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How an African outpost is filled with Chinese shops

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ABSTRACT Since the first Chinese shop opened in Cape Verde in 1995, this remote archipelago has experienced a wave of Chinese entrepreneurial immigration that has transformed local retail and had a significant impact on people's purchasing power. In the process, the Chinese migrants have seen profit margins fall, and now complain that there are too many Chinese in Cape Verde. Selling cheap consumer goods to the poor was the recipe for success in Cape Verde, and many Chinese in the country are now looking for similar opportunities elsewhere in Africa. Our paper explores the migration dynamics that has characterized the pioneer phase of Chinese migration to Cape Verde. Furthermore, we address how the characteristics of the local economy and the resources of the Chinese migrants have interacted to form the basis for Chinese settlement. We examine the process of market saturation, and relate responses to market saturation to a conceptual framework developed on the basis of literature on Chinese migration to Europe and the Former Soviet Union. The research is based on fieldwork in Cape Verde in 2002 and 2003, conducted partly in Mandarin and partly in Cape Verdean Creole. We interviewed Chinese migrants, Cape Verdean employees and customers, and surveyed the Chinese shops in the country's second largest city.

Introduction

This paper is an analysis of how the Cape Verde Islands off West Africa was filled with Chinese shops in the course of a few years. Evidently, the social and economic dynamics of this process are context-specific. However, the Cape Verdean case exemplifies the new entrepreneurial migration from China, which during the past fifteen years has reached countless places off the beaten track in their search for markets still unconquered by other Chinese, from the Marshall Islands and Kamchatka to the villages of Romania. While most researchers have devoted their attention to the numerically more important concentrations of overseas Chinese in Southeast Asia, North America and Europe, the quest for remoteness is an intriguing and distinctive characteristic of the Chinese diaspora. The Chinese entrepreneurial migration also differs from the South-to-North migration flows that dominate migration research.

In the analysis, we will focus on the intertwined social and economic processes through which the local market was saturated, and on the migrants' responses to market saturation. We will examine these responses with reference to a typology developed from research on the recent entrepreneurial migration to Central and Eastern Europe, the only sector of this migration wave that has received substantial academic attention.

The recent surge of Chinese immigration to Cape Verde started in 1995, when the first Chinese shop opened in the capital Praia. The Cape Verdeans called these shops *loja chinês*, 'Chinese shops'. The Chinese migrants use the term '*baihuo* shop', *baihuo* meaning 'general merchandise'. Because these shops have special characteristics in addition to being Chinese, we will use the term '*baihuo* shops' rather than 'Chinese shops' in this paper.

Since long before the first *baihuo* shop opened, Asian sailors have occasionally passed through the harbour of São Vicente. Asian fishing boats regularly called for maintenance at the shipyard, and the crew generated sufficient demand for a Chinese restaurant to stay in business from the late 1980s until 2002. China was among the first countries to open an embassy in Cape Verde after the country's 1975 independence, and a small number of embassy officials have been present since then. Only with the growth of the *baihuo* business in the late 1990s, however, was there a sharp increase in the number of Chinese residents in Cape Verde. There are now *baihuo* shops in every urban centre in the country, and on certain streets in the centre of the country's two cities, virtually every second establishment is a *baihuo* shop.

This paper is based on fieldwork in Cape Verde in 2002 and 2003, conducted partly in Mandarin Chinese and partly in Cape Verdean Creole (Kriol). Our data is a combination of transcripts of recorded interviews and notes from participant observation among the Chinese immigrants. We also interviewed Cape Verdean workers in Chinese shops, local shop owners and government officials. Access to the field was facilitated by the fact that most Chinese shop-keepers spend days on end sitting in their shops, and welcome diversion from their everyday boredom. Our fieldwork was also eased by the relaxed relationship between the Chinese immigrants and

the Cape Verdean government and the local population. However, increasing competition among the Chinese has contributed to apprehensive and sceptical attitudes, also towards outsiders. This constituted a prohibitive barrier to systematic data collection through forms or questionnaires. Recorded interviews, by contrast, were agreed to by all but a couple of informants.

The fieldwork was mainly conducted in Cape Verde's second largest urban centre, on the island of São Vicente. The city — formally called Mindelo, but generally referred to as São Vicente — has close to 70,000 inhabitants, and developed around a harbour that was once a node in Atlantic shipping. Today, São Vicente's economy has partly stagnated in the shadow of the rapidly growing capital city, Praia. The island has the country's highest rate of unemployment, and is not attracting migrants from other Cape Verdean islands in the way that it once did. Despite the economic differences between the two cities, Chinese business appears to be similar in terms of its functioning and challenges. A principal difference, however, is that the Chinese embassy in Praia provides an institutional setting for social interaction which São Vicente lacks. Through interviews with Chinese migrants who currently or formerly lived on other islands, we acquired information about Chinese business in other parts of the country.

