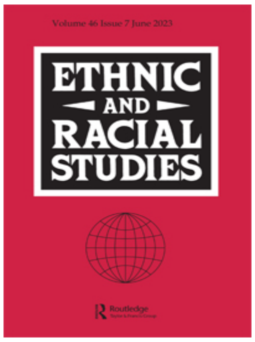

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Network-diversification and trust-building strategies of transnational migrant entrepreneurs: evidence from African migrant entrepreneurs in South China

Xin Jin [a], Gideon Bolt [a], Bas Spierings[a] and Pieter Hooimeijer [b]

[a]Department of Human Geography and Spatial Planning, Utrecht University, Utrecht, Netherlands; [b]Human Geography and Demography, Utrecht University, Utrecht, Netherlands

ABSTRACT
This article explores how African entrepreneurs in Guangzhou manage to survive in an environment that is characterized by harsh competition and major institutional restrictions. Combining literature on social networks theory with the mixed embeddedness approach, this paper presents an analysis of African entrepreneurial trajectories as a transnational and locally embedded process through exploring networking and trust-building strategies that African entrepreneurs employ to (re)position themselves in the Sino-African value chain. Based on ethnographic research on African entrepreneurs in Guangzhou, it shows that many African entrepreneurs are changing positions in the value chain by moving closer to Chinese production. Moving closer to the production side necessitates entrepreneurs to develop stronger local embeddedness whereas at the same time they need to maintain their transnational ties. Entrepreneurs in earlier phases rely on a ties with other Africans in Guangzhou, while in later phases they are embedded in a more diversified network.

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Introduction

Since the late 1990s, the city of Guangzhou in South China has become a key destination for sub-Saharan Africans who are active in the import and export trade of Chinese manufactured goods. The city functions as the centre of China's "world factory", which gathers major wholesale markets and numerous manufacturing factories (Lyons, Brown, and Zhigang 2012; Bredeloup 2012). These wholesale markets are selling "low-end" quality and copied western branded products with low prices. A growing body of studies has

CONTACT Xin Jin x.jin1@uu.nl

examined the economic essence of the African migration into China, indicating it as a supply-driven entrepreneurial migration phenomenon (Bredeloup 2012; Müller and Wehrhahn 2013; Mathews and Yang 2012). Africans operate as the intermediaries in the China–Africa trade by connecting the production side to the consumption side in the global value chain (see for instance, Lyons, Brown, and Li 2013; Haugen 2018; 2019). They often have little start-up capital, and they are not specializing in any particular type or branch of goods but try to gain the greatest profit possible by pursuing a variety of trade activities.

The transnational flows of people and goods from the "developing world", characterized by relatively small capital investments, informal networks, and illegal or semi-legal transactions are coined by Mathews and Yang (2012) as "low-end globalization" – complementing the "globalization from above" initiated by states and corporations and involving large budgets (see also Mathews 2015). Many studies on the African community in Guangzhou emphasize the role of African traders in the globalization process and focus on their position in transnational networks (see for instance, Müller and Wehrhahn 2013; Lan 2015). Transnational entrepreneurs can be described as "self-employed immigrants whose business activities require frequent travel abroad and who depend for the success of their firms on their contacts and associates in another country, primarily their country of origin" (Portes, Haller, and Guarnizo 2002, 287). Studies on transnational entrepreneurs tend to focus on how their resources have an impact on their strategies and actions (Drori, Honig, and Wright 2009). To be successful as a transnational entrepreneur, "transnational capital" is needed, which is defined by Rusinovic (2008, 447) as the "combination of economic capital (money to invest, and/or travel regularly to or do business in the country of origin), cultural capital (bilingualism, knowledge of overseas markets, international management experience) and social capital (such as contacts, relatives or family in the country of origin whom one can trust and/or can do business with)."

