	10
	Mali	5
	DR Congo	5
	Ghana	3
	other	10
Age	20-29	12
	30-39	11
	40-49	6
	≥ 50	4
Education	No qualifications	6
	Lower secondary school	5
	Secondary school	11
	University degree	4
	n.a.	7
Trading experiences before coming to China	Yes	16
	No	17
Traded products (multiple answers)	Textile and garments	23
	Electronics	5
	Motocycles/cars and accessories	3
	Interior equipment	3
	Shop in China	3
	Construction material	2
	IT, mobile phones	2
	Arts and crafts, beauty accessories	2
	Furniture	1
	Cargo	1
	Agricultural commodities	1
	n.a.	1
Visa status	Residence permit	8
	Business visa	9
	Student visa	9
	Tourist visa	7
Chinese language skills		25

organisational structure of immigrant groups and their businesses (e.g. *Kim 2003; Waldinger 1995; Zhou 1992*). Even though the interaction theory developed by *Waldinger, Aldrich and Ward (1990)* adds the local demand environment as a further argument to explain the creation of immigrant entrepreneurship, specific group characteristics respectively ethnic resources still provide the main explanations for the creation of economic opportunities (and constraints) and the success of immigrant businesses (*Glick Schiller and Çağlar 2008*). Such 'groupism' and the overvaluation of ethnic resources has been criticized in the mixed embeddedness approach of *Kloosterman and Rath (2001)* which subsequently influenced recent authors to call for a boundary-making perspective of ethnic or

immigrant groups – especially in relation to business interactions – and a critical analysis of the apparently positive and supportive social mechanisms of immigrant business networks and (local) communities (e.g. *Chelpi-den Hamer* and *Mazzacuto* 2010; *Pécoud* 2010; *Pütz* 2003; *Wimmer* 2007). In addition, *Kloosterman* and *Rath* (2001) argued in favour of a multiscalar perspective on economic and politico-institutional processes of the host country and their impact on the creation of constraint and opportunity structures for immigrant businesses. Although this perspective is important to consider, for example if we want to analyze the socio-economic complexity of the creation of *local* market places, the mixed embeddedness approach does not consider the *multi-local* and *relational* aspects of migrants business networks: “Different places, rather, are embedded on different scales and are related through the circulation of immigrants and their trade” (*Schmoll* 2012: 226).

Beside this multi-local embeddedness of the business, it is also important to consider that the network relations of the individual entrepreneurs are not only characterized by traditional forms of loyalties and belongings, but by multiple “affiliations, meaningful attachments and multiple allegiances to issues, people, places and traditions that lie beyond the boundaries of their resident nation-states” (*Cohen* 2006: 189). Thus, if we want to understand the organisation of transnational business networks as well as the entrepreneurial success of individual actors, we have to focus on the “hybrid, the ‘in-betweens’” (*Nederveen Pieterse* 2003: 36) of immigrant economies, in which individuals repeatedly cross ethnic and spatial boundaries and use both ethnic (respectively collective) and non-ethnic (respectively individual) resources for entrepreneurial action (*Pécoud* 2010; *Grabher* 2006). In order to consider these hybrid forms in transnational business networks, we concentrate on a specific group of African actors, who work as intermediaries in the import-export industry between African customers and Chinese sellers. These actors – or more precisely: their intermediating position in transnational business networks – are certainly not a new phenomenon. Trade intermediaries such as middleman minorities have been a well-studied entrepreneurial group for decades (e.g. *Bonacich* 1973; *Wong* 1998; *Light* 2010), and there are a lot of similarities to our group of African intermediaries such as the bonding role of connecting different markets (and cultures) or the bi- and sometimes even tri-linguistic competences etc. Nevertheless, there is a significant difference: Middlemen

minorities rely more on ethnic social capital with regard to their economic networks as well as to their entrepreneurial success (*Light* 2010: 91). In contrast, the African intermediaries staying and living in Guangzhou seem to develop and maintain numerous social and economic relations that lie beyond the boundaries of their resident nation-states and ethnic affiliations. In order to consider the multiple and multi-local character of immigrant business networks of our target actors, we concentrate first on their practices in building up economic relations across multiple geographical spaces (and times). Thereupon, we analyse the nature of these relations by focusing on different forms of knowledge embodied in the practices in order to find explanations for their trade organisation and position within their trade networks (and for their entrepreneurial action and success).