The majority of Chinese in Cape Verde come from the region of Wenzhou in the southern part of Zhejiang province. The early Chinese migrants in Cape Verde included people from Shanghai, Beijing, and a few other cities, but they have now become completely outnumbered by the Wenzhounese, who have multiplied rapidly through chain migration.

New entrepreneurial migration and responses to market saturation

Emigration from China has grown to unprecedented levels since the onset of reforms in 1978 and the liberalization of emigration legislation in 1985 (Pieke 1998, Xiang 2003). This has been a heterogeneous migration flow to different parts of the world. A conspicuous component, however, has been what can be called the *new entrepreneurial migration*.¹ The migrants concerned do not enter the established wage labour market in existing communities of overseas Chinese, but set up their own business, most commonly retail or wholesale of Chinese goods, Chinese restaurants or Chinese traditional medicine clinics. This migration flow also includes workers who are not entrepreneurs themselves, but work for relatives, and often aspire to become self-employed in the same line of business. While entrepreneurial migration to the Former Soviet Union and Central and Eastern Europe has received the most attention, similar forms of migration has been destined toward other parts of the world, including Africa. While almost 90 per cent of the continent's Chinese are concentrated to four countries with sizeable, long-standing communities, the remaining ten per cent are spread out over more than thirty countries (Li, A. 1999).² These include large numbers of recently immigrated independent entrepreneurs.

The saturation of 'Chinese' market niches has been a common feature of Chinese migration to different parts of the world. This applies not only to the new entrepreneurial migration but also to the post-war migration of Chinese to Western Europe, which was closely connected with

the expansion of the Chinese catering trade. Saturation occurs when the number of suppliers in a given business at a given location grows out of proportion with the demand, and most suppliers suffer a decline in profits to critical levels.

Once saturation occurs, businesses can respond in several ways. Table 1 presents a typology of responses to market saturation, based on the recent history of Chinese entrepreneurial migration to Europe. The four categories are overlapping and not mutually exclusive. The responses described are not only undertaken by incumbent suppliers, but also refer to how a continuous flow of immigration might be absorbed in new ways, possibly without substantial shifts on the part of established immigrants.

A common solution to market saturation has been *geographical expansion*. Spatial diffusion at different geographical scales has been a recurrent element in the recent history of Chinese entrepreneurial migration to Europe. In post-war Western Europe, the Chinese restaurant business spread from the United Kingdom, first to the Netherlands, and later to Belgium, France, Germany, Scandinavia, Spain and Portugal (Pieke 1998). Within each country, there was often diffusion from major cities to towns and villages. In Eastern Europe, the wave of entrepreneurial migration had its origins in the Russian Far East around 1987, and subsequently spread to European Russia and Hungary (de Tinguy 1998, Nyíri 2003). From there, the Chinese trade in shoes and clothes spread to most of Eastern Europe, starting with Romania and the Czech Republic. Within Hungary, Chinese shops spread from the major cities to remote villages, and within Budapest from blue-collar districts to attractive locations in the inner city (Nyíri 1998, 2003). Given the speed at which markets are saturated, the suppliers are often recent migrants without firm attachments to the locality. Migrants who consider their own migration to be temporary may be more ready to change location than to change business, even after many years of residence.

Table 1. *A typology of responses to market saturation.*

	<i>Same business</i>	<i>Same location</i>	<i>Existing concept</i>	<i>Required resources</i>	<i>Examples</i>
Geographical expansion	Yes	No	Yes	Accessible regions with unsaturated markets	Textile trade from Russia through Eastern Europe (1980s-1990s)
Price wars	Yes	Yes	(Yes)	Price-cutting potential, docile labour power	Restaurants in Denmark and the Netherlands (1970s-1980s)
Sectoral expansion	No	(Yes)	Yes	Information, capital, skills, networks	From restaurants to shops in the Czech Republic and Spain (1990s)
Innovation	Yes	Yes	No	Information, capital, skills, networks	Restaurants in the Netherlands, Denmark, and Norway (1980s-1990s)

Opportunities for geographical expansion are, of course, conditioned by the existence of alternative locations. The attractiveness of a location depends on the local demand for Chinese goods and the existing supply by Chinese entrepreneurs. Where the prospective expansion is international, a host of additional factors come into consideration. In most parts of the world, immigration policy is a key issue. In Eastern Europe, differences in immigration policy and the financial and bureaucratic obstacles to market entry has influenced the direction and timing of the diffusion process. The entrepreneurial model of import and retail of low-cost Chinese goods that was developed in Eastern Europe has later been adopted by Chinese migrants in Southern and Western Europe, where such barriers are higher (Nyíri 2003). Similar low-price goods to the ones sold in Eastern Europe have appealed to sub-sectors of the Western European market, such as middle- and working-class housewives in urban Spain (Nieto 2003). The necessity of learning a new language can also be a weighty influence on decisions about whether and where to relocate.