The social network is the most widely used concept in the literature on transnational entrepreneurship, focussing on the generation of social capital within networks as an instrument to exploit business opportunities and to achieve success (Chen and Tan 2009; Pruthi and Wright 2019). At the same time, the literature on transnational entrepreneurs is criticized for the limited focus on institutional embeddedness which refers to the laws, rules and market characteristics of the places where they conduct their business (Bloch 2017; Solano 2020). For instance, Waldinger and Fitzgerald (2004) stress that movement between countries is to a large extent controlled by states who decide on rules on exit and entry. The ability to engage in cross-border activities is therefore limited by the rules that are set by states, as well as by the ability of states to enforce these rules.

Therefore, this paper combines insights from the social network literature with the mixed embeddedness approach to explore how African entrepreneurs in Guangzhou manage to survive in an environment that is characterized by harsh competition and major institutional restrictions. This approach does not only focus on local social embeddedness (like the classical literature on immigrant entrepreneurship), but explicitly relates this to the institutional environment in which entrepreneurs have to find possibilities to start and maintain their business (Kloosterman and Rath 2001; Kloosterman 2010). Most studies based on the mixed embeddedness approach focus on the accessibility and growth potential of the (ethnic and non-ethnic) consumer market in the host society. However, African entrepreneurs in China do not produce or sell products for the Chinese market, but for the African markets. Therefore, this paper will incorporate the notion of transnational embeddedness (Bagwell 2018) by focussing on local as well as cross-border networks. This will be done by analysing how African entrepreneurs are integrated into the value chain from Guangzhou to Africa. A value chain can be defined as the "full range of activities required to bring a product or service from conception, through the different phases of production, delivery to final consumers and final disposal after use" (Mitchell, Keane, and Coles 2009, 6). As it will be shown in the findings, many entrepreneurs change position in the network value chain to maintain their business. To be successful in negotiating the institutional barriers and in changing position in the value chain, entrepreneurs need to expand and diversify their networks. This paper pays particularly attention to how building trust with Chinese traders is crucial in strengthening the local embeddedness, which is a necessary condition for the continuation of the business. In so doing, the social network theory is utilized to develop a nuanced understanding of how migrants' networks and trust emerge, generate resources and change over time through a networking trajectory approach.

Theoretical framework

Transnational entrepreneurs accumulate social capital through their social ties in both their home country and their host country, which they can utilize in seizing on business opportunities as these ties provide them with a variety of resources (Kyle 1999). Chen and Tan (2009) use the term "glocalized networks" to refer to the switching between local and global networks, simultaneously or sequentially. Social ties from the home country often play a role in the selection of the destination, as well as in the adaptation process in the host countries. Social ties in the host country provide entrepreneurs with contextual knowledge and with ways to deal with institutional constraints (Drori, Honig, and Wright 2009; Pruthi and Wright 2019). The contacts in the host country may be focussed on co-ethnics, but many transnational entrepreneurs expand their business contacts beyond their ethnic group (Light and Gold 2000). According to Drori, Honig, and Wright (2009), many transnational entrepreneurs even indicate that they avoid close business associations with members of their ethnic group, as they argue that these ties may hurt their ability to identify additional resources.

While social network is a dynamic concept, there is a tendency in migration studies to perceive the network as a static and grid-like entity that are used by migrants to accumulate social capital (Sha 2021). However, it should be acknowledged that migrant networks are not a social given, but created, maintained and extended by migrants. Moreover, social ties do not automatically lead to the accumulation of resources, as not all ties are equally valuable and some may even be detrimental (Ryan 2011; Schapendonk 2015). Therefore, Schapendonk (2015) pleads for a practice approach to social networks that not only recognizes the dynamics of networks but also focusses on the social endeavours that are needed to accumulate social capital. These social endeavours not only comprise the efforts to create and maintain social ties but also practices of entrustment (e.g. advancing money or giving cash for safe-keeping) deployed by migrant entrepreneurs (Marsden 2020). The role of trust is particularly strong in an informal market environment due to, for instance, a shortage in the legal system or in official law enforcement (Endre 2012). Using Humphrey's (2018, 10) definition, trust means "an intention to accept uncertainty and risk based on a positive expectation of others". In many studies, trust is presented as a key feature of strong ties such as co-ethnic or clan ties, characterized by reciprocal obligations that enable economic transactions. In case of weak ties, trust is important because it can help with flexibility in dealing with market uncertainties. It can also reduce costs of market transactions, such as the costs of establishing cooperation– including searching for and selecting a partner and "reaching out" to partners (Granovetter 1985; Uzzi 1997).