Research concerning organisational management and knowledge transfer within firms and economic cooperation draws attention to the significance of tacit knowledge for economic success and the emergence of competitive advantage (e.g. *Amin* and *Cohendet* 2004). This tacit knowledge is difficult to exchange across large distances in the form of rule books or instruction manuals. “The context-specific nature [of tacit knowledge] makes it spatially sticky, since two parties can only exchange such knowledge effectively if they share a common social context, and thus important elements of this social context are defined locally” (*Gertler* 2003: 79). This is not to say that the two or more actors concerned need to have belonged to the same social or cultural milieu since birth. It is far more the case that tacit knowledge is based on a form of *experiential* knowledge that can only emerge and be maintained by learning-through-interacting and the collaboration of individuals within a *shared* social, organisational and cultural context (*Gertler* 2003: 80; *Insch* et al. 2008: 563; *Corradi* 2010: 247). Focusing certain forms of knowledge embodied in business practices and actor characteristics also supports the explanation for the ability to overcome the so called ‘structural holes’ (*Burt* 1992) of economic markets. The central argument of the structural hole approach is that people on either side of such a hole circulate in different flows of information. The occupation of a structural hole grants a privileged access to strategic information and resources such as knowledge, power and control (*Liefner* and *Schätzl* 2012: 140). Thus it opens up (economic) opportunities to influence the flow of information and might contribute to the development of a market niche and the perpetuation of it.

The literature on transnational business networks mainly focuses on phenomena that take place between developing and developed nations or between selected developed countries. Not until recently have researchers begun to focus on specific connections between developing or transition countries (e.g. *Giese and Thiel 2012; Marfaing 2012*). Little is known about African business networks and entrepreneurs in China. Chinese metropolises are undergoing a remarkable transformation process, shaped by the rapid industrialization and urbanization processes of recent decades (*He and Wu 2009*). As a consequence, the cities have become linchpins for migration phenomena and global trade in China (*Zhao and Zhang 2007*). The export-oriented industry and the integration of China into the world trading system have attracted entrepreneurs and migrants from all over the world. In the context of an exponentially rapid increase in South-South trade between China and Africa (*Carey et al. 2007*), a remarkable rise in the number of African traders and migrants in China can be observed.

In recent years, a handful of investigations into African traders staying or living in China have been undertaken. *Li Zhang (2008)* and *Zhigang Li* and his colleagues (2008; 2009; 2012) have studied African migration to China by looking at the socio-spatial effect in urban areas, namely the development of an African enclave. *Brigitte Bertoncetto and Sylvie Bredeloup (2007)* have described the emergence of African traders in China as part of a system of international trading posts for Sub-Saharan entrepreneurs. *Adams Bodomo (2009; 2010)* has mainly focused on the social impact on Chinese society by analysing Africans in China as a bridge connecting the host community and the source community (see also *Bodomo and Ma 2012*). Though questions related to the history and emergence of African traders and migrants in China have been discussed, little is known about the process, maintenance and organisation of African trader networks between China and Africa. The discussion on whether the African (trading) community in China can be characterised as stable or transient has only just started (*Bredeloup 2012; Lyons et al. 2012; Mathews and Yang 2012*).

Most of the studies mentioned above concentrate on African traders – we call them established businessmen and commercial travellers – who travel back and forth between Chinese marketplaces and African countries. However, we investigate the role played by those Africans who establish themselves permanently in China as *intermediaries* between African

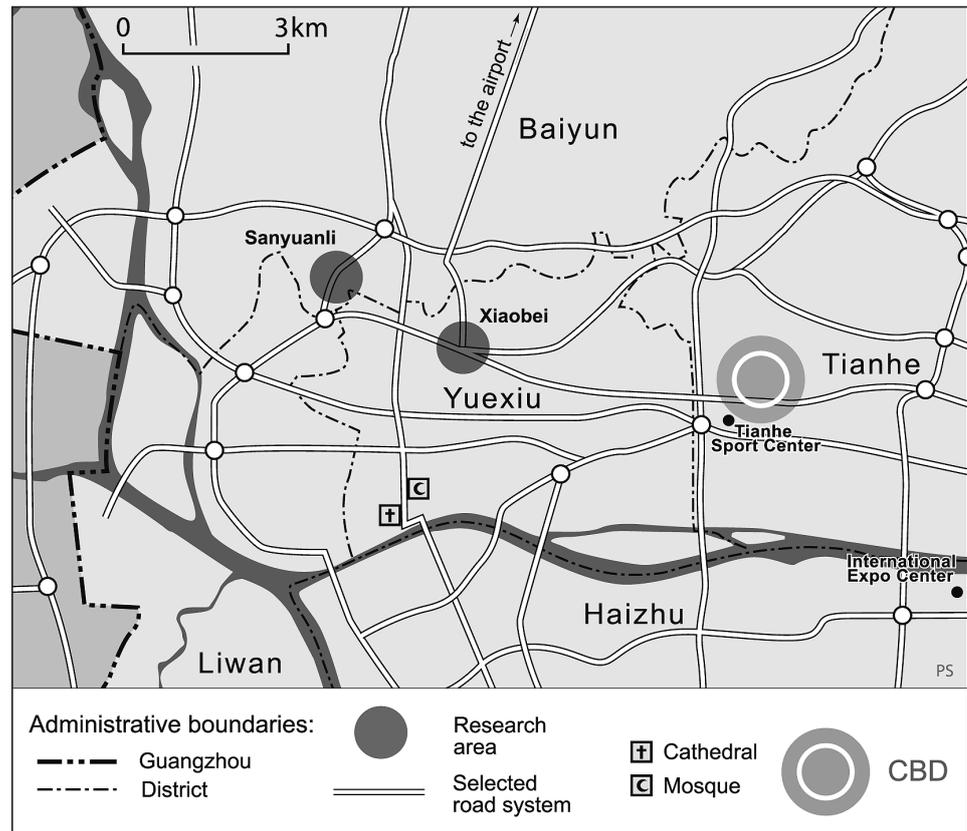
customers and Chinese sellers for the constitution of transnational business networks. Focusing on their business practices and networks the paper answers the following research questions: What is the significance of the *African* intermediaries in Sino-African trade relations? On which motifs and/or strategies are their economic relations based? Which new forms of (spatial) organisation emerge through their business practices? What maintains and (re)produces these relations and provides them with a new distinctive quality? How sustainable and stable are the existing forms of economic organisation?