A second response to market saturation is *price wars*. This involves retaining the same business concept, but cutting costs in ways that may or may not be innovative. Price wars require reduced profit margins and/or severe cost-cutting. Cost cuts are often made possible by increased reliance on family labour or other reductions of the labour costs. At the height of crisis in the Chinese catering sector in the Netherlands, for instance, average number of employees in Chinese restaurants was cut from 4.6 to 2.7 over a five-year period (Pieke and Benton 1998). In addition to reducing the number of workers, restaurant owners could cut costs by employing illegal immigrants and people registered as unemployed. The social context of Chinese migration is also significant: the well-established pattern of chain migration meant that recent immigrants were often willing to put up with appalling working conditions in the hope of one day becoming independent entrepreneurs.

Third, the saturation of a market niche has led to *expansion into other business sectors*. More often than not, this has been a shift from one 'Chinese' niche to another, with catering, trade in Chinese consumer goods, and Chinese traditional medicine being the principal sectors. In the Czech Republic and in Spain, for instance, saturation of the Chinese restaurant market was followed by a shift into trading in low-cost Chinese goods (Moore and Tubilewicz 2001, Nieto 2003). In Eastern Europe, the saturation of these two markets was followed by expansion into traditional medicine, as well as services aimed at the Chinese community and the export of local products and raw materials to China (International Organization for Migration 1998:328, Moore and Tubilewicz 2001). A change of sector sometimes also necessitates a change of location. Sectoral expansion could be inhibited at the individual level by the need for capital or for business-specific information, skills or networks. In many cases, migration chains are confined to one line of business, with skills and information being passed on through apprenticeship and family networks.

Finally, some entrepreneurs have responded to market saturation by implementing *innovative changes* that earn them an edge in relation to the co-ethnic competitors. Such innovations have

taken place in the Chinese catering business in the Netherlands, Denmark and Norway, where some entrepreneurs have successfully adapted to increasingly discriminating customers (Krogstad 2004, Pieke and Benton 1998, Thunø 1996, 1998). Of all the responses to market saturation, this is the most challenging. The investment and risk can be substantial, and the requirements for market sensitivity are often prohibitive to migrants who, although engaging in entrepreneurial migration, are principally ‘migrants’ and coincidentally ‘entrepreneurs’. The innovative entrepreneurs are often those who have grown up in the country of employment, and have a better understanding of the market than their immigrant parents.

The *baihuo* business in Cape Verde

A striking aspect of Chinese shops in Cape Verde is that they are almost identical at first sight. At the end of 2003, there were twenty-seven Chinese shops in São Vicente, of which twenty-six were *baihuo* shops and one was a hardware specialist. Every *baihuo* shop sells Chinese clothes, shoes, travel accessories, knick-knacks, kitchenware, and framed pictures with motives ranging from Chinese pin-ups to romantic landscapes and the Virgin Mary. About half also sell consumer electronics such as television sets and tape recorders. Toys are a seasonal product which every shop stocks for Christmas, but not necessary throughout the year. The selection of goods is similar to that of the Chinese retail trade in Central and Eastern Europe (International Organization for Migration 1998). The goods are cheap, and often their quality is accordingly low.

Most Chinese shop owners in São Vicente go to China themselves at least once a year to import goods to sell in their shops. They do almost all their purchases at the enormous wholesale markets in the city of Yiwu, where primarily low-end products are sold in bulk at very low prices. Each item is bought in quantities of a few hundred, and shipped in containers to Cape Verde via the Netherlands. Typically, goods have to be sold in Cape Verde at more than three times their original price to cover the costs of transportation, import duties and operating costs.

In some respects, there was substantial difference behind the superficial similarity between the shops. Some shop owners expressed great pride in creating an attractive and functional shop, while others were clearly less enthusiastic. There was also a difference in familiarity with local taste and fashion. Some of the shop owners who were not particularly sensitive, or spent large parts of the year abroad, ended up with piles of unsaleable goods. These included jigsaw puzzles, framed quotations from the Koran, and glaringly unfashionable Chinese underwear which according to some could not even be given away for free.