While the focus in the literature on transnational entrepreneurs tends to be on social networks and social capital, the mixed embeddedness approach stresses that it is the combination of both social embeddedness *and* institutional embeddedness that affects their entrepreneurial choices and success, in interplay with their human capital (Kloosterman 2010; Solano 2020). Kloosterman (2010) argues that the broader institutional framework affects the opportunity structure through market characteristics (openings in markets, business systems) as well as through state interventions regulating the labour market and businesses (like permits and rules on the running of business). Next to that, for transnational entrepreneurs immigration rules are especially relevant as they affect their freedom of movement, their possibilities to run a transnational business, as well as the operation of their network (Bagwell 2018; Chen and Tan 2009; Sha 2021; Waldinger and Fitzgerald 2004). For African entrepreneurs in Guangzhou, the institutional context creates major obstacles as immigration rules are very strict (Jin, Bolt, and Hooimeijer 2021). Their inflow has not been supported by Chinese governments and local authorities because most of them are unskilled entrepreneurs who have limited economic means. Those who do not manage to obtain or renew business visas choose to overstay or stay on tourist or student visas. Another option is to obtain a business visa illegally through the informal market (Mathews, Lin, and Yang 2017). Furthermore, undocumented migrants are portrayed in a very negative way in the Chinese public discourse and African migrants are much more often faced with visa and passport checks than other immigrant groups (Lan 2015).

Most mixed embeddedness studies tend to assume that the markets in which migrant entrepreneurs operate are in the host country while the consumer markets for African entrepreneurs are based in the sending countries. To understand the context in which African entrepreneurs operate a value chain analysis is useful as it helps to widen the scope from local to transnational embeddedness and enriches the mixed embeddedness approach by focussing on the interactions between the local and transnational opportunity structure and the entrepreneur's access to different forms of local and transnational social capital (Bagwell 2018; Solano 2020).

Studies show that the Sino-African value chain based on import/export trade is generally regarded as a grassroots phenomenon that creates a global platform with petty capital (Lyons, Brown, and Li 2013). As this value chain is neither a buyer-driven nor a producer-driven process due to the lack of big players with a lot of power, Lyons, Brown, and Li (2013) propose the term "network" value chain. The chain is characterized by large numbers of small players and none of them individually controls the chain. As there are no dominant players who determine quality, volumes and prices of products, there are opportunities for small entrepreneurs with relatively little financial or political capital to enter into the chain. As the profit margins are small in the highly competitive trade environment, African entrepreneurs employ several strategies to maintain and strengthen their positions in the network value chain. These strategies include moving closer to the value chain's source, operating at multiple positions in the chain, cutting out links and diversifying the services and goods provided (Lyons, Brown, and Zhigang 2012; 2013). The skilful (re)positioning of African entrepreneurs in the value chain – reflecting "networked entrepreneurship" (Carling and Haugen 2021) – builds on strengthening both bonding and bridging capital within the informal and (semi-)illegal business environment.

The key for understanding the strategies of African entrepreneurs in the informal and competitive market environment in China is to link the building of their network, and the trust-building embedded in the social networking process, to their varying positions in the network value chain. In doing so, this paper focusses on analysing how the entrepreneurs employed their social capital to create opportunities despite the harsh economic conditions and the restrictive institutional environment they operate in. Our analysis is based on a qualitative study of business trajectories of 40 Africans in Guangzhou, as will be explained in the following section.

