

# ***Chinese Investments in Namibia: A Labour Perspective***

***“Let people be paid lower wages now and attract more FDI so that future generations will reap the benefits of the sacrifices”***

***“Chinese companies win tenders by stealing workers’ pension funds, social security and minimum wages. How can we allow this and remain silent?”***

***“The Chinese have an attitude of treating us the way whites treated our fathers during the colonial era.”***

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In Namibia, the national congress of the National Union of Namibian Workers (NUNW) in 2006 passed a resolution asking the Labour Resource and Research Institute (LaRRI) to carry out a study into Chinese investments in Namibia, with particular emphasis on working conditions. We therefore decided to publish our study as a separate booklet for debate in Namibia and hope that it will provide a basis for a sober analysis of the costs and benefits associated with Chinese investments.

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## **Abbreviations**

ALRN	African Labour Research Network
CEC	Central Executive Committee
CIF	Construction Industries Federation of Namibia
CPC	Communist Party of China
EEC	Employment Equity Commission
EPAs	Economic Partnership Agreements
FDI	Foreign Direct Investment
ILO	International Labour Organisation
LaRRI	Labour Resource and Research Institute
MANWU	Metal and Allied Namibia Workers Union
NAFAU	Namibia Food and Allied Workers Union
NAMCOR	National Petroleum Corporation of Namibia
NCH	Namib Contract Haulage
NEF	Namibia Employers Federation
NUNW	National Union of Namibian Workers
PLAN	People's Liberation Army of Namibia
SADC	Southern African Development Community
SOE	State Owned Enterprise
UN	United Nations
WHO	World Health Organisation

# 1: Introduction & Background

China and Namibia share a long-standing tradition of political friendship dating back to the 1960s. The Chinese government has given firm support to the Namibian liberation struggle and to Namibia's government after independence. "We will always be grateful to China for the support extended to our struggle and for standing firmly with us in our current efforts towards economic and social development," said Namibian President Hifikepunye Pohamba (New Era, 6 February 2007). Diplomatic relations between the two countries were established the day after Namibia gained Independence and friendly cooperation between them has ever since then been developing: "In recent years, there have been frequent exchanges of high level visits, which greatly helped deepen mutual political trust and promotes cooperation in all fields with marked results" said the former Ambassador to Namibia, Liang Yinzhu (New Era, Oct 5 2007).

The former Secretary General of Namibia's ruling party, the South West Africa People's Organisation (SWAPO), Dr. Ngarikutuke Tjiriange pointed out that while Britain and the United States had refused to give any assistance to SWAPO as a liberation movement, China had been a trustworthy ally. Dr. Tjiriange made the statement after China donated US\$ 30 000 to the SWAPO Party. Dr. Tjiriange commended China's Communist Party for their continued support to SWAPO and outlined that China had been instrumental in giving military support to SWAPO, even sending instructors to train former combatants in Tanzania to fight the South African racist regime. "The donation of this magnitude is a vivid pointer to the usual excellent relations between the SWAPO Party of Namibia and the Chinese Communist Party," Dr. Tjiriange said. He added that when Sam Nujoma solicited support in the form of weapons, he was shunned by Britain and the US, but the Chinese received him well and trained the fighters of the People's Liberation Army of Namibia (PLAN) in modern warfare (New Era, 16 June 2003).

According to the former Chinese Ambassador to Namibia, Liang Yinzhu, China and Namibia have conducted very close cooperation in international affairs by making joint efforts to safeguard the interests of developing countries. "I feel that our bilateral relations are showing signs of gaining momentum in recent years. During my term of office, I attached great importance to making the Chinese in Namibia abide by local laws, behave in a civilized manner to get on well with the locals as well as assist the vulnerable" (New Era, 5 October 2007). As a result, Chinese businessmen made repeated donations to victims of floods in the Caprivi Region and San students. Chinese Charge d' Affairs and member of the Communist Party, He Shijing remarked that "We both face a common task and struggle against imperialism, but now have a similar one which is for the economic development of our countries" (New Era, 16 June 2003).

In recent years, there were frequent visits between the political leadership of China and Namibia. In 2005, Li Changchun, standing member of the Political Bureau of Communist Party of China (CPC) and Central Committee member

visited Namibia. In 2006, Namibia's first president, Sam Nujoma, visited China for the 13<sup>th</sup> time while President Pohamba went to China to attend the Forum for China–Africa Cooperation, known as the “Beijing Summit” (New Era, 5 October 2007). Also, exchanges between parliamentarians, political parties and local governments of the two countries are increasing. Namibia supports the “One–China” policy, that is China's national reunification, and has helped China defeat Taiwan's attempt to join such international organisations as the United Nations (UN) and World Health Organisation (WHO) (New Era, 5 October 2007).



**China's President Hu Jintao with Namibia's President Hifikepunye Pohamba in February 2007**

China's President Hu Jintao visited Namibia for the first time in February 2007 with a delegation of 130 people. “It has been my long – cherished dream to come and visit Namibia,” he said upon arrival. “I hope that my visit will enhance mutual understanding and trust, strengthen the bond of traditional friendship and advance the friendly relations and cooperation between China and Namibia” (New Era, 6 February 2007; Xinhua, 6 February 2007). The Chinese President met his Namibian counterpart as well as the former President Sam Nujoma during his visit to strengthen relations between the two governments as well as the ruling parties (Government Information Bulletin, February 2007).

Namibia's Minister of Trade and Industry at the time, Immanuel Ngatjizeko, came out in full support of Namibia's relations with China, denouncing criticism. He said that the negative reports in the local and international media were only aimed at causing suspicions and distrust among Africans about China's interest on the continent. “I would like to emphasize unambiguously that the Namibian Government has no doubt that China means well and is entitled to trade and investment in or with any country of its choice, just like all other countries are free to do. The historical records are there for all to inspect and judge objectively,” he said “Strangely, those who consistently, and at all costs, rejected our pleas for independence have now appointed themselves as champions of Africa's economic interests...

Unproductive sentiments bordering on xenophobia and outright narrow-mindedness not supported by historical and empirical evidence should not be entertained by Africans as regards our Chinese brothers, who supported us all these years without any counter-demands” (The Namibian, 3 April 2007). Such sentiments are clear proof that Namibia’s government as well as the ruling SWAPO Party regard China as a natural ally and as a partner in the struggle for economic independence from neo-colonialism (Dobler 2007).

### **1.1 Economic relations**

A Joint Commission on Economic Cooperation and Trade was established between the two countries and two sessions were already convened. This resulted in an increasing number of Chinese enterprises investing in Namibia in the recent years. According to former Ambassador Liang Yinzhu, China has significantly increased its assistance to Namibia and a number of projects were completed. Trade volumes between the two countries increased rapidly and bilateral cooperation in such areas as the economy, trade, jurisdiction, education and health, amongst others, have been on the rise. “In recent years, our bilateral trade has been growing rapidly. When I just took up my post in 2003, China – Namibia trade volume of that whole year was US\$ 74.57 million, which jumped to US\$ 255.5 million in 2006. In the first seven months of this year (2007), our bilateral trade volume has already reached nearly US\$ 200 million. It is expected that the annual trade figure this year would be re – doubled compared to 2003” (New Era, 5 October 2007). By the end of 2007, the value of trade between Namibia and China had reached US\$ 400 million. While this is a significant amount for Namibia, the Chinese Embassy pointed out that this is equivalent to only about 5% of China’s global trade which had reached US\$ 2 000 billion in 2007. China’s economic counsellor predicts an increase in mineral exports, including copper and uranium, from Namibia directly to China in the years to come (Interview with Liu Kaungyuan, 3 April 2008).

China’s President Hu Jintao said the two countries should further expand the scale and scope of bilateral cooperation and lift trade and economic cooperation to a new level. He further said that China was ready to step up cooperation with Namibia in such areas as mineral resources, agriculture, fishing, infrastructure and telecommunications. China will thus encourage well – established Chinese companies to participate in the construction and development of Namibia (Xinhua, 20 December 2005).

In April 2007, the Chinese Deputy Minister of Commerce, Go Hucheng, visited Namibia with a 25–member delegation which held a business seminar with the Ministry of Trade and Industry and various businesses. The seminar culminated in the signing of 13 business memoranda of understanding between Namibian and Chinese businesses. The two countries signed business agreements on marble blocks, seal oil, wet–blue cattle hides, manganese ore, marble slabs, fishmeal, tuna as well as blister copper (New Era, 4 April 2007).

A N\$ 27.8 million<sup>1</sup> (US\$ 2.78 million) interest free economic and technical cooperation agreement and a grant agreement of the same value are two of the five agreements that were signed between Namibia and the Chinese delegation during the state visit of Chinese President Hu Jintao to Namibia in February 2007 (Government Information Bulletin, February 2007). The three other agreements that were signed provide for the building of two rural schools, a feasibility study on a youth training centre at Berg Aukhas and a plan to facilitate the visits of organised Chinese tour groups to Namibia (Government Information Bulletin, February 2007). Since then, the Chinese Embassy in Windhoek announced that a third school would be built as a gift to Namibia. China also offered the Namibian Government 1 billion Namibian Dollars (US\$ 100 million) as a concessional loan over a three-year period until 2010 plus another N\$ 720 million (US\$ 72 million) as a credit line. The offer was made during bilateral talks shortly before Chinese President Hu Jintao concluded his state visit to Namibia (The Namibian, 7 February 2007). China further reaffirmed its readiness to assist Namibia and to support the country's efforts in promoting economic growth and social progress (Government Information Bulletin, February 2007).

Thus far, China has provided economic aid to Namibia for the implementation of projects such as low cost housing, schools, clinics, borehole drilling, irrigation, an aquaculture research centre, building of a children's centre, regional council buildings and the new state house. In addition, a small group of Chinese science teachers and medical staff have been dispatched to work in Namibia, which was warmly welcomed by the Namibian government (New Era, 20 April 2007; Namibian, 10 February 2009). Further Chinese support is envisaged for the upgrading of the military school of the Namibia Defence Force (NDF) into a fully-fledged Defence Academy (N\$ 65 million/US\$ 6,5 million) and the construction of a youth training centre for about N\$ 130 million (US\$ 13 million) (The Namibian, 10 February 2009).