3. Actors in the Sino-African trade system

While Africa's commercial relations with China date back to the continent's postcolonial era, the current trading relations, along with the increased migration of Africans to China, must be considered in the context of the extreme rise in South-South trade during the last few decades. Simply put, this South-South trade is characterised by the high dependency of most African economies on foreign import goods (e.g. *Ampiah and Naidu 2008; Besada et al. 2008*). On the other hand, China has become Africa's largest trading partner. In this economic context, African migration to China can be seen in general as supply-driven entrepreneurial migration.

Although Africans are found in most urban centres of the eastern Chinese coastal provinces, it is the city of Guangzhou that dominates African immigration into China (*Bodomo and Ma 2012*). Between 2003 and 2007 the number of Africans with an official residence permit in Guangzhou increased by 30-40 per cent each year and now totals approximately 20,000 people (*Lyons et al. 2012*). The number of unofficial African migrants in the city is also growing. Thus, it is not surprising that other sources estimate the number of Africans living in Guangzhou at 200,000 (*Li et al. 2012*). The visible presence of Africans in the city is also due to the mobility of thousands of African traders, mostly self-employed, who come to Guangzhou as trading nomads (*Bredeloup 2012*). The African population of Guangzhou, whether residential or not, is located in and around two districts: Baiyun district, centred on the former central railway station at Sanyuanli, and Yuexi district, around Xiaobei Lu (Xiaobei Street; *Fig. 1*). These concentrations can be attributed to the hundreds of large wholesale shops clustered in these two districts, which together form a huge year-round trading area specializing in Chinese manufac-

Fig. 1 Concentrations of African population and wholesale shops in Guangzhou



tured goods for lower-income countries (see *Photos 1-4*; Zhang 2008; Li et al. 2008) which also attracts Pakistani, Indian, Turkish, Iranian and Arab entrepreneurs. An informal and formal infrastructure of cheap hotels, cafes and restaurants specializing in foreign cuisine, currency exchange and transfer offices, travel agencies and freight services, and a low-budget residential market has developed in the proximity of these wholesale shops. It is especially the Chinese population who has benefited economically from these cosmopolitan spaces by offering commercial infrastructure for the trading clientele (Bredeloup 2012).

Some of the Africans coming to China can be described as established businessmen with many years of experience in trade, owning or representing registered companies in their home countries or at other international trading places in the Middle East and South-East Asia. They deal with large amounts of credit and work within secure trade agreements. In the new millennium, however, a considerable increase in more informally operating African traders from Sub-Saharan countries could be observed in Guangzhou. In contrast to the former ones, these new traders do not run a registered company, nor do they have the financial means to place big orders. Instead of staying as official

businessmen, they generally undertake short trips to Guangzhou on the basis of a 30-day tourist visa. They do not specialise in any particular type or branch of goods, but try to gain the greatest profit possible by pursuing a variety of trade activities. As petty commercial travellers they frequent the wholesale markets every day. They trade with Chinese salespeople face-to-face, using gestures and calculators to overcome language barriers (see *Photo 4*), pay upfront in cash and organise shipment arrangements, either directly with the salespeople or with trade agents who specialise in shipments to and within Africa.

The fragility of their operations is caused by the insecurity they face with regard to the economic framework conditions in China. First of all, business agreements between the commercial travellers and the Chinese salespeople are mostly oral in nature or based on handwritten receipts. Even when formal contracts are put in place, there is still no guarantee that the buyers will receive their goods as ordered. Some African commercial travellers reported that upon receiving the delivered goods in Africa, a large proportion of the order was either missing or incorrect (reports from own interviews in Guangzhou, 2008-2011). These commercial travellers are mostly self-employed

traders with limited financial capital. Thus a breach of contract often results in a loss of economic livelihood.