Chinese business and the local market

The local market for clothes and shoes was roughly divided into two segments before *baihuo* shops opened in São Vicente. On the one hand, there were the upmarket *boutiques*, which keep a small selection of clothes, shoes and accessories bought mainly in Brazil or Southern Europe. Typically, the *boutiques* only have one of each item, a very low turnover and high profit mar-

gins. On the other end of the market, there was the municipal market, occupied by a mixture of Cape Verdeans and mainland Africans. Their stalls were even smaller than *boutiques*, and their selection was limited, but their prices were relatively low. These vendors either bought their goods from traders who travelled regularly to Portugal or Senegal, or they bought goods abroad in person. The clothes imported from these places were often produced in Southeast Asia, but had become anything but cheap by the time they reached Cape Verde. The Chinese shops have managed to capture a large proportion of both ends of the Cape Verdean market by providing fashionable goods cheaply.

Chinese and Cape Verdeans alike commonly assert that the living standard of poor Cape Verdeans has improved with the entry of the Chinese. The classical example is that of shoes. One often hears that after the arrival of the Chinese, there are no longer children going barefoot to school. The other, equally emotive example frequently referred to by Cape Verdeans, is that now, every parent can afford to buy their child a Christmas present.

During the past few years, there has been a substantial diversification of the goods in *baihuo* shops. At first they exclusively sold Chinese goods. In 2000, however, some *baihuo* shop owners started buying brand cosmetics and Brazilian footwear and clothes from local importers. Other Chinese quickly copied this innovation when they saw that it was successful. Almost all the *baihuo* shops today sell Brazilian underwear, and more than two thirds sell Brazilian footwear. Brazilian clothes and shoes are very fashionable in Cape Verde, and are priced up to ten times higher than similar Chinese goods. The *baihuo* shop owners sell them with a low gross profit, sometimes as little as five per cent, and have gained an additional edge over the *boutiques*. Brazilian goods still represent a marginal part of the turnover in the *baihuo* shops, but some Chinese now go to Brazil themselves to import goods and plan to make such goods a larger part of their business.

The Chinese migrants' wholesale purchases of brand cosmetics and Brazilian clothes and footwear constitute an increased integration in the local economy. The *baihuo* shops now also sell Chinese goods wholesale to other retailers. Itinerant vendors from the African mainland purchase goods directly from the *baihuo* shops at a discount, and sell on the street or in the countryside far from any shops.

The social organization of the baihuo business

All the Chinese who live in São Vicente are involved in the *baihuo*-business, either as shop owners or as workers. The shop owners manage the business, they recruit employees locally and in China, and they arrange the migration of their Chinese employees. Almost all of the Chinese workers in the *baihuo* shops in Cape Verde are in their twenties or late teens. They usually repay the cost of the ticket by working without pay for one or two years. Chinese workers are seen as necessary not by virtue of being Chinese, but because they are recruited among relatives or from the families of people who are well known and trusted. These pre-existing ties as well

as the circumstances of migration, employment and lodging create a relationship of dependence and loyalty between employees and employers that is a key element in the social organization of the business. As a young Chinese worker put it: ‘My employer and I are not related by blood, but since he brought me, it is like we are family’.

When applying for a visa to Cape Verde, all Chinese workers need a written contract which regulates their terms of employment. Typically, the contract states that the worker will receive a monthly salary of 250 USD, in addition to board, lodging and healthcare. However, the shop owner and the future employee both understand this contract as *pro forma*, and oral agreements are made about the real terms of employment while the workers are still in China. The content of these agreements vary greatly between workers and sometimes changes during the employment period. All workers receive board and lodging from their employers. In addition, some receive a monthly salary, typically ranging from 10,000 to 25,000 Escudos (USD 100-250). In some cases, the workers do not know how much they earn, they only know that their employers will pay a sum of money to them or their parents upon their return to China. Whatever the terms of employment, Chinese workers cannot expect to earn money for quite some time after their arrival. Not only do they have to repay the cost of their ticket, but their initial period of employment, varying between a few months and a couple of years, is considered an ‘apprenticeship period’ in which they learn the language and business skills while they work without pay.

Every *baihuo* shop employs a number of local workers whose principal tasks are to assist customers and guard against shoplifting. They are usually paid 7-8,000 Escudos (USD 70-80) per month for a 45-hour week. There are very few cases of Cape Verdean workers being entrusted with handling the money in the shops. While most Chinese say that they are fond of the Cape Verdean people, they mistrust them as workers. Cape Verdeans are frequently fired after accusations of having stolen, or purposefully looked away when their friends shoplift.