**Table 1: Chinese grants and loans to Namibia since 1990**

Grant 1	30 million Yuan (about N\$ 39 million/US\$ 3,9 million)
Grant 2	50 million Yuan (about N\$ 65 million/US\$ 6,5 million)
Interest free loan	30 million Yuan (about N\$ 39 million/US\$ 3,9 million)
Concessional loan	1 billion Yuan (about N\$ 1,3 billion/US\$ 130 million)
Credit line (signed in February 2007 but not yet utilised)	N\$ 1 billion (US\$ 100 million)

**Source: The Namibian, 10 February 2009**

According to former Chinese Ambassador to Namibia, Liang Yinzhu, China attaches great importance to cooperation with Namibia in the field of human resources and capacity building. For years, China has helped Namibia in human resources training courses and academic scholarships in China as well as by sending teachers to Namibia. For instance, from 1998, the Ministry of Commerce of China started training programmes each year for government officials and technical personnel from Namibia and other African countries in

<sup>1</sup> In January 2009, the exchange rate between the US\$ and the Namibia dollar (N\$) stood at about 1-10.

areas like public administration, macro–economics, agriculture, aquaculture, mining and health. In 2006 alone, there were 62 Namibian officials and technical personnel going to China for such courses. Since 2000, China offered five scholarships every year for Namibian students to study at Chinese universities. In 2007, the number of Namibian students awarded scholarships from China has increased to 21 (New Era, 5 October 2007).

## **1.2 Sources of information**

This study is based on a thorough review of relevant literature, media reports and policy documents. We also carried out extensive field work in various regions in Northern, Central, Western and Southern Namibia to investigate the practices at Chinese companies. We conducted interviews in the retail sector with 42 workers and 15 owners or managers at 33 different companies. We also visited various construction sites of 4 Chinese construction companies, interviewing 42 workers and 5 owners/managers there. Furthermore, we visited Chinese textile companies, restaurants, health shops and manufacturing plants to conduct interviews with workers, managers and owners. Thus, our sample was substantial and reflected construction and retail as the main focus of Chinese investments in Namibia.

Further information on Chinese investments in Namibia was obtained from the Chinese Embassy in Windhoek as well as from interviews with government officials from the Ministry of Trade and Industry as well as the Ministry of Labour and Social Welfare. We also interviewed trade union officials, an architect and various local business people in Northern Namibia (see appendix 1 for details).

## 2: Nature of Chinese Investments and Trade

The Namibian and Chinese presidents want their countries to strengthen cooperation in tourism, justice and human resource development as well as road and harbour construction, power generation, telecommunications, agriculture, fishing and mining (Xinhua, 6 February and 20 December 2005). The Namibian government has asked China to consider seconding experts in infrastructure development, training and human resource development (New Era, 6 February 2007). Former Namibian President Sam Nujoma encouraged Chinese companies to explore and develop co-operative projects promoting value addition in fields such as food processing, mine refining, cement production, medicine, furniture and garment manufacturing (New Era, 21 July 2004).

Brautigam (1998) observed that the Chinese state tended to use its aid for high profile infrastructure projects and used Chinese State-Owned Enterprises (SOEs) to undertake the bulk of the work. Today, much of the Chinese aid is “tied” or in the form of export credits so that Chinese firms benefit (Sautman 2006). This has seen a rapid inflow of Chinese former SOEs entering African countries in key sectors such as oil and mineral exploration, transport infrastructure, construction, telecommunication, and agro-processing. From the start Chinese traders have been involved in cheap consumer goods rather than “up-market” products (Mohan and Kale 2007). This trend is clearly visible in Namibia where “China shops” offer cheap goods for lower income groups. Furthermore, Namibia’s Works and Transport Minister Helmut Angula indicated that the Chinese government was pushing for Chinese workers to do construction work in Namibia, seemingly because African workers have a “different culture”. The Minister also pointed out that the Chinese government doubted the capacity of Namibian construction companies to undertake large projects (The Namibian, 10 February 2009).

Construction, property development and retail are currently the main destinations of Chinese investments in Namibia, while mining and local processing are only occurring on a small scale. Despite several attempts to obtain accurate statistics on Chinese investments from the Offshore Development Company (ODC), the Investment Centre in the Ministry of Trade and Industry, and the Bank of Namibia, we could only establish that total foreign direct investment (FDI) coming into Namibia stood at around N\$ 2,2 billion (US\$ 220 million) in 2006 (interviews with Moses Pakote and Daniel Nghidinua). According to information provided by the Bank of Namibia, the bulk of FDI went to finance insurance, real estate and business services (43%) and mining (33%). We could not obtain any information regarding the percentage of FDI that could be attributed to Chinese investments. This points to a severe administrative weaknesses in tracking FDI flows in Namibia, an observation that was confirmed by the Chinese Embassy which had expected the Ministry of Trade and Industry to set up a FDI database (Interview with Liu Kaungyuan).

Local newspapers quoted politicians who believed that there were up to 40 000 Chinese in Namibia, but according to the Chinese Embassy in Windhoek,

there are currently about 3 000 Chinese nationals living in the country (Interview with Liu Kaungyuan).

## **2.1 Retail**

“China Shops” have become a permanent feature in virtually all Namibian towns and even in villages. There are over 500 small Chinese shops registered on the database of the Ministry of Trade and Industry. One of the first things any traveller from Angola will notice along the main road in Oshikango are the large letters on the brown wall of a new warehouse complex, welcoming the public to “China Town”. This is one of two large complexes currently under construction by Chinese firms. Together, they will add up to 70 new Chinese shops to the 20 that are already in existence in Oshikango. The shop owners are Chinese while the complex was also built by Chinese construction companies (Dobler 2007). China’s exports to Namibia consist mainly of commodities like vehicles, machinery, electrical appliances, cigarettes, textiles, and shoes (Liang Yinzhu interview, New Era, 5 October 2007). China has also started to sell computer software to Namibia.

LIN’S Investments and the Rainbow Import and Export companies, both owned by Jindan Lin, have invested over N\$ 33.1 million (US\$ 3,3 million) in Namibia’s retail sector over the last seven years. Genie Marketing Concepts (GMC) and Lin’s Investments have recently entered into several marketing contracts totalling N\$ 6 million (US\$ 600 000) over 2 years. According to Lin, from 1997 to 2000 the companies focused on import and export, wholesale warehousing and established 10 chain retail stores in Namibia. Although Lin said that the Namibian market was small, he believed that there was space for development and that business was fine. Lin employed about 150 Namibians across the country (The Namibian, 2 June 2004).

Most small-scale Chinese ventures are in retailing and in the intermediation of commodity sales. These ever-growing Chinese retail shops mainly deal in clothing, textiles, shoes, electronics and all kinds of cheap consumer goods, but also motorcycles, furniture and small tractors (Dobler 2007).

Most China shops are owned and run by private businesspeople and many are not even registered with the Ministry of Trade and Industry. Some set up their shops after obtaining a work permit for Namibia and have little contact with the Chinese Embassy, which does not encourage the setting up of small Chinese shops as they have little impact on employment creation (Interviews with Moses Pakote and Liu Kaungyuan).

## **2.2 Transport**

In 2004, Namibia’s transport parastatal TransNamib purchased passenger trains from China. The company announced that this purchase was based on the good relations that Namibia shares with China (New Era, 6 September 2004). The modern luxury trains have three coaches with a carrying capacity of 170 passengers. The trains have an economy and business class.

One of SWAPO’s businesses, Namib Contract Haulage (NCH), has entered into a deal with a Chinese car company that will pave the way for the

assembling of buses and trucks in Namibia. NCH and China FAW Bus and Coach (Wuxi) signed a memorandum of understanding in Windhoek after a delegation from the Namibian company visited China in early February 2007. During the trip NCH bought 22 buses and tipper trucks and invited their Chinese counterparts to enter into a joint venture that not only targets Namibia but also the Southern African Development Community (SADC). In terms of the memorandum, NCH will act as FAW's representative in Namibia and buy an additional 100 vehicles for sale in the Namibian market while waiting for the assembly plant to be set up. NCH said FAW had extensive Asian experience in other sectors such as road construction and property development, which would be beneficial to the Namibian company. Speaking at the signing ceremony, former SWAPO President Sam Nujoma said the joint enterprise would assemble and sell vehicles and even mining equipment at a fraction of the current cost of similar items in Namibia (The Namibian, 8 February 2007).

### **2.3 Manufacturing**

According to the economic and commercial counsellor of the Chinese Embassy, Liu Kungyuan, the major Chinese investment in manufacturing cover the production of bricks, fabrics, detergents, mattresses, quilts, lighters, water processing, assembling of diesel engines and power generators (New Era, 20 April 2007). However, these are currently still quite small projects despite the political commitments made.

### **2.4 Development of Namibia's natural resources**

Namibia and China have reached an agreement to cooperatively develop Namibia's resources. A framework agreement is under negotiation as the Namibian Government does not only want to develop its natural resources, but also its infrastructure and other areas. Namibia's resources are used as guarantee for concessional loans provided by China to finance Namibian projects. "Once this agreement is concluded, we will enter into high – profile cooperation," said Liu Kungyuan of the Chinese Embassy (New Era, 20 April 2007).

Overall, the current export of Namibian primary commodities to China is rather insignificant if compared to other African countries like Angola. The indirect effects of China's emergence on the Namibian primary sector economy, however, are large. Commodity prices have risen sharply over the last few years mainly due to the increasing Chinese and Indian demand. Experts say that profit margins on government construction projects have declined from 30% to around 10% due to Chinese companies (Dobler 2007).

Namibia's former Minister of Trade and Industry, Immanuel Ngatjizeko, stated that the cooperation between Namibia and China in the areas of mining would be advantageous to both countries: "Chinese investment in Namibia's mining industry would create many jobs in Namibia and contribute to social stability and economic growth... In addition, Chinese investors would derive high profits from such investments, and access resources essential for fuelling the Chinese economic growth." The minister also said that Namibia would like to gain Chinese expertise, capital and technology to transform its natural

resources such as uranium, copper, gold and diamonds into value-added products (The Namibian, 13 October 2006).