In cases of complaint, the chances of regaining money from Chinese counterparts are virtually non-existent. Even if African traders have the means to travel back to China, they are usually equipped with nothing but a handwritten receipt in Chinese, which they themselves probably would not be able to read. One solution to avoid a breach of contract would be to personally oversee the production and packaging of the ordered goods. However, this process is rather lengthy. For the African commercial traveller, whose sojourn is limited by his tourist visa, time in China will run out before his goods are ready for shipment (participatory observation on several research trips). Several traders take advantage of the fact that making a trip to Hong Kong and Macau allows them to re-enter the Chinese mainland on a new visa. But the interviewees claimed that visa regulations in China had become more restrictive – especially since the Olympic Games in 2008 and the Asian Games in 2010 – and that visas seemed to be granted at random (see also Law 2010; Yang et al. 2009). This circumstance has tempted some commercial travellers to overstay their permitted period in order to continue their business.

Owing to the hindrances that confront the commercial travellers, more and more of them make use of the services of *African intermediaries*. These latter can be seen as a somehow new category of African entrepreneurs in China overcoming a structural hole and filling a high-growth market niche in the supply and demand system of Sino-African trade. They are able to obtain student visas that permit them to remain in China for the length of a course. As university places for foreign applicants are limited, many turn to Chinese language schools, which are generally part of the university system. A place on a language course usually leads to a resident permit for up to six months. Multiple applications combined with the chance of being accepted at a Chinese university make a residence permit for a period of several years possible (employee of a language school, Guangzhou 26/10/08) – some intermediaries also use informal connections to extend their student visa.

With long-term residency status and Chinese language skills African intermediaries have the opportunity to achieve stable contacts with Chinese traders in Guangzhou and with manufacturers throughout China. This also enables better quality control and better prices. Chinese firms, in turn, are keenly aware that the intermediaries may arrange contacts to numerous African

customers and they are especially interested in establishing long-term trade relations. Usually, the Chinese company pays a commission of between 0.5 and ten per cent of the sales volume to the intermediary. In addition, the intermediary receives a small fee from the African customer for organizing his business trip, which usually includes the organisation of business contacts, accommodation and visa regulations. African intermediaries use their knowledge and experience to act *exclusively* as agents. Though a small proportion now also has official offices and registered businesses in China, the vast majority still operates as informal traders. Being officially registered as students, they lack valid trading and business licences, do not declare their non-wage incomes and, in some cases, are without a visa. According to interviewees and our own observations, the African intermediaries also participate in several semi-legal activities, since numerous Chinese companies with whom they deal do not operate under official business licences and therefore often keep orders and profits 'off-book' (D., Guangzhou 30/03/10, 20/01/11; Ch., Guangzhou 28/08/10). Though some of the intermediaries have operated as traders in other international market places before, the majority of the interviewees have come directly from their home countries with no trading experiences.

Some African intermediaries manage to pull in yearly orders worth several hundred thousand US\$. One of these successful intermediaries is A. from Niger. Upon arriving in Guangzhou in 2003, he made his first deal with a Jamaican businessman who ordered motorcycles and accessories over a period of several months, the approximate value of which totalled over four million US\$. With a commission of between five and seven per cent, A. received around 240,000 US\$. Due to this and several other comparable transactions (with the same Jamaican businessman), he was able to open up his own registered business office in the new CBD of Guangzhou (A., Guangzhou 06/09/11). Nevertheless, our interviews reveal that the successful career of this informal intermediary is far from being the rule. The majority of interviewees suffer from an unsteady income, with a profit margin of less than a few thousand US\$ a year, and, the increasing costs of labour and raw material in China, due to higher fuel costs and the financial crisis, put even more pressure on this small amount of profit (see also Mathews and Yang 2012).

The vulnerable economic status of the African intermediaries can be mainly traced back to the fact that the majority of their potential African customers are



Photo 1 Tao Ci wholesale store in Xiaobei

not financially stable enterprises. Most of the customers are self-employed petty traders with limited financial capital who, for example, manage small retail shops in their homeland with their families, such as *P.* from Uganda. He runs a medium-sized varnishing company in Kampala. He travelled to Guangzhou for the first time in 2007 in order to establish contacts with Chinese manufacturers. During the following year he carried out several transactions in cooperation with a Burundian intermediary based in Guangzhou, all the while remaining in Uganda himself. The transactions totalled only a few thousand US\$. At the end of 2008, *P.* decided to substitute his daughter for the intermediary in an attempt to avoid long-term transaction costs. While studying at a Chinese language school his daughter managed to establish contacts to manufacturers and to organise the export of merchandise to her family in Uganda. In 2010 she was admitted to the medical school in Guangzhou, but continued to work for the family business (*P.*, Guangzhou 26/10/08; participatory observations, 2008-2011).