Methodology

The analysis draws on 12 months of ethnographic fieldwork between 2012 and 2018 in Guangzhou, China. The first author started with doing fieldwork in the two centrally located marketplaces in the city – i.e. Sanyuanli and Xiaobei – and it is in both sites that the first author spent most of the research time. By observing the on-going businesses and social interactions taking place in shops, restaurants and cafes on the marketplaces, this study developed a first understanding of how African entrepreneurs run their business and the entrepreneurial behaviours they undertake to do so. The insights resulting from observations were later complemented and deepened with in-depth interviews. Moreover, to acknowledge the mobile and distributed nature of the business operations by our interviewees, the first author accompanied a selection of them to a variety of geographical settings beyond the marketplaces. Through go-along methods – combining in-depth interviewing and participant observations (Kusenbach 2003) – their entrepreneurial behaviours in additional fieldwork sites, such as material markets and factories located on the edge of the city, were investigated.

In-depth interviews were carried out in English with 40 African entrepreneurs who have remained in the country on an extended basis (at least half a year). The interview guide contained questions about their decisions resulting in migration to China, the history of their business and changes in business operations. The interviews provided rich and detailed insights into entrepreneurial behaviours and strategies of traders operating at different positions in the network value chain, their business constraints and opportunities, including constraints and opportunities to change positions in the value chain, and strategic business choices. They also identified the variety of positions taken by African entrepreneurs in the network value chain as well as the institutional and policy environments and economic trends affecting those positions. All interviews were fully transcribed and coded thematically with NVivo during multiple rounds of data analysis with particular attention to the (re)positioning in the value chain and the different types of social ties and trust building with regard to different sub-topics such as economic activities, housing trajectories, social networks, migration trajectories, institutional restrictions, etc. In terms of the topic of economic activities in this paper, the coding process was in the first instance entirely data driven, using an approach broadly framed within a grounded theory tradition. Themes emerged inductively and were subjected to reflexive consideration. Codes were then verified through deductive re-examinations of the data, using the literature on value chains, transnational entrepreneurship and social networks.

Getting access to and subsequently recruiting respondents from the group of African entrepreneurs in Guangzhou proved to be challenging. The first author negotiated access to entrepreneurs operating at different positions in the value chain with the assistance of African shopkeepers in the city, being positioned in the middle of the value chain and having contacts with entrepreneurs operating both closer to the production side and the consumption side. As the access to the members of the target group was complicated, because most of them have an illegal or semi-legal status, ethnographic methods seemed to be the most suitable. A combination of participant observations, in-depth interviews and go-along methods were adopted in the fieldworks. Trust relationships with entrepreneurs were developed, as well as contact information and access to business locations, were acquired with the help of the African community leader in Guangzhou and trusted Chinese business partners. By using multiple entry points for snowballing, this study successfully managed to achieve a diverse sample of African entrepreneurs as interviewees, although Africans from Francophone countries are underrepresented in the sample, due to the language barrier. To protect the information of interviewees, all the names of the African entrepreneurs in this study were replaced with pseudonyms.

Our sample of interviewees mostly contains Nigerians ($N = 24$) while some are Cameroons ($N = 6$) and several originate from nine different other sub-Saharan countries ($N = 10$). Their length or stay ranges from less than 2 years ($N = 6$) to between 2 and 5 years ($N = 19$), between 5 and 10 years ($N = 9$) and over 10 years ($N = 6$). The legal status of our interviewees varies, including those having acquired a student visa ($N = 13$), a business visa ($N = 13$), a tourist visa ($N = 1$) and have overstayed the visa ($N = 12$).[1] Some had prior experiences as entrepreneurs in other cities before moving to Guangzhou ($N = 10$), i.e. in other mainland Chinese cities (N = 2), in Hong Kong ($N = 5$) and in European or American cities ($N = 3$). Most of the entrepreneurs run a garment business selling clothes, shoes, jeans or belts ($N = 23$), a sector with low entry barriers providing access with relatively limited capital and technical education (Lyons, Brown, and Li 2013, 88). Some interviewees – most of them are Nigerians with a length of residence of 5 years minimum – have developed intimate and marriage relationships with Chinese females ($N = 8$). These females operate as important brokers in getting access to resources and expanding business in China (Lan 2015). The number of African females in our sample ($N = 3$) is small, which is due to our focus on Africans living in Guangzhou. While almost a third of African traders is female, they only make up a very small proportion of the entrepreneurs who have settled in Guangzhou (Mathews 2022).