Currently there are two Chinese – funded companies that have registered to conduct exploration of mineral resources. Up to now they are only at the exploration stage, which they carry out in conformity with the applicable laws and regulations. They do not enjoy more preferences and privileges than any other foreign company. For various reasons, these Chinese companies have encountered several difficulties in their operations and thus progress was slow. One license was granted for uranium prospecting near Rossing Uranium Mine while the other license is for the exploration of lead and zinc (New Era, 20 April 2007). Thus the direct Chinese involvement in the Namibian raw materials market has until now not been very prominent. This is partly due to the tight control over Namibia's mineral production through established distribution networks and due to the long – term contracts (Dobler 2007). The two countries are, however, looking at stone minerals processing, the purchasing of marble and marble blocks as well as copper and manganese.

The most important field of primary sector exports is less publicised, as it does not involve mineral resource: Chinese firms invested in joint ventures in Namibia's fishing industry since independence and in 2003 about 80% of Namibian exports to China consisted of fish and fish products (Dobler 2007). Other Namibian exports to China include minerals like uranium, copper and manganese. According to Gao Hucheng, China's Vice Minister of Commerce, China signed contracts to purchase Namibian products worth US\$ 34.7 million, including marble, fish meal, copper, manganese ore, tuna, etc (New Era, 5 October 2007).

Chinese oil and gas explorer Circle Oil Plc, through its wholly owned subsidiary First African Oil Corporation and China Shine H F, announced that the companies had signed an agreement whereby China Shine would acquire a 72% interest in Circle Oil's Namibia license. Circle Oil Plc currently holds a 90% interest in this license and the National Petroleum Corporation of Namibia (NAMCOR) holds the remaining 10%. China Shine HF is a Chinese SOE that is involved in oil and gas exploration, production, development and supply of oil field equipment and is focused on assisting China in its long – term strategic economic goals. China Shine is estimating a budget of over US\$ 1 billion for the local project and expects additional costs for exploration, development and infrastructure once the initial stage has been successfully completed. First Africa Oil Corporation was awarded the Namibian license for oil exploration on 40 000 acres concession in Northern Namibia in 2003 and it was acquired by Circle Oil Plc in March 2004. In November 2004, Circle Oil Plc announced the completion of an airborne gravity and magnetic survey of its concession in Northern Namibia. The survey was aimed at evaluating the hydrocarbon potential in an area with no previous seismic coverage or modern gravity or magnetic data (The Namibian, 1 February 2005).

## **2.5 Construction**

Besides retail, this is the most prominent area of Chinese investments in Namibia. The Construction Industries Federation of Namibia (CIF) estimated

that 60-70% of the country's large construction projects were awarded to Chinese construction companies (Interview with CIF President Renate Schmidt, 21 July 2008). These included several prominent public construction contracts. China Jiansu International Namibia Ltd was responsible for the construction of the Supreme Court in Windhoek, the new police station and prison training college also in Windhoek and the magistrates' court in Katutura. China Beijing Corporation for International Economic Co-operation built 102 houses in Katima Mulilo in 1999, funded through an interest-free Chinese government loan. Northern Tannery in Ondangwa, built in 2000-02 and shut down in 2006, was financed by the Chinese government as well as constructed by China Nanjing International Namibian Construction (Dobler 2007).

The private firm New Era Investment was responsible for, among many other public projects, the new town council building in Helao Nafidi. The most prominent instance of Chinese involvement in public construction projects is the new State House on the outskirts of Windhoek. As with Heroes' Acre, the main contractors are North Korean firms. After the Chinese government donated N\$ 55 million for the construction of State House in 2002, a Chinese company was given a share in the project without public tender (Dobler 2007). In May 2005, another generous grant by the Chinese government for the building of the new State House was announced, but its amount was not disclosed. While Chinese construction companies came into the Namibian market in the late 1990s by tendering for public projects often backed by Chinese government money, they have since moved into the private sector and are providing stiff competition for Namibian and South African construction companies (ibid). The main reason for the Chinese success is pricing: Chinese firms are undercutting Namibian competitors on a regular basis. The two regional council buildings constructed with Chinese grants have been handed over to the councils. Work on the residence of the new State House has begun. Preparations are being made to build the Youth Vocational Training Centre (New Era, 5 October 2007). China Nanjing International (Namibia) (Pty) Ltd has won the tender to construct the new Head Office for the Ministry of Lands and Resettlement (The Namibian, 3 December 2007).

A Chinese road-building firm landed a substantial contract to build a tarred road connecting Rundu to the recently proclaimed town of Nkurenkuru in the Kavango Region. The contract is worth N\$ 309 million (US\$ 30,9 million). The project will employ more than 250 people from the unskilled market while the skilled personnel will be imported (New Era, 21 November 2007).

## **2.6 Tourism**

China listed Namibia as one of the overseas tourism destination for Chinese citizens (Xinhua, Dec 20 2005) but this sector is still quite insignificant at present with only a small number of Chinese tourists visiting Namibia.

## **2.7 Taxes**

In general, the traders appear to pay for goods in advance, and deal in cash only with their local customers. The profit margins are thus unclear and make

taxation very difficult (Mohan and Kale 2007). Most of the warehouses operating in Oshikango operate offshore, the goods are imported “in bond” for export to Angola, without paying Namibian import duties and taxes (Dobler 2007). It was also reported that Chinese businesses hardly bank in Namibia, despite the country’s foreign exchange restrictions (New Era, 16 July 2008; Republikein, 30 October 2008; Interview with V. Usiku, 18 July 2008)

## **2.8 Employment creation**

Chinese traders generally live quite frugal lifestyles, often in a couple of rooms above or behind the shop and studies show that they rely on family labour. They tend to use local African labour mostly for menial tasks. A lack of trust is often cited as the reason for employing Chinese labour over African (Mohan & Kale 2007).

Chinese businesses usually create unskilled jobs for Namibians. Once Oshikango’s “China Village” is completed, around 200 Namibians will find employment there. Most China shops employ Namibians as shop assistants, store hands or security guards (Dobler 2007). Employment is mostly provided in the retail and construction industries, which are currently the main areas of Chinese investments in Namibia.

An inspection by the Ministry of Labour and Social Welfare in 2006 found that Chinese construction companies employed a significant number of foreign workers, even for some of the jobs that required low levels of skills. These included Asian as well as African workers, mostly from Zimbabwe, who accepted any rate they were offered due to difficulties experienced in their countries of origin (Ministry of Labour and Social Welfare 2006; Interview with Justine Jonas, 17 July 2008). Our own fieldwork revealed that the majority of workers employed at Chinese construction sites are Namibians.

## **2.9 Skills transfer**

A Chinese employer pointed to a lack of skills in the country, saying that often Namibians claimed to know a certain job but after a few hours it would become clear that they didn’t. “We cannot afford to waste money by employing people who are not qualified to do the job. We often have to send them back to Vocational Training Centre to upgrade their qualifications” (New Era, 23 August 2006).

The evidence collected during our fieldwork revealed that Chinese investors don’t place an emphasis on developing the skills of their Namibian employees. Even the larger (construction) firms which employ more than 25 workers and thus are supposed to implement affirmative action (including the appointment of Namibian understudies to transfer skills from expatriate staff) tend to ignore this requirement. Instead of developing Namibian skills, they tend to import skilled workers from elsewhere.

The economic and commercial counsellor of the Chinese Embassy pointed out that it was the Namibian government’s duty to invest in human capacity building while the investor should only be expected to do on-the-job training. He added that investors preferred to employ locals as this was cheaper than

bringing in expatriate staff (Interview with Liu Kaungyuan). Likewise, government officials believe that government has to train Namibians and provide them with scholarships (Interview with Moses Pakote). They also believe that Namibian workers can learn from their Chinese counterparts: “The Chinese are working much faster. You can learn from the Chinese. When it is five o’clock then our people go home. We believe in exposure from working together with the Chinese. With the machines that come here, there will be technical training on maintaining and operating those machines” (Interview with Daniel Nghidinua, 2 April 2008).

The general secretary of the Namibia Employers Federation, Tim Parkhouse, also found the Chinese work ethics impressive but did not notice any transfers taking place: *“The Chinese know how to work. It is in their culture to work... They work from early morning until the evening and even on a Sunday. Unfortunately it is not rubbing off onto Namibians. I think they see it as a threat instead of saying: if they can work that hard, we can do so too”* (Interview, 30 July 2008)

## **2.10 Economic impact of Chinese investments**

The Chinese traders buy from China, either from large wholesalers or directly from the factories there. The ability of Chinese traders to utilise networks rapidly helps explain these traders’ ability to keep costs very low and out-compete their Namibian competitors (Mohan and Kale 2007). Various studies show that local traders have been put out of business as a result of Chinese traders (Sylvanus 2007). Similar frustrations were expressed by local construction companies, which have repeatedly accused Chinese firms of unfair practices. A tender board decision to award an N\$ 75 million (US\$ 7,5 million) contract for the building of the new head office for the Ministry of Lands and Resettlement to a Chinese construction company survived an attack on its legality in the Namibian High Court on the 30<sup>th</sup> November 2007 (The Namibian, 3 December 2007). Namibia Construction and Murray & Roberts (Namibia) also tendered to construct the new head office. They argued that the playing field in the construction industry in Namibia was not level when it comes to what is legally required from Chinese and other construction companies. Local construction companies pointed out that they couldn’t compete with Chinese investors and felt that they lost out on potential income and employment creation.

A well-known local architect, Kerry McNamara, documented in detail how Chinese construction companies were awarded government tenders despite the tender rules which require applicants to adhere to local laws and regulations, including the Affirmative Action (Employment) Act, the Labour Act, the Social Security Act as well as the gazetted minimum wages and agreed conditions of employment. He pointed out that government had become an accomplice in breaking its own laws and warned: *“Once the laws and the state are corrupted, those who are still honest will be in trouble. Corruption becomes a self-reinforcing process of self-destruction”* (Interview, 31 July 2008).