This case highlights another aspect of the vulnerable economic status of the African intermediaries: an unsteady customer base. Even though we could deduce that some have permanent customers, there is always a risk of losing these contacts. Not only is the customer himself trying to do without the services of

an intermediary in order to save money, but the Chinese firms are also increasingly eager to do so in order to make more profit. According to the statements of a Burundian intermediary, Chinese firms generally do not possess vital information about the customers, including private contact details (*D.*, Guangzhou 20/01/11). The intermediary strives to keep such details to himself in order to secure the commission paid by the Chinese firms. If, however, the firms manage to contact the African customer directly, they are then able to make a more favourable offer. In addition, an increase in the number of and also in the competition by African and Chinese intermediaries both in China and Africa have been stated by all interviewees.

4. Practices of networking and the role of experiential knowledge

Our empirical investigations reveal that the contacts of the intermediaries to African customers are not based exclusively on ethnic affiliation or shared nationality. Intermediaries rather strive to establish business contacts that cross multiple ethnic and national boundaries and, in so doing, link traders and potential migrants of different nations to the Chinese economy. In the following we describe different forms



Photo 2 Oversea trading Mall in Xiaobei



Photo 3 Inside the Golden Dragon Wholesale Store in Sanyuanli

of building up business contacts to African customers in order to specify the multi-local character of the intermediaries' networks. In addition, the role of different forms of knowledge embodied in the business practices will be discussed in order to find explanations for the perpetuation of the business networks and their specific forms of organisation.

4.1 Business contacts by word of mouth

K. from Mali has been living in Guangzhou since 2004. Before operating as an intermediary he traded with various textile products for his uncle's enterprise, making business trips to South Korea, Singapore and Hong Kong. With the seed money of 4000 US\$ provided by his uncle, he set out to establish his own business in Hong Kong before relocating to Guangzhou in 2004,

a decision based on the beneficial trading and living conditions on the Chinese mainland. After two years of building up contacts with Chinese manufacturers on the mainland and with African customers, he managed to open his own representative office in the Xiaobei area. Though he continues to run a business with his brothers back in Mali, sending them furniture to be sold to various retailers, *K.* works predominantly as an intermediary in Guangzhou. He has been able to establish a long-term trade relation with a former business connection of his uncle's: a woman who acts as an agent in Zambia, forwarding customer enquiries to *K.* The customers themselves have never been in face-to-face contact with *K.* (*K.*, Guangzhou 07/08/11).

'Avoiding' face-to-face contacts or close relationships seems to be a central theme that runs across many business connections between African customers and

Photo 4 African traders bargaining with Chinese saleswomen



intermediaries. A. from Niger, who has been living in Guangzhou since 2003, built up his most important contact with the help of a Jamaican woman he met in Guangzhou. Upon her return to Jamaica, an uncle questioned her about potential business opportunities in China. Because he wanted to get in touch with a trustworthy agent who could organise the supply and transport of the goods he was interested in, his niece gave him the contact details of A. in Guangzhou. Following several online agreements, A. and this uncle concluded their first 'commercial contract' via email without any institutional guarantees. Two years and several deals were still to pass before they met in person during the Jamaican's first business trip to China (A., Guangzhou 06/09/11).

'Connecting by word of mouth' is the main *modus operandi* in the following case too. Ch. from Burundi came to Guangzhou at the end of 2008. He lived in Rwanda for several years, where he completed his Bachelor in Computer Sciences. Later he decided to return to Burundi, where he worked in a computer company for two years, before migrating to Guangzhou as a student at a Chinese language school in October 2008. After some time Ch. established himself as an intermediary trading in computer accessories and textiles. While his first deal was made with his former boss in Burundi, Ch. received many subsequent orders from different social networks in Burundi, Rwanda and Congo. Every now and then he receives an email or a call from someone he hardly knows. These people will have received his contact details by word of mouth from his kinship in Burundi and Rwanda or by friends and church members, sometimes by sheer chance. Every deal that Ch. successfully completes contributes to his growing reputation as a reliable businessman, improving the chance of further business contacts, as stated by Ch. after three years of acting as an intermediary in Guangzhou (Ch., Guangzhou 03/03/10 and 28/08/11).

4.2 Face-to-face business contacts

The examples above describe how African intermediaries in China get in contact with potential African customers via informal networks across distance and ethnic boundaries. The following cases emphasise the role played by face-to-face contacts within China.