Changing positions in the value chain

This paper identified five positions in the value chain for African entrepreneurs, i.e. travellers, middlemen, shopkeepers, designers and company owners. There are mainly two strategies of positioning in the value chain. First, operating and integrating multiple positions in the value chain, for instance one shopkeeper can at the same time be a designer and middlemen. Only a small part of our respondents pursued this strategy. Second, changing positions in the value chain, for instance moving from traveller to middlemen, or from shopkeeper to company owner. More than half of our interviewees have pursued this strategy and they are all moving in the same direction towards the production side. The most common transitions are from traveller to middleman, and from middleman to shopkeeper.

An analysis of the data revealed that the networks are dominated by ties with other Africans in the earlier phases, but that networks tend to include more Chinese business partners when entrepreneurs stay longer in China and move closer to the production side in the network value chain. In the first stage as traveller, African entrepreneurs are depending on ties with other Africans for resources such as overcoming language and cultural barriers etc., and they are moving back and forth as geographically transnational entrepreneurs. In most cases, the networks are not restricted to Africans with the same nationality or ethnicity. Moving to the next phase of middlemen, they become more locally embedded while settling down in local society to seek for new resources. They also tend to have more Chinese business partners, which applies even stronger for those entrepreneurs who reach the stage of shopkeepers, designers and company owners. At the same time, they also need to maintain or expand their relations with business partners in Africa to keep up to date with changes in fashion and taste on the consumption side. In the following, the different nodes in the value chain are described in more detail.

Travellers are those African traders who acquire a 30-day visa and stay in Guangzhou for weeks to seek for products they want, and then move back to Africa. In the phase of travellers, African entrepreneurs are responsible for applying entrance visas into China, booking hotels nearby the markets, looking for the goods they need in the market buildings and negotiating with Chinese traders (see for instance Haugen 2012; Lyons, Brown, and Zhigang 2012). Due to their lack of local knowledge, they often carry out sourcing in local wholesale markets by trading with Chinese salespeople face-to-face, using gestures and calculators to overcome language barriers, pay upfront in cash and organize shipment arrangements.

African traders rely largely on social ties with other Africans to get access to local markets, to communicate with local Chinese traders, and to collect information of hotels, shippers, restaurants and other services such as mosques or churches. According to Carling and Haugen (2021, 6), there is a symbiotic relationship between the many short-term African visitors and the comparatively few long-term African residents. Especially at the initial stage travellers rely on African residents to find the right suppliers and logistic providers. African residents have also set up an informal hospitality infrastructure and often combine the role of host and procurement agency for visiting traders (Haugen 2019).

As travel fees, as well as visa renewal fees, are very costly, many travellers chose to stay in Guangzhou, either legally or illegally. Nearly half of our interviewees started their business career in Guangzhou as traveller and almost all of them have moved to the position as middleman at some point.

Middlemen are those African entrepreneurs who decided to settle in Guangzhou, legally or illegally, serving as agents to look for products for those customers either in the local wholesale markets or the suburban factories for their customers in their home country. Middlemen are specializing in mediating between African customers and Chinese factories. They are responsible for receiving the original samples from traders in Africa, and for finding Chinese private factories that copy everything from glasses frames to electric generators, and (European or American) branded shirts or jeans. Due to their ties which Chinese business partners they are in a better position than travellers to seek the best deals. They often buy large quantities of goods to decrease the average price. However, large quantities are risky if they choose an improper design for their customers, which will result in a large loss. Therefore, they need to figure out a proper quantity of goods with prices as low as possible and a good design for their customers (see Haugen 2018). However, middlemen are in a situation where they are constantly at risk to being cut out of the value chain as travellers tend to try to interact with the suppliers directly after some time. Having a shop in the local markets can be very helpful for extending business relationships and having a competitive advantage compared to other African entrepreneurs.