McNamara also pointed out that wage-related costs tended to account for almost 50% in the construction industry and that companies adhering to the applicable laws and minimum conditions of employment could thus not compete with Chinese companies which often paid less than a third of the minimum wage. *“The benefits like pension and living-away allowances amount to about N\$ 20 per worker per day on top of the minimum wage. This is a 27% increase of the basic wage. As Chinese don’t pay this, they have a massive advantage when it comes to tender prices... They win tenders by stealing workers pension funds, social security and minimum wages. How can we allow this and remain silent?”* (Ibid). Our own fieldwork confirmed that hourly wages of N\$ 3 (US\$ 0,30) were the norm for Namibian workers at Chinese construction companies who were supposed to pay a minimum wage of N\$ 8,44 (US\$ 0,84). Our field work also revealed that these workers did not receive the benefits that are stipulated in the collective agreement for the industry.

It may be argued that the “China shops” brought low-cost commodities for Namibian consumers and that the presence of Chinese construction companies in Namibia lowered the costs of construction (New Era, 20 April 2007; Interviews with M. Pakote and D. Nghidina). Chinese shops offer consumer goods (such as clothing, blankets, mattresses and shoes) at low prices, making them more accessible to the poorer consumers. For many people, a cheap radio of inferior quality at an affordable price looks more convincing than one of superior quality that is beyond their means (Dobler 2007).

The welcoming attitude towards Chinese investments that is prevalent amongst Namibian politicians and government officials is, however, not shared by Namibia’s small traders. They have pointed out that Chinese businesses are now even threatening the small subsistence home industries trading in “kapana” (roasted meat) and “fat cakes”. A local businessman, John Endjala, stressed that the biggest threat to SME’s in the country were Chinese and Lebanese traders. Endjala was not happy that government failed to protect local people from unfair competition: “Threats from the Chinese are harming our businesses – they are also going into the kapana business and competing with our people because they know how to do it. We cannot go against the Chinese because they have been welcomed here by our government”. The Chinese kapana traders set up stalls mostly in the North and other parts of the country where competition for Namibian customers has been stiff. “Most of them employ locals to do the meat roasting and selling. Chinese traders in Windhoek, particularly at the popular Chinatown, have been accused of paying their employees paltry salaries of as low as N\$ 300 ... After having overtaken the construction and other established businesses they are now competing against our mothers who are selling kapana and they are even speculating in bread making” Endjala said (Informante, 7 June 2007).

In June 2008, a group of indigenous business people in Northern Namibia publicly voiced their outrage over what they termed unfair competition from Chinese traders:

*“Some of these people (Chinese) get subsidies from their government, they can afford to sell their products at a very low price and we don’t have any type of protection. Chinese investors are taking all the business opportunities from the local people. We understand that we have a free market economy, that we have to compete, but what is happening is robbery, it is not free and fair competition”* (Interview with Epafras Mukwiilongo, 20 June 2008).

The group calls itself the Anti-Chinese group and called on government to protect local businesses. They pointed out that the Chinese merchants have an advantage because they source their goods directly from China. The group demanded that Chinese merchants should be restricted to operating warehouses from where local businesses could buy. *“The survival of the local business should not be compromised only to accommodate the Chinese business community,”* said the group’s chairman Epafras Mukwiilongo. He further warned that:

*“The Chinese are buying and developing land now, and Namibians without money don’t have access to this land. In few years time many Namibians are going to start buying land from Chinese. The government is telling the youth that they should go and establish SMEs, but how does government expect this people to compete against already skilled and experience business people if they are not given any type of protection?”* (Interview, 20 June 2008).

During our field work, we also spoke to a group of residence in Outapi, Omusati region. They expressed similar resentments of Chinese traders:

*“We don’t understand why government is allowing the Chinese to have businesses everywhere... Our children will not have a chance to open up businesses, because opportunities are given to the Chinese. When we have national or regional trade fairs, the stalls are always occupied by the Chinese, selling cheap quality products. The type of products the Chinese are selling can be sold by Namibians... Why doesn’t government give these opportunities to the Namibian youth who are sitting on the streets without jobs? We don’t see Chinese creating employment or alleviating poverty, instead they are creating more poverty. Women work long hours for only N\$ 300 or 400 (US\$ 30-40) a month. What will a person do with that wage?... Chinese are taking more from this country instead of developing it. We know that Namibian businesses also pay low wages, but at least the money is put into Namibian banks and it develops our economy. Something needs to be done to stop the spread of these cheap shops in our communities”*

(Focus group discussion, 20 June 2008).

## **Chapter 3: Labour relations and working conditions at Chinese companies in Namibia**

There have been numerous debates and strong criticisms regarding labour relations and working conditions at Chinese companies (Fraser and Lungu 2007, Trofimav 2007). Most African employees of Chinese firms are employed for low-skill jobs and there have been many complaints about ill – treatment of workers. The Construction Industries Federation of Namibia (CIF) complained that the Chinese contractors were breaking most of the labour laws drawn up by the Government to control state building procurement intended to deliver the benefits of the post – independence economy to the citizens, and particularly, the workers of Namibia (CIF Press Release, 30 March 2007). A government inspection in the construction industry discovered that most of the Chinese companies did not comply with all the relevant provisions of the Labour Act of 1992, and also did not adhere to the minimum wage and other basic conditions of employment. Chinese construction companies also did not keep any records regarding conditions of employment of their workers as required by section 4 of the Labour Act (Ministry of Labour and Social Welfare 2006).

The National Union of Namibian Workers' (NUNW) 4<sup>th</sup> Ordinary Congress in 2006 was concerned about the many real and perceived problems associated with the manner in which Chinese businesses operated and how they treated their employees. There were many instances where Chinese investors have come into conflict with organised labour as they had attempted to prevent trade unions from organising their employees. In several instances, Chinese employers resorted to unfair labour practices, including paying less than the legal minimum wages, victimisation and unfair dismissals. It is against this background that the NUNW's national congress resolved in 2006:

- “That a proper research study be conducted to ascertain the validity of the allegations most especially as they relate to labour relations,
- To ask the Labour Resource and Research Institute (LaRRI) to conduct the said research study in carefully selected industries or specific Chinese business establishments,
- That the NUNW use its presence at the Immigration Selection Board to raise many of the workers' concerns” (NUNW 2006 Congress Resolutions Nr. 14)

The NUNW Central Executive Committee (CEC), which met on 17<sup>th</sup> November 2007, further noted with deep concern and disappointment the way in which some the Chinese investors, most particularly those in the construction industry, violate Namibian labour laws. The NUNW also noted that some of the Chinese investors in the construction industry made use of cheap labour brought in from China, some of whom are allegedly serving prison terms. The NUNW therefore resolved that this and some other allegations be investigated by government with the utmost urgency (NUNW Press Release, 22 November 2007).

A government inspection among Chinese construction firms in 2006 found that Chinese companies paid wages as little as N\$ 2,77 – N\$ 3 (US\$ 0,27-0,30) per hour, which is far less than the agreed minimum wage rate of N\$ 8,44 (US\$ 0,84) per hour. The report from the Ministry of Labour and Social Welfare further indicated that most Chinese companies did not adhere to the prescribed health and safety standards and regulations (Ministry of Labour and Social Welfare 2006).

At a consultative meeting called by Labour Commissioner Bro–Mathew Shinguadja, Chinese business leaders were subjected to a barrage of criticism about their failure to adhere to Namibian labour laws. This included persistent claims of hiring and firing workers at will and failure to comply with established minimum wages in certain industries. Chinese businesses have also been criticized for not providing employees with minimum benefits and failing to respect work – hour regulations for public holidays and Sundays. Another common complaint against Chinese companies raised by the Labour Commissioner was their negative attitude towards trade unions. There have been allegations of “union–bashing” at Chinese companies and not allowing trade unions to organise at their workplaces (New Era, 23 August 2006).

The Labour Commissioner said that Namibia valued Chinese investments and their contributions to the Namibian economy, but that this did not mean that Chinese businesses did not have to comply with the statutory provisions of Namibian labour law, just like any investors. “Orderly collective bargaining is not optional but a prerequisite for conducive labour relations, high productivity, profit and better conditions of employment,” said Shinguadja. During the meeting a Chinese employer argued that labour problems often arose because of communication problems. Some Chinese business people could express themselves in English while others could not (New Era, 23 August 2006).

One of the tactics used by Chinese companies to evade their responsibilities towards their employees is by employing workers through sub–contractors or individuals of non-registered companies. These companies would receive payment from the main contractors and once they received the payment, they would not pay out the full amount to the workers for the services delivered. Another way to pay less than the minimum wage was to demand education certificates from workers. Many of them did not possess such certificates, but were able to do the work due to long practical experiences. Some Chinese companies used the lack of certificates as an excuse for not paying the full wages. In some instances, Chinese construction companies used labour–hire firms (labour brokers) to get workers, thus avoiding their social and legal obligations (The Namibian, 7 March 2007).

According to the Construction Industries Federation of Namibia (CIF), Chinese construction companies in Namibia are operating illegally and completely ignore Namibian laws. The CIF pointed out that not one single Chinese building contractor in the country was in possession of a valid affirmative action compliance certificate. The Federation criticised that the

government failed to act, although the Employment Equity Commission (ECC) and the Tender Board of the Government were fully aware of the situation (The Namibian, 2 April 2007). “It has become common knowledge that Chinese contactors operating in the Republic of Namibia do not regard themselves to be subject to the laws of this country and to that end have been allowed to break the law with impunity”, Karl-Heinz Schultz, Co- chief Executive Officer of Namibia Construction said in a court affidavit (The Namibian, 3 December 2007).

In a statement released in December 2007, the Construction Industry Federation complained that Chinese contractors were able to artificially reduce the price of their tenders by not respecting Namibia’s laws, especially minimum wages, which have a substantial influence on costs. The Social Security Commission Act requires that every employee must be registered and that both employees and the employer contribute 0,9% of the wage as a monthly contribution. Paid-up members are entitled to various benefits such as maternity leave, sick leave, and death benefits. In addition, the collective agreement for the construction industry in Namibia prescribes a compulsory pension fund. Most Chinese firms avoid these responsibilities and as a result could tender at cheaper prices than companies that adhered to the legal requirements (CIF Press Release).

The tender board rules stipulate that companies tendering on State construction projects have to meet a set of legal requirements. This includes providing proof of registration as a Namibian taxpayer, a certificate of good standing from the Social Security Commission, a valid affirmative action certificate issued by the Employment Equity Commission and proof of compliance with the Labour Act, which includes that the company should be a party to the collective agreement concluded between the Construction Industries Federation of Namibia (CIF) and the Metal and Allied Namibia Workers Union (MANWU). Chinese companies are accused to not adhering to this requirements but still being awarded government tenders (ibid).