During a Sunday meeting with two intermediaries from Burundi, we visited the Xiaobei area in order to meet some other of their Burundian friends. They

chose as a meeting point the areaway in front of a wholesale market named Don Franc Hotel, a building comprised of small shops, cheap hotel rooms and restaurants focused on foreign businesspeople. The lobby as well as the areaway is crowded with African commercial travellers from different nations as well as Chinese street sellers, bootblacks, informal money changers and hidden prostitutes. Some of the African traders are waiting for their agents, others are gathering for a chat after a long day of trading activities. Small delivery vans constantly stop in front of the building, bringing customers and goods back from their 'shopping spree'. In the hotel lobby the goods are weighed, repacked and stored until the day of the trader's departure. The scene around the Don Franc Hotel is characterised by a multitude of activities (social, economic, formal and informal) and a mix of foreign and domestic people and languages. After waiting approximately 30 minutes at the hotel's entrance, a Congolese trader approached us because he became aware that the two Burundians were speaking a mix of French and Kirundi. After a brief introduction, the Congolese explained that, as it was his first visit to China, he was in search of someone who could help him find the products he wanted to deal with. One of the Burundian gave him his business card and arranged an appointment for the next day. Afterwards the Burundian told me that this 'accidental' way of establishing contacts with potential customers is a frequent occurrence. He stated that the language – especially French, an official language spoken amongst others in the DR Congo and Burundi – had been the key factor.

This occurred in the district of Xiaobei, an area that is well known for his concentration of African traders. Another place in Guangzhou plays an important role in the constitutional process of African trader networks, as demonstrated by the following example.

D. from Burundi arrived in Guangzhou in 2007. Originally he was sent by his former Burundian company in order to purchase cheap Chinese goods. D. decided to quit his job in order to seek better income opportunities, as offered by an intermediary position. But even though he has established long-term customer contacts to the rich elite of his country, D.'s income as an intermediary is still not sufficient to cover his annual expenses. As his network does not bring him more customers, he has to get in contact with potential customers at every possible opportunity. While D. was accompanying customers back to the Airport of Guangzhou after two weeks of support services,

he met a commercial traveller from Uganda waiting in the entrance hall. As D. speaks fluent English, they discussed their respective experiences in China. Upon leaving they exchanged business cards as a means to stay in contact. One year later the Ugandan businessman contacted D. via email in order to organise his next business trip to Guangzhou. (D., Guangzhou 22/10/08; M., Guangzhou 20/10/08).

The increase of the African population from different nations in Guangzhou – both on long-term visas and as commercial travellers – leads to the formation of African transnational communities (Li et al. 2008). More and more ties to African societies and origins are established, attracting more migrants to try their chances in China. As our investigations reveal, new migrants have no particular trading experience but hope to profit from the economic opportunities offered by the (informal) trading system between China and their home countries. While a few of the ‘newcomers’ manage to establish themselves as intermediaries, the majority fail either to build up a stable economic base or to achieve a permanent visa status, or both (Th., Guangzhou 17/10/08, 15/03/09, 26/02/10, 09/02/11, 31/08/11; participatory observations during several field periods, 2008-2011). Nonetheless chain migration and the formation of transnational communities increases the chances for the intermediaries of expanding business contacts with (potential) African customers.

4.3 The role of different forms of knowledge

The African intermediaries permanently extend their individual business networks across national and ethnic boundaries, using both ‘word of mouth’ and ‘face-to-face’ practices. Our investigations show that they also act in a very self-organised fashion as entrepreneurs. To this end they use their social capital – in the form of established access to information, a good competitive position or structural power – as a highly competitive good (Jansen and Wald 2007: 189). Thus, the intermediaries always ‘work alone’ in the Chinese market – we should point out that forms of organisation between kinship members or other Africans can be observed when focusing on the African distribution system of the trading goods. This means that they neither enter into business cooperation with other intermediaries nor do they share lucrative business contacts with third parties. This business behaviour can not only be attributed to the growing competition within the Sino-African trade or to limited economic

choices available in the Chinese mainstream economy. Moreover, it cannot be traced back to decreasing profit margins experienced by most of the interviewees during recent years – which the majority of the interviewees trace back to the effects of the global financial crisis and the restrictive Chinese visa regulations. A main reason for the uncooperative and weak character of the business relations, as stated by all intermediaries, is attributed to a general behaviour of distrust between potential business partners based on experiences of betrayal and cheatings – also within kinship ties.

In order to stabilise their position, the intermediaries use their knowledge about the cheapest goods on offer, the supply chains, the logistics infrastructure and official regulations to build up an economic basis for themselves. This business-related knowledge can be described as explicit that is in principle easily accessible to all. Market prices can be discovered from international stock exchanges; information about producers and service providers is available in trade registers or at consumer fairs. Custom regulations are generally available on the internet or directly from the state custom authorities.

There is another form of knowledge that the African intermediaries possess that is not as easily transferable as the explicit knowledge. This forms the basis of both the continued existence of the multi-local business networks and also the intermediaries’ competitive advantage within this network. The decisive advantage that the intermediaries have over and above the other African actors is a form of *experiential* knowledge. This experiential knowledge can only be acquired through direct and long-term interacting within the Chinese socioeconomic context. As described in the following, this particularly involves a learning process based on interaction between cognition and action, and cannot be transferred to third parties through formal rule books or instruction manuals.