A Chinese person cannot run a *baihuo* shop alone because one must spend time away from the shop purchasing goods, getting goods through the customs, going to the bank or sorting out other business. All *baihuo* shops therefore have at least one Chinese worker, apart from some shops that are owned and managed by couples. Due to the special relationship of loyalty between shop owners and the workers they had brought, there is practically no mobility of workers between employers, even when all parties would have benefited in purely economic terms. Most workers take a keen interest in the well-being of their employer’s business, and explain this with the family and friendship ties to the shop owner. A man who worked for his sister, for example, said that ‘when I was working for a big company in China, I didn’t feel responsible for how the business was going. But after coming here, if the business is bad, I also get stressed. Not less than my sister and brother in law [...]. If they do badly, I also feel bad; they are relatives’.

The baihuo business and the Chinese state

Chinese entrepreneurs have so far established themselves in Cape Verde independently of the Chinese (PRC) state. This contrasts with the new entrepreneurial migration to Eastern Europe, which in its early phases was closely connected with subsidies from, and exploitation of, state-owned enterprises (Moore and Tubilewicz 2001). By the time migration to Cape Verde started in the mid-1990s, however, Chinese authorities had banned low-interest loans and sales on credit to emigrant entrepreneurs. In 2003 Cape Verdean authorities requested assistance from the Chinese embassy to improve the Chinese employers' compliance with Cape Verdean labour laws, an initiative welcomed by some Chinese shop owners too. Otherwise, the embassy has had little involvement with the *baihuo* business. Despite the lack of any direct connection with the Chinese state, many Cape Verdeans — including high-ranking officials in the area of commerce — wrongly assume that the government gives Chinese traders preferential treatment in return for Chinese aid.

‘One Chinese is a dragon, three Chinese are bugs’

From the mid-1990s to 2003, the number of Chinese in Cape Verde increased five-fold, and the number of *baihuo* shops grew to about one hundred. The growth in the number of shops and the growth in the number of Chinese residents are intimately connected, but driven by distinct economic and social dynamics that warrant separate discussions.

Ever more shops

The number of *baihuo* shops in São Vicente has grown steadily in two ways: by established shop owners expanding their business and opening more shops, and by new owners entering the market. These new owners usually have a relationship with incumbents, as their relatives, their former employees, or both. Having several outlets increases the turnover of goods. Shop owners have therefore been keen to increase the number of shops under their control, either through direct ownership or by lending goods to new establishments and sharing the profit. There is now a ‘tragedy of the commons’-situation among the Chinese in Cape Verde: While it is in the individual shop owners' interest to increase the number of shops under their control, the turnover of each *baihuo* shop decreases because of the increase in the number of outlets.

Many Chinese workers came to Cape Verde with the hope of one day opening their own shop. This offers an opportunity to make money, increased independence, and regular visits to China to import goods. To set up the shop, typically after several years as an employee, the worker must borrow goods which can be paid for once the shop starts earning money. The person lending out goods runs a risk, as the goods may never be paid for if the new shop is badly managed. Confidence in the new shop owner is therefore a prerequisite, and generally limits such borrowing arrangements to relatives and former employees.

When there were few *baihuo* shops in Cape Verde, shop owners were reluctant to lend out goods to help workers start by themselves, as this would involve taking a risk, having to find a replacement for the lost worker, and give their own shops increased competition. Today, however, some shop owners actively encourage their workers to start new shops because higher turnover of goods is necessary to retrieve their fixed costs of importation.

Ever more Chinese people

New immigrants from China generally come to Cape Verde by invitation from migrants who have already established themselves in the country, and can produce the necessary documents for a visa application. To explain why they came to Cape Verde, all the Chinese in São Vicente pointed to networks and coincidence. They accepted an emigration opportunity that happened to take them to Cape Verde; they did not select Cape Verde from among alternative destinations. The established migrants' motivations for bringing more people over from China fall into one or more of the following five categories.

First, a wish to be *reunited with family members* motivates many invitations. Some of the first Chinese to settle on Cape Verde were men who departed from China with a dream of making money abroad, but little knowledge about the conditions awaiting them. They left their wives and other family members behind. Only after they had established businesses and knew they could make a living in Cape Verde did they send for their family. Several Chinese who came to Cape Verde as young adults have gone back to China to marry, and then returned together with their spouse. Children and parents, on the other hand, are normally left in China, where they have access to better health and educational services.

A second motivation for bringing people from China to Cape Verde is the *need for trusted Chinese workers* in the shop. One of the most successful shop owners in São Vicente has invited eight family members to work for him, and some Chinese claimed his success to be related to his opportunity to draw on a pool of reliable workers from his large family. An increase in crimes against Chinese in Cape Verde has made some shop owners consider bringing additional Chinese workers to Cape Verde in order not to leave anybody alone in the shop when they travel.