One Chinese company (New Era Investment) has received complaints from their employees concerning the fact that they have to buy protective Clothing from the company, which is a violation of the Section 96 of the Labour Act. Workers at that company also raised a host of other complaints including:

- That they were not paid according to the Minimum Wage in the construction industry,
- That they were not issued with Protective Clothing,
- That they were not paid living-away allowances,
- That they were not sleeping in hygienic environments, with 27 workers sleeping in small rooms like pigs,
- That workers were not given pay slips, no contracts of employment and no severance pay, paid leave, service allowances as well as certificates of employment (MANWU letters to New Era Investment, 8 & 12 October 2007).

China State Construction further issued tracksuits instead of giving employees overalls as per Government Gazette and a CIF-MANWU Agreement (MANWU letter to China State Construction, June 16, 2005).

In stark contrast to the concerns raised by the Namibian labour movement and some of the local business people, Namibian government officials and the Chinese Embassy proposed that low wages should be endured as a means towards a prosperous future. The economic and commercial counsellor advised Namibia to *“...sacrifice a little bit of labour protection. The labour cost is too high. Namibia does not have production. In China, if you have N\$ 1000 you are rich but in Namibia you cannot buy anything with it because you import everything. If you sacrifice on labour costs now for future generations, then Namibia will develop. Let people be paid lower wages now and attract more FDI and set up manufacturing so that the future generation will reap the benefits of the sacrifices”* (Interview with Liu Kaungyuan, 3 April 2008).

This view was shared by an official from the Investment Centre who stated that: *“We need to look at the system that we have in place (capitalist economy) before Namibians start complaining about Chinese exploiting and paying low wages. If we want to develop our country, we need to sacrifice labour costs now to benefit later. The objective is to create jobs for Namibians and any FDI should be able to do that”* (Interview with Moses Pakote, 9 April 2008).

### **3.1 Findings**

We found that Namibian workers at Chinese retailers were employed as general workers doing everything from packing, unpacking, cleaning to selling and in some cases working as security guards. Workers at construction companies were mostly general labourers, doing all types of duties from bricklaying, mixing of concrete, welding to painting. According to the Chinese employers, if an employee has been on the job for more than a year, s/he would be considered permanent staff. This was, however not confirmed by the Namibian workers who pointed out that they had no employment contracts and no job security. The following quotes exemplify the typical responses:

*“I am a builder, mixer of concrete, welder and painter. I have been working for this company for 8 years. I do not have an employment contract and do not know on what basis I am employed and what my position is in the company. I can be fired from this company any day and I would not even get a payout package”* (Construction worker in Walvis Bay)

*“With the Chinese it does not matter how long a person has been working in the company. If the manager on the site decides that he does not want me anymore, he will ask me to leave without any payout”.* (Construction worker in Walvis Bay)

*“I don't know my employment position. With Chinese you don't get those things. They won't even ask for your qualification neither an identification card. They don't care because they hire and fire as they feel.”* (Retail worker in Swakopmund)

*“I worked for this company for three years and I am still a casual worker, because until now I don’t have an employment contract. There is no difference between me and someone who started working here 2 months ago, our conditions of employment is the same.”* (Construction worker in Walvis Bay)

*“I do not know whether I am employed permanently or what my position is in this shop. With these people a person never knows, the boss might just come and tell you ‘Go home, there is no job’.”* (Retail workers in Swakopmund)

*“When I started I was a brick layer and a painter and now I cook for the Chinese mostly and sometime I am asked to paint again. I don’t like to cook, because it is not my job. I am a bricklayer and a painter. Now they make me cook maybe because I am a woman, and I make little money at cooking.”* (Construction worker in Walvis Bay)

As a general rule, workers at Chinese companies do not have employment contracts and do not receive severance pay in case of dismissal. Most Chinese employers consider Namibian workers as unskilled workers because according to their standards, they are not efficient enough. When workers are hired, they are not required to have certain qualifications or skills. According to the Ms Lee, Manager of China Jiangzu Construction company, the company hires more worker than they need because some people come to the construction sites begging the site manager to give them jobs even if just for that day at any wage rate. Additionally, Ms Lee stated that her company picks up workers who wait in the streets. They then receive on-the-job training from their colleagues (Interview, 17 June 2008).

### **3.2 Wages, Benefits and Working Conditions**

Our findings showed that the majority of workers at Chinese companies were poorly paid and that no single worker got any type of benefits besides the legally required social security membership and workman’s compensation. Even these provisions were only enjoyed by a minority of employees. This was confirmed by the Employment Equity Commissioner, Vilbard Usiku, who observed that Chinese employers paid lower wages than most other employers and offered no benefits to their workers (Interview, 18 July 2008). This happened despite the long hours they worked and the variety of duties they were required to carry out.

Some employers in the retail industry explained that they paid their workers according to what other (Chinese) employers were paying in the same industry. Others indicated that they determined wages according to workers’ performance and skills. In many instances, wages were as low as N\$ 300 (US\$ 30) for shop assistants and general labourers in the construction companies. Our investigation found that the highest paid worker at a Chinese company was employed as a chef in a restaurant and earned N\$ 2 800 (US\$ 280) per month.

In the construction industry there is an agreed minimum wage of at N\$ 8.44 (US\$ 0,84) per hour for a general labourer. Chinese employers argued that according to the agreement between the Metal and Allied Namibian Worker Union (MANWU) and the Construction Industries Federation (CIF) a worker should reach a certain target per day to qualify for the minimum wage. Chinese construction companies claimed that Namibian workers did not reach their target and thus were not entitled to the minimum wage. However, this argument was rejected by trade unions as fabricated. They also pointed out that Chinese construction companies did not pay the required legal benefits such as pension, paid leave etc.

Workers cited several other violations of their rights and of Namibia's labour laws, which they experienced at the hands of their Chinese employers. They also pointed out that no negotiations over conditions of employment took place:

*"We don't have any benefits. In 2007 my child was ill and she was admitted in the hospital for one month. I request leave, but the management refused. So I had to take unpaid leave"* (Retail worker in Oshakati)

*"We get only N\$7.00 (US\$ 0,70) for overtime no matter how many hours we work. If anyone of us makes a mistake, they either deduct from your salary or dismiss you on the spot."* (Retail worker in Oshikango)

*"I started working with the Chinese in 2005. My salary per month is N\$ 550 (US\$ 55) and my boss is the one who decided on my salary. The only benefit we have is Social Security"* (Textile worker in Oshakati).

*"I have a one year old child who is very sick because he have a heart problem the doctors said there is a hole in his heart. I am supposed to take my child for check up at the hospital every third month. My boss complains about it. He says I have too many problems maybe he should get someone else to work without many problems like me or someone who does not get sick."* (Retail workers in Swakopmund)

Other problems that workers experienced were verbal abuse, intimidation as well as harassment. Female workers at a construction company in the North said that their Chinese employers and Chinese supervisors sexually harassed them but because of a lack of job security they had to bear such harassments.

Most workers felt that they had no right to express their views or lodge their complaints. In some cases they were either told that they talked too much or if they were not satisfied with their jobs, they should quit. The workers stated that despite the fact that that they were ill-treated they still had to come back to work because they needed the money to survive.

Our study also found that Chinese companies hardly kept any records regarding their employees' conditions of employment as required by the Labour Act. We also found a high level of discrimination between the local employees and expatriates, who in most cases were supervisors and enjoyed better working conditions and benefits. The expatriates were provided with

food and accommodation while the local employees were not. A similar situation had existed at the Malaysian textile company Ramatex, which operated in Windhoek from 2002 until 2008 (LaRRI 2005; Jauch 2008a).

The following quotes exemplify the tense relationship that workers experienced:

*“We are not free to complain. They call us pigs and we don’t ask why or fight back because if we do that we will lose our jobs. We work in fear, even though the working conditions are bad and wages low. We need this job to survive.”* (Construction worker in Walvis Bay)

*“I can’t even stand to catch my breath. The foreman will start shouting and I don’t understand what he is saying.”* (Retail worker in Oshikango)

*“We work here not because the conditions are good, it’s because we don’t have a choice. We need work to survive.”* (Retail worker in Windhoek)

*“My boss transferred me from Okahao to Outapi, I request him to provide accommodation and he refused.”* (Retail worker in the North)

*“If a women falls pregnant it means it is the end of her work in a Chinese shop. They don’t like pregnant ladies.”* (Retail worker in Walvis Bay)

*“They discriminate against us in many ways. I see all Chinese employees have protective clothes like overalls, masks and shoes.”* (Construction worker in Oshakati)

### **3.3 Working Hours**

Most workers (particularly in the retail sector) indicated that they had to work from 7h30 am to 17h30 pm from Monday to Friday while on Saturdays and Sundays they worked from 7h30 to 13h00. This is longer than permitted by Namibia’s Labour Act (1992 & 2007). The workers were also expected to work during public holidays without any extra remuneration. Furthermore, most workers did not get lunch breaks, and those who did, were only granted 30 minutes. This is another violation of Namibia’s Labour Act. The following quotes highlight workers’ experiences regarding working hours and overtime payment:

*“If I work overtime I get paid N\$ 10 (US\$ 1) for the extra hours, it does not matter how many hours you will get N\$ 10. It is easy for them to do that, because I don’t get paid on hourly rate”* (Retail worker in Oshikango).

*“I work 12 hours per day and seven days a week. Overtime is a must here. Everyday I work extra hours which is not paid. I tried to ask for my overtime pay and they tell me I can go elsewhere if I am not satisfied with what they give me”* (Retail worker in Oshikango)

*"No overtime is paid. We don't get lunch hour and we are supposed to be on our feet the whole day. If you are seen sitting, you might get fired or money gets deducted from your salary"* (Retail worker in Ombalantu)

*"We have lunch for 20 minutes only and if you come late even for 2 minutes they deduct N\$20"* (Retail worker in Oshakati)

*"There are no lunch breaks. I give food to eat here, no problem."* (Owner of a retail shop in Oshakati)

Several of the Chinese employers confirmed the long working hours and indicated that their operations would run for 7 days a week if there was a need to do so, particularly when they had to meet deadlines with construction projects. The employers, however, claimed that overtime work on Saturday and Sunday was voluntary. In the retail sector, working weeks of 6-7 days were the norm at Chinese shops.