Numerous intermediaries report that the majority of the African commercial travellers allow themselves to be taken in by the goods displayed in the wholesale shops. For instance, when ordering textiles no written agreement stipulating the exact dimensions, form and material of the goods is drawn up. Rather are the goods on display indicated, and the desired quantities and value of the order are agreed using hand signals and a pocket calculator. In addition, many of the commercial travellers pay cash for goods in advance and receive confirmation in the form of a receipt hand-

written in Chinese (participatory observation during several field periods; G., Guangzhou 03/09/11). Even when African customers and Chinese firms make exact agreements and record them in written form, 'misunderstandings' often mean that the goods delivered do not meet the expectations of the customers (R.-A., Yiwu 11/09/11; Y., Guangzhou 06/09/11; K., Guangzhou 28/10/08). This occurs particularly when the Chinese firm involved is operating on an informal basis (Ch., Guangzhou 28/08/11; A., Guangzhou 06/09/11).

Many years of experience have shown to the African intermediaries that this sort of breach of contract can only be avoided through permanent surveillance of the entire production and processing of the order. This may initially seem to be a simple solution that could easily be communicated among the African community, but practice shows the situation to be less straightforward. This is because closing a trading deal successfully requires certain negotiation skills and experience in interacting with Chinese traders. For instance, the Chinese, as stated by the interviewees and approved by our own observations when accompanying the intermediaries in their business life, are reluctant to allow production processes to be observed. In addition, intermediaries report that despite established contacts, a certain amount of production surveillance and fixed prices, new negotiations about conditions prove continually necessary throughout the course of a once-fixed deal (K., Guangzhou 07/08/11; G., Guangzhou 03/09/11; D., Guangzhou 20/01/11). A general conclusion from all interviews is that Chinese trading partners are not to be trusted and that they will use every chance to gain advantage over their counterparts. On the one side, this intermediaries' perspective on Chinese business people seems to be comprehensible when they complain that, for example, new asking prices are put on the table during production, deliveries of goods are incomplete or faulty, or agreed services are denied by the Chinese partners. On the other side, it could be interpreted as a way to justify their personal value and position in the trading process, and, at the same time, being aware of the increasing competition by other African and Chinese intermediaries in the Sino-African trade. Through their experience the African intermediaries have become familiar with these business practices. Their task is therefore to mediate between these practices and the fixed business agreements. In this context it is particularly important to develop a *feeling for the mentality* of the Chinese trading partners and to ensure that they do not believe they are losing face

(K., Guangzhou 07/08/11; D., Guangzhou 28/10/08; for more on this aspect, see *Huang* 2008: 69). One strategy that the intermediaries use to allow the Chinese partner to save face, even after an obvious fraud attempt, is to deal with the situation in a friendly, thoughtful and, as the following example illustrates, humorous way.

D. had, for the second time, placed an order with the same Chinese firm for professional television cameras for a customer. When the goods were collected this time it became obvious that not only were certain accessories missing, but that one of the cameras was a model from the previous year bearing a false label. At first D. showed no reaction at all to these discoveries. While the representative of the Chinese firm waited to be paid the balance due – a deposit had been made weeks earlier –, D. asked in Chinese that a little patience should be shown because he had to clarify 'final details' with his customer in Africa. There then followed a three-hour-long process of negotiation between the three parties involved. D. held five telephone calls with the customer in Africa, in the course of which he passed on detailed questions from the customer to the Chinese representative. In this way it was established that one of the cameras 'now no longer' fulfilled the expectations of the customer and that a replacement for this object would thus be necessary. D. simultaneously and discretely checked all the accessories and tested the quality of the goods. Between the telephone conversations the intermediary and the Chinese representative talked in Chinese about everyday, unimportant matters unconnected to the actual deal; there was much laughter and joking. The intermediary later reported that the falsely declared camera was not mentioned. Nonetheless D. managed to have the camera and the missing accessories successively replaced by the original goods, without any change being made to the agreed price. The intermediary monitored the correcting packaging of the goods then and there, and finally ordered a small van to deliver the goods to the container warehouse (participatory observation, Guangzhou 20/01/11; D., Guangzhou 20/01/11).