A third reason for inviting people is a wish to *help family members or friends* to emigrate. Some Chinese workers were given a chance to escape a situation of school failure or unemployment in China. In some cases, the arrangement was presented as a favour by the shop owner to the young worker's parents. At the same time, some workers described coming to Cape Verde as a favour to their employers to help them fill their labour needs.

Fourth, bringing people to Cape Verde can be part of a *strategy of expansion*. New migrants may be encouraged to open subsidiary shops, and may also facilitate onward migration. Like in Eastern Europe, most of the Chinese entrepreneurs who move on to other African countries prefer to retain their businesses in the original location, usually in the care of a recently arrived friend or relative (Nyíri 2003). This constitutes a form of insurance, and is a way of avoiding a

loss-making market exit. Exporting Chinese goods from one African country to another is unprofitable, and it is difficult to sell out old goods without a loss when other shops continually attract customers with new goods.

Finally, there are migrants who bring people to Cape Verde because they can *make money as migration brokers* (snakeheads). There has been a large potential to earn money on migration brokering, despite the fact that entry to Cape Verde is perfectly legal. To get a Cape Verdean visa, the Chinese need a work contract with an established business in Cape Verde. Migration brokers issue such contracts against a fee, and accompany the migrants on their journey to Cape Verde. Because they lack the social connections, information and language skills to organize the migration to Cape Verde themselves, people have paid as much as 80,000 RMB (USD 12,000) to be brought to the country. Today, however, the market situation in Cape Verde means that the potential for migration brokering is sharply reduced. The attractiveness of Cape Verde as a stepping-stone for migration to Europe is also lower than in the past. A few years ago, Cape Verdean residence permits, which enabled Chinese immigrants to apply for Schengen visas from Cape Verde, could be acquired quite easily. However, some Chinese started bribing officials to speed up the processing of their permits. The Cape Verdean government cracked down on this corruption, and getting the residence permits and visas to the Schengen area consequently became more difficult. There is no clear-cut division between assisting relatives or friends to come to Cape Verde and being involved in migration brokering as a business. Some of those who pay large sums to be brought to Cape Verde are relatives or friends of their migration broker. Similarly, the first Chinese migration brokers in Central and Eastern Europe were recent immigrants who had assisted relatives and friends with their migration, and then realized that such brokering could be a new line of business (Nyíri 2003).

Market saturation and the social consequences

By 2001-2002, the market for Chinese goods in São Vicente had become saturated. *Baihuo* shop owners complain that the Chinese have become too numerous in Cape Verde, and that the country is simply too small. Not only has the number of shops grown, but demand for durable goods has declined. This is because the potential for catching-up of many years of unmet demand which boosted business for the first shops has now been exhausted. Newly established owners of *baihuo* shops explain their difficulties in making money in Cape Verde with their late arrival, remarking that 'one Chinese is a dragon, three Chinese are bugs'. Many Chinese in Cape Verde saw the process of market saturation as a general feature of Chinese migration, relating it to what they had heard about other places:

In every place where Chinese arrive and a few years go by, the problem is the same. Quickly conditions get bad. Like in Eastern Europe, in Romania. In 1993-1994, it was really good to do business in Romania. But now the situation there is unbearable. There are too many people, even worse than here. Three-four years, then conditions get bad, because once some Chinese arrive in a place, they become too many! Once the Chinese arrive in a country, business deteriorates. (Chinese shop owner)

The atmosphere within the Chinese community in São Vicente has become less amicable as a result of the intense competition. One woman described how the Chinese would play *majiang* and cards together and invite each other for Chinese New Year in the past, while today there is very little such interaction.

Simultaneously with the market saturation, the situation for Chinese migrants in Cape Verde has deteriorated in other ways. First, there has been an increase in crime. Shoplifting has always been a problem and is seen as unavoidable by the shop owners. Since 2002, however, there have been several cases of violent robberies against Chinese. The fact that the Chinese are increasingly visible as a relatively wealthy minority also makes them prone to other forms of exploitation. Local landlords letting out shop premises and apartments to the Chinese have pushed up the prices to the extent that it has become a major obstacle to making a profit in the *baihuo* trade. Some officials who deal with the Chinese have also started asking for personal favours. While most Chinese say that corruption is not as serious a problem in Cape Verde as in China, it appears to be on the rise and is perpetuated as the requests for bribes are met. Lastly, the Cape Verdean government has begun considering measures to restrict immigration from China.