### **3.4 Labour Relations**

Most workers at Chinese companies were not trade union members. The reasons given varied, but many workers indicated that they lost faith in unions' ability to solve their problems. They said that even if they informed their union about their problems, nothing was done to solve them. Some indicated that when union officials came to their workplace, they talked with management only but not with their members. As a result several workers cancelled their membership and are no longer interested in trade unions.

Regarding the relationship between Chinese companies and trade unions, we noticed serious tensions. None of the companies we visited had entered into collective bargaining. Several managers told us that unions only caused problems between employers and employees. Most companies indicated that they did not allow trade union onto their premises and in one case workers who were members of a union were dismissed – another violation of the Labour Act. Thus, many workers chose to engage officials of the Office of the Labour Commissioner if there was a conflict at work because this was safer than involving a union. Several workers told us that they were afraid of losing their jobs and thus did not want to join a trade union.

The problems experienced by workers with their unions as well as with management are shown in the following quotes:

*"The relationship is not good, we are treated badly. The Chinese have an attitude of treating us the way whites treated our fathers during the colonial era. The Chinese refuse to recognize the union. They solve their problems with the Labour Commissioner's office"* (Retail worker in Oshakati).

*"If I am using a broom and if the Chinese employee wants the broom, the Chinese supervisor grabs the broom from me and hits me. Really the way we Namibian employees are treated is not the same as the Chinese employees."* (Construction worker in Oshakati)

*“We once went to the trade union (NAFAU) offices, because we wanted them to help us but they referred us to the labour court.” (Retail worker in Walvis Bay)*

*“We cannot join the union for fear of dismissal. There used to be a security guard here, he joined the trade union and when the boss found out he was dismissed from the job.” (Retail worker in Swakopmund)*

Various labour relations officers and labour inspectors that we spoke to confirmed the poor state of labour relations and highlighted poor wages and unfair dismissals as the common problems experienced. An officer in the Erongo region summarised her experiences as follows:

*“They (Chinese companies) claim that Namibian workers are lazy and that they (the Chinese) are working very hard. Construction workers are supposed to be paid according to the CIF-MANWU agreement but they are not adhering. They are under-paying their workers and therefore Namibian companies don’t want to pay minimum wages too. The retail shops are underpaying their workers and at times pay as little as N\$ 10 (US\$ 1) per day, which is unacceptable. They are hiring and firing workers as they please.... Workers at construction sites in most cases don’t know who they are working for and don’t even have their contact details to follow up complaints. Workers start stealing because of low wages.... In most cases when you go to visit them (Chinese companies) they offer you cool drink to soften you. I am of the opinion that if they are not complying with our laws, they should be closed down. They are not contributing to poverty eradication. They are worsening the situation in the country” (Interview, 11 June 2008).*

A labour inspector added:

*“ I have nothing good to say about labour relations at Chinese companies in the construction sector. The salaries are low, they ill-treat workers and they don’t adhere to health and safety regulations. I had a case where a worker was offered groceries instead of a salary for the month. Where in the world have you heard of such a thing?... The government must do something. The situation is making my job very difficult. The government is treating some companies favourably but not others. This is causing conflict for me in executing my duties because I can’t give fines to some companies and not to others.” (Interview, 11 June 2008)*

An organiser of the Namibia Food and Allied Workers Union (NAFAU) in Windhoek explained how victimisation prevented the union from recruiting members:

*“As soon as the Chinese employer discovers that employees are members of a union, they (employees) end up in a problem that might lead to dismissals. They do not fire a worker because s/he is a member of a union but they do it indirectly. Employers will accuse the worker of a transgression that can lead to a dismissal. It is difficult due to the fact that Chinese employers pretend not to understand English. I say they pretend because when you walk into a Chinese-owned business they will talk to you in English but the minute you*

*identify yourself as a union official then they will tell you that they do not understand English” (Wilma Angula, Windhoek, 15 May 2008).*

Chinese employers on the other hand claimed that they had no serious problems with their workers but did not want trade unions to be involved. Instead they preferred to deal with their workers directly, although they admitted that there were communications problems:

*“Labour relations are not bad at all. The major problem we have here is communications. The local workers don’t understand us. They don’t even ask or say that they don’t understand. We always have to use an interpreter to make them understand... We always try and make workers understand what is expected from them. I don’t know whether the local workers belong to a trade union, because the Chinese workers cannot belong to any organisation that is not Chinese... Chinese people work 24 hours and for 7 days a week. That’s our work culture. We do pay overtime if the workers work for more than 9 hours and it depends on the quantity of work done and how well it is done. We don’t have a fixed amount that we pay per hour. If overtime is caused by a mistake of the workers because they have worked very slowly, then it is the workers’ problem. The company cannot be held responsible and therefore they won’t get paid for working overtime to rectify their faults” (Manager of a Chinese construction company in Ondangwa).*

This statement clearly highlights that the practices at the workplace are not shaped by Namibian labour law but rather by the views of the employer.

### **3.5 Health and Safety**

We found that health and safety issues were not paid much attention at Chinese companies. The interviewed workers in all Chinese companies indicated that there was neither a health and safety policy, nor protective clothing, nor a health and safety committee or any form of training on health and safety issues at their workplace. The manager of a Chinese construction company explained that her company only employed people who are healthy and strong. As the company respected culture they did not want to know the employees’ HIV status and hence, saw no need for an HIV/AIDS workplace programme. Another manager at a construction company in Oshakati added:

*“Regarding HIV and AIDS, we know the health status of the workers. We don’t do testing but we select our workers very carefully. We only employ those who are healthy. We can tell because we know the local people and we have studied them well.”*

Most Chinese employers seemed to be ignorant about Namibian labour laws and ILO standards and believed that it was their right to take decisions unilaterally. In the construction companies, we found that none of employees had protective clothing even those who work with dangerous chemicals and paint. However, some employers argued that they provided their workers with protective clothing but that the workers preferred their own clothes. This was denied by workers who explained that the protective clothing they had been given was of such poor quality that they were torn after the first wash.

Construction workers at Oshikango indicated that they even had to mix the concrete with their bare hands and that they were not even provided with equipment such as paint brushes as they had to bring their own. The risk of workers getting injured at work was high because of the work that they are performing when building, for example a double storey building. A construction worker in Walvis Bay recalled how a colleague was injured when they were constructing a Ministry of Finance building in Walvis Bay. The Chinese construction company did not compensate the worker and also did not take care of the worker's medical bills.

The following quotes highlight the concerns of workers regarding their health and safety at work:

*“The factory has no fire extinguishers or fire exists and is so jammed full of materials that a small fire could explode into an inferno within a second.”* (Retail worker in Ombalantu).

*“I remember one time we were working in Noordoewer and we had an accident there. One of my colleagues was killed and some were injured including me. I know my deceased colleague family did not get any compensation, and neither did we get any. We had to use our money for medical treatment.”* (Construction worker in Windhoek)

### **3.6 Training**

Virtually all training at Chinese companies consisted of informal on-the-job training that usually takes place when new workers are hired. The more experienced workers then induce them. The owners of a retail shop in Ondangwa explained:

*“No training is offered. I normally tell the old workers to show the new workers what to do and what is expected of them.”*

The Chinese foreman of a construction company in Walvis Bay added:

*“I have people who have worked for me for a long time and they now teach the new intakes”.*

The only training that was more systematic was that of cooks who were introduced to Chinese cuisine, either as employees of restaurants and in some cases to prepare food for the Chinese employees on construction sites.

## Chapter 4: Comparing Chinese practices with Namibian labour laws, ILO conventions and national labour practices

### ***List of Fundamental or Core ILO Conventions:***

1. Freedom of Association & Protection of the Right to Organise (Convention 87, 1948)
2. Right to Organise and Collective Bargaining (Convention 98, 1949)
3. Forced Labour (Convention 29, 1930)
4. Abolition of Forced Labour (Convention 105, 1957)
5. Minimum Age (Convention 138, 1973)
6. Worst Forms of Child Labour (Convention 182, 1999)
7. Equal Remuneration (Convention 100, 1951)
8. Discrimination (Employment & Occupation) (Convention 111, 1958)

With the exception of Convention 100 on equal remuneration<sup>2</sup>, Namibia has ratified all core conventions of the International Labour Organisation (ILO). The country's labour laws give effect to that commitment. The first post-independence Labour Act of 1992 replaced the colonial labour legislation and provided workers with basic rights as outlined in the section on basic conditions of employment. These rights include freedom of association, protection against victimisation and unfair labour practices, limitations of working hours; right to have paid annual and sick leave as well as maternity leave; the right to form and join trade unions etc. The Act does not prescribe minimum wages and encourages collective bargaining as the preferred option to determine wages. However, the Minister of Labour may appoint a wage commission to make recommendations regarding minimum wages for a particular industry or area. This has not happened thus far, but trade unions managed to conclude industry-wide minimum wage agreements for the construction industry (N\$ 8,44/US\$ 0,844 per hour), the agricultural sector (N\$ 2,20/US\$ 0,22 per hour) and for security guards (N\$ 3/US\$ 0,3 per hour).

A new Labour Act was passed in parliament and signed into law towards the end of 2007. It consolidates the basic rights as enshrined in the ILO conventions and provides for improved leave provisions, compared to the previous Act. Women on maternity leave now receive up to N\$ 6 000 (US\$ 600) per month from the Social Security Commission as opposed to old "ceiling" of N\$ 2400 (US\$ 240). The new Labour Act also provides for the conciliation and arbitration of labour disputes and will replace the expensive, time-consuming, court-based system of dispute resolution.