As this example shows, it is the experiential knowledge of the intermediaries that leads to the successful arrangement of a business deal. This knowledge is only acquired by the intermediaries through many months and even years of experience in dealing with Chinese business practices as well as the local Chinese environment and can then be applied in practice for their individual entrepreneurial success. Until the intermediaries acquire sufficient experiential knowledge, the

recourse to ethnic resources and collective forms of solidarity both in their home and host country are of vital importance. As mentioned earlier the majority of the intermediaries come directly from their home countries with no particular trading experiences. As a consequence, almost all interviewees report betrayals of confidence arising from economic cooperation with other African traders or from breach of contracts by Chinese business partners, which might even result in a loss of their economic livelihood. In order to make a living – food, housing, travel and visa expenses – especially in the initial stage of an intermediaries' business career, most of our interviewees could count on the (low) financial support of family members back in their home country or the assistance of African communities in Guangzhou such as religious or co-national groups. But, as our investigations revealed, these interpersonal resources or social network relations had no instrumental character or economic benefit that would ensure a long-term survival and an economic base as a self-employed intermediary (for more details to this aspect, see Müller and Wehrhahn 2011). Rather the strategy of a highly autonomous economic action based on experiential knowledge seems to offer the best possible security of earnings in the competitive market of intermediaries in Guangzhou.

5. Conclusion

In the context of economic globalisation processes African traders, working mostly as informal independent entrepreneurs with little financial capital, have established transnational business networks and make use of the new opportunities presented to them by the growing Sino-African economic relations. But '[u]nlike high-end globalization, whose activities can often be conducted at a distance [...]' (Mathews and Yang 2012: 116), the African traders – as participants of a globalisation from below – have to be physically present in order to succeed in business deals. This has in recent years led to the emergence of African intermediaries, who settle permanently in China and are active as mediators between African customers and Chinese sales representatives. They develop numerous economic relations that cross national state borders and ethnic divisions and thus establish new forms of socio-economic organisation that allow a widened perspective on concepts of transnational entrepreneurship. The African intermediaries construct a web of primarily non-ethnic as well as non-national, economic, multi-local relations between China and the

African continent. They operate outside of traditional relations of interaction between country of origin and context of destination, which leads to a successful career in the competitive market of intermediaries. We already discussed that these multi-local relations can be characterised as weak and unsteady. But despite the transient character of the African migration population in China (Li et al. 2012; Lyons et al. 2012), the speed and transience of the Sino-African trade relations (Mathews and Yang 2012) or the restrictive and arbitrary measures taken by Chinese authorities (Bredeloup 2012), a somehow stable level of the intermediaries economic relations has nevertheless been observed with regard to the successful and long-term establishment of intermediaries in Guangzhou. In addition, their position in the Sino-African trade replaces the former migratory movements of African traders to China and, thus, eliminates travel expenses and reduces trading costs through their local business knowledge.

The analysis of knowledge embodied in practices revealed that the business relations indicate a form of economic organisation that can be described with the term 'economy of synergy' (Vertovec 2009: 46). The synergy effects between the customers in Africa and the intermediaries in China are based on the differing forms of local knowledge of actors in different local contexts. As the investigation makes clear, the experiential knowledge about the different local socio-economic and cultural contexts is decisive here. It can only emerge and be maintained by learning-through-interacting and the collaboration of individuals within a shared respectively face-to-face context. Due to their experiential knowledge the African intermediaries possess a deciding competitive advantage, as is reflected in their mediating position and their occupation of a market niche within the Sino-African trade networks.

Furthermore, this experiential knowledge can be seen as the decisive resource that enables immigrant entrepreneurs to overcome structural holes of global trade markets. The structural hole itself, the awareness of and the embeddedness in it do not explain sufficiently the occupation of or the success in the market niche as some social network or structure oriented approaches might argue. Rather is it the (local) knowledge and ability of actors how to overcome temporal, geographical and cultural barriers in global markets and to use it properly for entrepreneurial strategies. Ethnic resources, as shown above, are less effective for these strategies. African intermediaries

in Guangzhou, their experiential knowledge, cultural competences, autonomous economic action and multilocal embeddedness in different socio-economic and cultural contexts permit to bypass geographical distances and 'geographical holes' (Bell and Zaheer 2007) of the Sino-African trade.

Many scholars of transnational migration and immigrant entrepreneurship use the term *cosmopolitanism* in order to describe the individuals' multiple cultural competences to 'participate effectively in [trade] activities that cut across two or more national [and ethnic] boundaries' (Koehn and Rosenau 2002: 114; Pécoud 2004; Schmoll 2012). And indeed, such a cosmopolitan attitude could be observed within the intermediaries' business practices when negotiating with African and Chinese actors and their different trading cultures. But at the same time, our investigations revealed the relevance of the local dimension of this cosmopolitan resource for the production of the intermediaries' competitive advantage and their ability to stabilise their position. Thus, with the transient and circulating character of transnationalism and business networks, local experiential knowledge as a resource within entrepreneurial practices needs to be taken into consideration. The extent to which this knowledge could facilitate a bonding bridge between African communities in China and their host society and thus would leave to a long-term establishment of Africans in China cannot be addressed here. However it can be assumed that changes through rapprochement – even if they only occur within the practical intersection of economic relations and motifs – will leave a mark within the Sino-African relations.

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