Ironically, the constant growth in the number of shops leads most Cape Verdeans to conclude that the Chinese are making great profits. This probably encourages both crime, corruption, and other forms of exploitation. The impression of a booming business also gives officials an unfounded fear of being overwhelmed by migrants. A high-ranking executive justified his calls for visa restrictions by saying that ‘just putting one Chinese village here would make the country sink into the Atlantic’.

Responses to market saturation in Cape Verde

Faced with a saturated market for their goods, the Chinese in Cape Verde have, to varying extents, employed the four strategies outlined in the introduction. The first response, *Geographical expansion*, has so far been the most important reaction to the increased competition in the *baihuo* business. The opportunities for spatial expansion were originally large, as Cape Verde consists of nine populated islands, some with several population centres large enough to support at least one *baihuo* shop. From the capital Praia *baihuo* shops spread to São Vicente and other islands. The persisting availability of places with unmet demand for cheap consumer goods gave small incentives for originality, and the new shops were faithfully modelled on the existing ones.

Today, *baihuo* shops are established on all islands and in all population centres on Cape Verde. The potential for geographical expansion within the country is therefore exhausted. Some shop owners have responded to this lack of new market opportunities in Cape Verde by establishing businesses in Angola and Mozambique. They have kept their shops in Cape Verde as a security while establishing themselves on the mainland, and let Chinese employees and relatives run these businesses. Once the *baihuo* shops in mainland Africa proved profitable, the Chinese migrants shut down or sold some of their shops in Cape Verde. Several other Chinese

families in Cape Verde are now considering opening businesses in mainland Africa. One man reasons that only by moving to a country with fewer Chinese will he be able to make a good profit: ‘When the competition between Chinese is fierce, the profit will go to the local customers. That’s why I want to leave. I want to keep the profit myself, not give it away!’

Second, the owners of *baihuo* shops have responded to falling sales by engaging in *price wars*. Consequently, the net profit on the sales has fallen markedly. Some *baihuo* shops have now stopped displaying the price on their goods because they fear being undercut by competitors. As a precautionary measure, they prefer to only tell the customers the price upon request. Cape Verdeans have also become more conscious of the quality of what they buy, and many importers have cut their profit by selling higher-quality goods without raising the prices. The fall in profits makes the situation especially difficult for newly established shops, which share the profit of their sales with the importer.

The continued immigration from China is an important reason for the quantitative expansion of the *baihuo* business in Cape Verde with minimal changes in how these businesses are run, in much the same way as Pieke and Benton (1998) have described for the Chinese catering business in the Netherlands. The newly arrived migrants from China provide cheap labour, and put up with much hardship because they hope to eventually become independent entrepreneurs. The workload of the Chinese entrepreneurs and workers alike was increased when some *baihuo* shops expanded their business hours and virtually all other Chinese followed suit. The substantial lowering of prices since the first *baihuo* shops opened has been possible because the early *baihuo* shops kept very high profit margins. However, the potential for cutting prices is now almost exhausted, as is the potential for generating income by employing a docile labour force more intensely.

Neither of the two final responses to market saturation — *sectoral expansion* nor *innovation* — have so far been important among owners of *baihuo* shops in São Vicente. The sectoral specialization has in fact increased, since there is no longer any Chinese restaurant in the city. Although the price level of a range of goods is still very high in Cape Verde, the Chinese entrepreneurs have so far been faithful to the *baihuo* concept. The potential for expansion into the food sector is apparently especially high, as dry and canned foods are sold at prices that often surpass those in Western Europe. These commodities could presumably have been imported from China. The Chinese explain their absence from the food sector by their limited knowledge about local tastes, lack of necessary connections to import foodstuffs, and shortage of capital.

Paradoxically, the fierce competition from other Chinese shops serves as a disincentive for sectoral expansion and innovation. One shop owner was afraid that if he started importing canned fruits from China to sell in his shop, other shops would copy his idea if the cans sold well. The profit margins would soon be pushed down, and he would earn little from having gone through the trouble of figuring out how to import the fruit. In other words, the profit from innovation is shared between all the Chinese shops, while the pioneering shop owner bears the

loss alone in the case of failure. Lack of social networks is another obstacle to innovation. The first Chinese who approached a local to buy Brazilian goods wholesale was able to do so because of good language skills and social connections, resources which many Chinese lack. A third impediment is the Chinese community's disapproving attitudes towards attempts at innovation. When the first Chinese shop distributed flyers on the streets to announce that new goods had arrived, owners of other *baihuo* shops ridiculed the initiative, while simultaneously trying to find out if the advertising had any effect.