Overall, Namibia's legal labour framework is underpinned by the notion of "tripartite partnership". This concept is however, not extended into the sphere of economic policy-making, which is shaped by the neo-liberal dogma and the almost religious believe that only an open, highly liberalised economy that will

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<sup>2</sup> Namibia's maternity leave benefits are currently limited to a maximum basic wage of N\$ 6 000 (US\$ 600) per month. This is the reason why Namibia has not yet ratified the ILO Convention 100 on equal pay.

appeal to foreign investors can lead to socio-economic development. It is telling in this regard that only a few years after independence, Namibia passed an Export Processing Zones (EPZ) Act that granted foreign capital even greater concessions than those given through the Foreign Investment Act of 1991 (Endresen and Jauch 2000).

The previous chapter has highlighted the numerous and regular violations of Namibian labour laws and ILO conventions by Chinese companies in Namibia. The very core of those laws and conventions is undermined and officials in the economic ministries seemed willing to subdue workers rights and interests to the interests of foreign capital. This is nothing new as can be seen from the many labour rights violations that occurred at many EPZ companies, particularly the Malaysian clothing and textile company Ramatex, which closed its operations in Namibia in March 2008 (Endresen and Jauch 2000, Jauch and Shindondola 2003; Jauch 2008a)

The experiences of Namibian trade unions paint a damning picture of labour relations at Chinese companies. According to the regional organiser of MANWU, Justine Jonas, Chinese employers are exploiting workers and are worse than other foreign employers (Interview, 17 July 2008). NAFU organiser Wilma Angula agreed: *“Chinese are worse than other foreign employers. The working conditions at Chinese companies are terrible. You cannot compare them with any other companies in Namibia. At Chinese companies you will be dismissed if you don’t want to work overtime.... The big problem is that they pretend not to understand English at all”* (Interview, 15 May 2008). This was the general experience of trade unions as shown by the following quotes:

*“The Chinese are worse compared to other companies. Their wages can be compared to the wages of domestic workers in this town... The Chinese don’t bank with our local banks and trade their money on the black market”* (John Kamati, NAFU, Walvis Bay, 12 June 2008).

*“Chinese and BEE construction companies are not complying with the minimum wage and this makes our job difficult to reprimand other companies. We want the Walvis Bay Council when awarding tenders to force companies to comply with the CIF agreement and other national agreements”* (Eila Kamanya, MANWU branch organiser, Walvis Bay, 12 June 2008).

*“They (Chinese) are offering the worst conditions because they are paying their employees poorly. They work long hours without compensation, they are hired on short-term contracts with no signed contracts at all. Employees are working in unhealthy conditions, they get no sick leave and no maternity leave and there is no safety at the workplace. The rights of the employees are not respected”* (NAFU organiser in Oshakati, 18 June 2008).

*“Compared to other companies, working conditions at Chinese companies are the very worst. In other companies they have rules and regulations, written contracts, benefits and union structures”* (Matti Haimbili, MANWU regional organiser, Oshakati, 18 June 2008).

Following repeated reports about non-payment of the legal minimum wages and failure to provide protective clothing, the Namibian Ministry of Labour finally took action in August 2008 and stopped the construction of a N\$ 60 million shopping complex in Rundu for a week. The Chinese construction company (Chan Ling CC) was ordered to pay the legally prescribed wages and to provide its workers with protective clothing. Furthermore, the Ministry investigated accusations of children being employed by the company, a charge that was categorically denied by the managing director, Stina Wu (New Era, 21 August 2008).

### **A national comparison**

We carried out a comparison of wages, working conditions and labour relations at Chinese companies and other companies in Namibia, both local and foreign. This was based on various studies carried out by the Labour Resource and Research Institute (LaRRI) between 2003 and 2008. This included data from a national labour market study as well as wage bargaining reports, and studies into EPZ companies as well as studies into the living and working conditions of vulnerable workers like farm workers, domestic workers and petrol station workers. In addition, we drew on other reports on working conditions in Namibia.

The most prominent area of discrepancies is the construction industry where Chinese companies tend to pay only about a third of the legally prescribed minimum wage. However, Chinese companies are not the only perpetrators: a study into SMEs engaged in the construction sector in Namibia, commissioned by the CIF, found that only 17,5% of SMEs paid their workers the prescribed minimum wage of N\$ 8,44 (US\$ 0,84) per hour. The study concluded that the majority of businesses in the construction industry did not know the set minimum wage; that these businesses exploited their workers and that law enforcement is not executed properly (Consult Buro 2007). Thus it seems that Namibia's best industry-wide collective agreement is undermined and effectively being destroyed by Chinese construction companies and Namibian SMEs alike.

Namibia's retail sector is still overwhelmingly dominated by South African retail chains, which cater for various market segments. Chinese retail stores cater for the lower end of the market, providing mostly cheap goods of low quality. In terms of wages, the larger retailers which are unionised pay entry-level wages of around N\$ 1 300 (US\$ 130) per month (LaRRI 2007). However, there are many smaller retailers (both local and foreign owned), which pay substantially less. Thus the Chinese retailers are not the only ones that apply the capitalist logic to their own advantage. Like others, they take advantage of Namibia's high levels of unemployment and the resulting desperation among job seekers (especially young people) to accept any job at virtually any condition.

The wages and benefits offered at Chinese companies are amongst the lowest in Namibia's formal economy. Farm workers on commercial farms earn on average N\$ 300 – 600 (US\$ 30-60) per month (Karamata 2006) while

petrol station attendants earn mostly between N\$ 500 and N\$ 1500 (US\$ 50 - 150) per month (Jauch 2008b). Security guards are supposed to earn at least N\$ 3 (US\$ 0,30) per hour (about N\$ 770/US\$ 77 per month). These figures put the wages paid at Chinese companies into perspective and confirm that Chinese employers are currently amongst the worst in the country – although they are certainly not the only ones engaged in exploitative practices (see table 2 below).

**Table 2: Comparison of Basic Wages (in N\$)**

	<b>National Minimum Wage</b>	<b>Minimum Wage in Bargaining Agreements</b>	<b>Wages at Chinese Businesses</b>
<b>Retail Workers</b>	None Current practice: 400 – 1800 per month (US\$ 40 – 180)	Minimum wages of N\$ 1300 per month (US\$ 130)	300 – 600 per month (US\$ 30-60)
<b>Construction Workers</b>	8,44 per hour (entry level); 1633 per month (US\$ 163)	8,44 per hour; 1633 per month (US\$ 163)	2,50 – 3,50 per hour; 480 – 677 per month (US\$ 48-68)
<b>Farm Workers</b>	2,20 per hour, 429 per month (US\$ 43) plus food and accommodation (entry level)	429 per month (US\$ 43); substantially higher at individual employers	
<b>Security Guards</b>	3 per hour; 770 per month (US\$ 77)		
<b>Petrol Station Workers</b>	None Current practice: 500 – 1500 per month (US\$ 50-150)		
<b>Informal Economy Workers</b>	None Current practice: N\$ 100 – 300 per month (US\$ 10-30)		

Sources: Mwilima 2006; Karamata 2006; LaRRI 2007; Jauch 2008b

The on-the-job training provided at Chinese companies is not too different from what is happening at most other Namibian workplaces. LaRRI's labour market study of 2003 found that only about 20% of Namibian workers received ongoing training with another 20% receiving on-the-job training when they started work. Almost 50% of Namibian workers received no training from their employers (LaRRI 2004).

Likewise, health and safety issues are given low priority at many workplaces (including petrol stations), although the practices at Chinese construction companies seem to be extremely notorious.

Finally, unionisation rates in Namibia's formal economy are quite high (around 50%) but unions have been unable to organise and effectively represent workers at Chinese businesses. While this may be partly explained by labour's own weaknesses, the low unionisation rates also point to high levels of intimidation and victimisation.

## Chapter 5: Possibilities for trade union intervention

Namibia's trade unions experienced a host of problems when dealing with Chinese employers. The branch organiser of the Metal and Allied Namibia Workers Union (MANWU), Justine Jonas, pointed out that Chinese construction companies employed Chinese workers for jobs that could be done by Namibian workers, while other foreign companies only brought skilled technical workers to Namibia. She mentioned that some South African companies used to bring in their workers but that this practice stopped after a strike over that issue. *"We are not against the Chinese but they are stubborn. There is a law that they need to comply but none of them are complying"* (Interview, 17 July 2008).

NAFAU organiser Wilma Angula also experienced problems with Chinese employers in the retail sector. She pointed out, however, that there were also several Namibian and South African employers who engaged in similarly bad labour practices. Her colleague Martin Nekongo in Swakopmund added that while there was a need to improve labour relations at Chinese companies, the situation was even worse for workers at labour hire companies like Africa Personnel Services (APS) (interview 11 June). NAFAU's acting regional chairperson John Kamati added that:

*"We want our workers to be free from intimidation and victimisation... The Chinese must improve wages and labour relations. They must allow trade unions to visit their companies. When they come to Namibia they come through the Ministry of Trade and Industry and therefore the Ministry must ensure that before they come they must be given an induction course on the laws and regulations of the country. It should be compulsory for all new business owners to undertake the induction course"* (Interview, 12 June 2008).

According to Eila Kamanya, MANWU's branch organiser in Walvis Bay: *"Chinese and BEE construction companies are not complying with the minimum wage and this makes our job difficult to reprimand other companies. We want the Walvis Bay Council when awarding tenders to force companies to comply with the CIF agreement and other national agreements... Labour inspectors and health inspectors are not following up cases when the union calls to report and follow up. We are told 'we don't report to you'. Some labour inspectors have a bad attitude"* (Interview, 12 June 2008).

Many workers we interviewed blamed the Namibian government for the labour rights violations at Chinese companies. They argued that government had the power to force foreign investors to adhere to the laws of the country. Some workers felt that the government did not care about them and warned that the government must intervene before the situation got out of hand.