A possibly groundbreaking innovative change in the *baihuo* business occurred in late 2003, when a Chinese entrepreneur took the bold initiative to lend a Cape Verdean employee goods to open her own *baihuo* shop. The Chinese in Cape Verde have good reason to pay attention to the consequences if such an innovation in management methods turns out to be successful. Today, the greatest impediment to opening new *baihuo* shops is the time and money required to bring people from China. If Cape Verdeans run *baihuo* shops, there are no costs of migration to be recovered. Cape Verdeans generally have a lower standard of living than the Chinese in Cape Verde, and will therefore be content with taking out less profit from the shop. This may serve to further drive down the prices in the *baihuo* business, and will influence future Chinese migration to Cape Verde.

Conclusions

We will end this paper by discussing the Chinese migration to Cape Verde in relation to intersecting migration flows, speculating about the future of Chinese business in Cape Verde, and recapitulating some of the analytical points of the analysis.

Much of the new entrepreneurial migration from China is directed to regions with substantial out-migration. While the socio-economic adaptation of Chinese in Cape Verde is vastly different from that of Cape Verdeans in Europe or America, there are remarkable similarities between the context of emigration in the two cases (Åkesson 2004, Carling 2001, 2002, Li, A. 1999, Li, M. 1999). Both Cape Verde and the Chinese migrants' region of origin in Southern Zhejiang are characterized by a long-standing tradition of emigration that has gained self-sustaining momentum. In both regions, the latest news about immigration policies and practices in different European countries are hot topics of discussion, people who does not take advantage of an opportunity to go abroad are often frowned upon, and people without close relatives abroad quite openly display *both* resentment of the emigrant's position, and an eagerness to become like them. What Lisa Åkesson (2004) describes as 'migration ideology' in Cape Verde has a parallel in Li Minghuan's (1999) notion of '*qiaoxiang* (i.e. overseas Chinese area) consciousness' in Southern Zhejiang. In both cases, discourse about place and belonging presents the local area as special by virtue of its active linkages with the wider world.

The heydays of the *baihuo* business in its present form are over in Cape Verde. As one of our informants put it, 'I think that no Chinese running a business here now can be said to succeed.

[...] Those who succeeded have already left.' The turning point in the number of *baihuo* shops in São Vicente was probably reached around Christmas 2003. Only two weeks later, the number of shops had already fallen from twenty-six to twenty-four. However, there is likely to be a sustained demand for *baihuo* goods. A probable scenario, therefore, is that the number of shops will decline over the coming years, but eventually stabilize at a lower level. A decisive factor in the market development is whether some entrepreneurs are able to invest in much larger shops with a greater range of goods, as has recently happened in Mozambique and Togo.

Access to information is a key determinant of success or failure in many aspects of the new entrepreneurial migration. Our informants were constantly searching for information that could point them to new business opportunities. Another example of the commercial value of information is the fact that one Chinese migrant could charge another more than 10,000 USD for helping them to come to Cape Verde, although the migration process was arranged in perfectly legal ways. Within the *baihuo* business in São Vicente, information is a key component in the fierce competition. Prices are no longer displayed in most of the shops, and even among friends, business information is sensitive and secret. 'If he's doing *baihuo* and I'm doing *baihuo*,' one shop owner said, 'he's not going to tell me things. If he does, I'll wonder why he's telling me so much.' The timing of the onset of the *baihuo* boom in Cape Verde was not determined by any major changes in the country. Had information about the Cape Verdean market spread earlier, the peak in *baihuo* shops would most probably have come at an earlier time.

The Chinese business migrants have brought about an increase in the purchasing power of Cape Verdeans due to lower prices. Local landlords have profited greatly from the steep increase in rent brought about by Chinese businesses. At the same time, local retailers see their profits dwindle and are driven out of business as a result of the competition from the Chinese. The gains and losses connected with the surge of the *baihuo* business in Cape Verde are unevenly distributed among the Chinese as well as the Cape Verdeans. Some of those who arrived while Cape Verde was still an up-and-coming market have made considerable fortunes. Late-comers must make a living from the sad remains of a once booming market, and try to recover the borrowed money and savings they have invested in their migration and the shops. Many of the Chinese workers find themselves in a situation of extreme dependence and vulnerability, where their return to China or onward migration and their living conditions in Cape Verde are determined by the business decisions and commercial skills of their employers.

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Notes

1. Emigrants in the post-1978 period are generally referred to as 'new migrants'. The use of the term 'entrepreneur' partly overlaps with 'trader' (which is commonly used in relation to the Chinese diaspora) but also includes restaurant owners, medical practitioners and others who are not engaged in trade.
2. The four countries (with 1996 estimates of Chinese populations) are Mauritius (40,000), South Africa (28,000), Madagascar (27,000) and the French overseas department Réunion (25,000). The estimated total for Africa is 135,000 (Li, A. 1999).

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