In the construction industry, MANWU proposed the setting up of a committee consisting of representatives of the union, the CIF, the Ministry of Labour and the Ministry of Works and Transport to monitor the construction industry with a view of securing adherence to all legal requirements (Interview with Justine

Jonas). This idea might soon become formalised, as there is currently a bill in Parliament that will pave the way for the setting up of a Council for the Construction Industry. It will consist of the CIF representing the private sector, MANWU, the relevant government ministries (Ministry of Labour, Ministry of Finance and Ministry of Works and Transport) and others. The aim of the council body is to serve as regulatory body that ensure adherence of relevant legislation by construction companies in Namibia. This council was an initiative of the CIF as its President Renate Schmidt explained: *“Registration with that council will be compulsory and legal compliance will be enforced. CIF supports the establishment of such a council and campaigned for its establishment for the past 5 years.”* (Interview, 21 July 2008)

According to Liu Kungyuan, the Economic and Commercial Counsellor, the Chinese Embassy has set up a Chinese Construction Association to ensure that Chinese companies understand the national laws and comply with their provisions. This Association together with the China Chamber of Commerce and Industry aims to force Chinese companies to abide by the relevant Namibian laws. The message seemed to have reached some of the Chinese employers that we visited during our fieldwork. They indicated their openness to learn about Namibia’s labour laws and to abide by them. The owner of a retail shop in Oshakati suggested that: *“The government must translate the Labour Law in Chinese language so that we know and understand the Namibian law.”* His colleague from another shop expressed some concerns and added:

*“We want the Namibian government to be fair and to look at both sides when we have problems with workers. Sometime we don’t want a worker. We want to fire him as our right, but we cannot because the government asks us to pay the worker a lot of money even if he does not deserve to be paid. Sometime the workers does not do proper work and we don’t want him in the shop. We want him to go”* (Interview, 17 June 2008).

Overall, Namibia’s trade unions still face a host of challenges when dealing with Chinese companies. In the construction industry, it is a matter of enforcement, which could be secured by a pro-active collaboration between labour and the relevant Ministries as well as the business representatives in the industry. Adherence to national laws and minimum wages cannot be negotiable and trade unions should initiate a national campaign on this matter. Such a campaign must target all companies, not only the Chinese.

The situation is different in the retail sector where trade unions hardly represent workers employed at the China shops and other small retail outlets. The nature of this sector with few employees and high levels of intimidation makes unionisation very difficult. Demanding an industry-wide minimum wage might be an option to ensure that retail workers are at least protected against the most exploitative practices. Trade unionists that we spoke with (NAFAU, MANWU) suggested the introduction of a minimum wage of at least around N\$ 800 (US\$ 80) per month. They suggested that Chinese companies should be tackled jointly by the unions and the government to ensure that the provisions of the law are enforced.

The “Anti-Chinese group of businesspeople” from Northern Namibia indicated (despite their name) that they welcomed the Chinese business people but that the Namibian government should not allow them to enter the retail market. This demand might find some sympathy with the Chinese Embassy, which indicated that it did not support the establishment of small shops in Namibia as this did not contribute to job creation and economic development (Interview with Liu Kaungyuan). It remains questionable if the Namibian government will be willing to take such a step and limit the number and reach of Chinese traders. This will only happen if there is sufficient pressure from below and Namibia’s trade unions will have to debate if they want to lend support to the Northern business people. This debate should be shaped by broader considerations for economic development and the creation of sustainable, decent jobs. Special emphasis must be placed on the creation of manufacturing activities, if Namibia is to break the colonial pattern of being a supplier of raw materials and a buyer of manufactured goods.

## Chapter 6: Summary and Conclusions

The excellent political relations between the People's Republic of China and Namibia as well as the increasing levels of trade between the two countries point to increasing economic ties in the years to come. The various agreements signed pave the way for closer economic co-operation, although the Chinese investments are currently concentrated in construction, property development and retail. Currently there is little evidence of the envisaged expansion of manufacturing and value-addition of Namibia's mineral resources. This has to become a priority area if the Chinese-Namibian economic relations are to become qualitatively different from those between Namibia and the former colonial powers. The classical colonial pattern of being an exporter of raw materials and an importer of manufactured goods has to be broken and the Namibian government has to negotiate strategically if this aim is to be realised.

Despite the many setbacks with several investors in the country's export processing zones, we found little evidence of a more selective and strategic engagement regarding foreign investments. Namibia still seems to believe that any foreign investment should be welcome and that there is little room to impose strategic criteria. Officials in the Ministry of Trade and Industry also still seem to believe that they have to be "flexible" regarding workers rights and working conditions. This paves the way for a continuation of exploitative labour practices and certainly undermines the creation of "decent jobs" as promoted by the ILO.

The lack of clear data on investment trends within the Ministry is another area of concern as such information would be critical to assess whether Namibia is indeed moving away from extractive investments (for example in the mining industry) towards manufacturing and value-addition.

Despite the long-standing bonds of solidarity and friendship between China and Namibia, it is naive to believe that Chinese investors would behave fundamentally different from other foreign investors. After all, China's phenomenal economic growth rates over the past decade were achieved within an economic system that adhered to the logic of global capitalism and attracted FDI from the major global corporations. Despite China's ruling party still calling itself a communist party, its policies and practices have turned the country into a successful capitalist venture. Although not accompanied by the western liberal notion of democracy, China has used the rules of market-driven capitalism to its own advantage.

The Namibian government will have to set its own strategic priorities and negotiate based on these priorities, if it wants to achieve better investment and trade deals than those offered by Europe or the USA. The latter have their own interests, which often contradict those of African states. The latest example in this regard is the negotiation around the "Economic Partnership Agreements" (EPAs).

China has adopted a very strategic approach towards its relations with the rest of the world. China can hardly be blamed for trying to secure the raw materials needed for its continued rapid industrialisation elsewhere. The challenge for countries like Namibia is thus to secure better deals than they had in the past with Europe and the USA. This means paying particular attention to value-addition and manufacturing activities that can create the much-needed jobs in the country. Furthermore, skills and technology transfers should be a central component of any investment deal. The current practice of allowing thousands of Chinese small traders to set up China shops across the country holds little benefits for Namibia's overall development.

The current labour practices at Chinese firms in Namibia are unacceptable and cannot be tolerated. A matter of particular concern is the awarding of tenders to companies, which do not adhere to national laws and regulations. Such practices undermine not only Namibia's legal foundation but also erode the country's social fabric. Workers are left unprotected from highly exploitative practices while government seems to be reluctant to take decisive actions. Even the Namibian labour movement has not embarked upon a systematic campaign to enforce compliance with the legal provisions. Such a campaign has to be national and target local, Chinese and other foreign investors alike. The longer the violations of Namibian labour laws are tolerated, the more they will be relegated to the status of "friendly recommendations" that look good on paper but have little practical impact. Namibia's government and labour movement alike will have to show that they are serious about the enforcement of laws and collective agreements as well as the promotion of a decent work agenda. The proposed Council for the construction industry might be a suitable tool for enforcement.

The Chinese Embassy and Namibian government officials suggested that workers rights and wages should be compromised now in order to achieve development and prosperity in the future. This is a highly dubious proposition, both on political and economic grounds. Namibian workers have experienced a long colonial history of exploitation and independence was directly linked to the promise of moving away from the highly exploitative and racist practices of the colonial past. This is why many Namibian workers indicated that they regarded the working conditions at Chinese companies as a new form of colonialism. They simply reminded them of conditions they had to endure before 1990.

Likewise, the low skill-low wage strategy towards industrialisation and development is a highly questionable proposition. While several developing countries adopted this strategy between the 1970s and 1990s, their experiences have shown that this strategy does not necessarily lead to the desired outcomes. It often locked countries into low-wage activities and only some managed to move towards higher skill-higher wage production over time. Given the ruthless competition that characterises the global capitalist economy today, the proposed low wage strategy to make Namibia internationally competitive holds little promise. Instead a more selective approach to foreign investment with an emphasis on value-addition to the country's resources, coupled with a systematic programme for skills- and

technology transfer seems a much better option. Furthermore, Namibia should increasingly look towards the SADC and African markets, as intra-African trade is still highly underdeveloped and dominated by a few transnational corporations from South Africa.

It remains to be seen if the Namibian government will be able to shape the emerging economic relations with China along its own strategic priorities or if Chinese investments will merely be an addition to the current patterns of foreign investments that leave the benefits with the investors while contributing very little to the host country's socio-economic development.

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## **8. Appendix: Interviews conducted**

### **8.1 Construction industry**

1. China Jiangsu International
2. New Era Investments
3. Lee's Investment and Property Development
4. Auas Property

### **8.2 Retail industry**

1. Yangtse River Properties
2. Omega Wholesale
3. Sunshine Shop
4. Huan Lin Loudspeakers and Factory
5. S2 China town
6. JFJS Smile Shop
7. China Wholesalers
8. Cheap Shop
9. China Jan Su
10. China House Store
11. China fashion Shop
12. China Brother Shop
13. Omega Wholesaler
14. Ling Shop
15. Lin Shop
16. Sogo Shop
17. China Shop No 1
18. Namibia Dragon City
19. China Shop
20. Mondesa Fashion China Shop
21. Ganen Lushan Shop
22. Shop Outapi
23. Wind Shop
24. Shop No 1
25. The Great Wall
26. Factory Shop
27. Twakoka
28. Namchina
29. Ganen Lushan Shop
30. Ziang Bin
31. Linn's China Shop
32. Wind Shop
33. China Town S2

### **8.3 Other industries**

1. Chinese Natural Herb and Health Clinic
2. Eastern Eagles Textiles
3. Grand Textile China
4. Yang Tze Restaurant
5. China Grand Restaurant
6. China-Namibia mineral exploration

7. Mei Luo (textiles)
8. Blue Sky Manufacturing
9. Zhen Huacc (Kombat clay bricks)
10. Goodwill Printing

#### **8.4 Chinese Embassy**

1. Liu Kaungyuan
2. Zhang Jun

#### **8.5 Ministry of Trade and Industry**

1. Moses Pakote
2. Daniel Nghidinua

#### **8.6 Ministry of Labour and Social Welfare**

1. Martha Shipo
2. Bro Mathew Shinguadja
3. Magano Nangombe
4. Martha Shipushu
5. Ignatius Neis
6. Gertud Usiku
7. Vilbard Usiku

#### **8.7 Trade union officials**

1. Justine Jonas
2. Wilma Angula
3. Martin Nekongo
4. John Kamati
5. Eila Kamanya
6. Matti Haimbili
7. NAFAU shopstewards

#### **8.8 Nmaibian business/employers' representatives**

1. Epafra Mukwiilongo
2. Renate Schmidt
3. Tim Parkhouse
4. Group of business people in Northern Namibia

#### **8.9 Others**

1. Kerry Mc Namara, architect
2. Group of residents in Outapi