Shopkeepers are those African entrepreneurs who start to manage shops in the local wholesale markets as showcase of their products to their African customers. Most of them sell shoes and clothes. In comparison to middlemen, shopkeepers generate more profits by attracting more stable economic relations with both suppliers and consumers.

To distinguish from their competitors and to decrease costs a few shopkeepers combined their shop with designing. *Designers* are entrepreneurs who acquire specific professional knowledge on the customer markets with sophisticated experiences on relevant businesses. To be a designer, entrepreneurs on one hand have to be able to design models when they get new information of trends. On the other hand, they have to source textile and provide a bundle of manufacturing and logistic service for buyers.

Company owners are African entrepreneurs who have become successful relative to their peers. Becoming a company owner is out of reach for the vast majority of Africans in Guangzhou. The three interviewees that managed to reach to this position in the value chain are Nigerians who have stayed in Guangzhou for more than 10 years and had acquired business experience in other Asian cities before moving to Guangzhou. They also have business visas and are married to Chinese women. One of them owns a cargo company, while the other two commercialized their own designed products. In this way, they can gain more trust from their customers in the long run. The company owners have a long-term relationship with Chinese suppliers and African retailers.

Diversification of networks

Knowledge of the culture and the markets in their home country, as well as other African countries, offers African entrepreneurs in Guangzhou with a competitive advantage in their activities as intermediaries in the China–Africa trade. Network ties in Africa keep them updated on changes in customer tastes. The sale of goods in African countries is often left to strong network ties. For instance, Mr. Joseph works with close friends and his brothers in Congo and Angola. When asked about his income he replied: "I don't know it for sure. Every year my brothers count it, but I never know it. Every time I get the money, I buy things and send it back. It's a family business. You don't need to know how many things, how many moves, you know this year is good, and you buy things to make another business (…). That's why we don't know it. Because in Africa, if you work with your brothers, you don't need to control too much". Also Mr. Nick relies on his family members to manage his showroom in Nigeria and to supply him with money and feedback, he argues that even family members cannot always be trusted: "Family cheats too, like me, my brothers cheat, my friends cheat, many people cheat me. If I'm telling you the money, the money these people cheated, I might have made 5 million Renminbi more (…) Some of my brothers eat my money, even sold my car, and spent it."

The chances of becoming successful in business are small for African entrepreneurs, as no one's position in the value chain is secure due to the constant competition and the risk of being cut out. As this risk is highest for middlemen, many entrepreneurs adopt the strategy to move towards the production side to achieve a relatively more secure position in the value chain. To be successful in this strategy, entrepreneurs need to diversify their networks. While attempting to expand business opportunities, African entrepreneurs must learn as much local knowledge as possible, such as the factories with the lowest prices and best quality. Socializing with Chinese traders to get such information is crucial, since Chinese networks can provide opportunities to gain information for customizing products and to find partners for cooperation. For instance, Mr. Simon (A Nigerian shopkeeper) explains how he gradually expanded his business:

> I didn't learn from someone because I've already been into this business for a long time. And I've already dealt with a lot of people, and I've already known how people do it, I've already done it with Chinese people … I didn't come to China and started going to the factory. I started somewhere, I started buying from the Chinese shop … So gradually I will think, I could go to the material market, I could find a good price of the material, and then I could get a factory to produce what I want … I will calculate the cost and see how many profits I could make from this production … But it needs investing time and money … so you must have patience … So that is how I started by my own knowledge, growing gradually to this level I am today.

Instead of relying solely on social ties with other Africans, like travellers tend to do, African entrepreneurs such as Mr. Simon take efforts to have a more multi-local and varied network. They often tap into various networks in different positions in the chain system, such as factories, material suppliers, logistics, etc. To spread risks, they also diversify both the products they are trading in as well as the logistical networks they are using.

Chinese network ties are not only relevant for providing bridging capital for the exploration and expansion of business opportunities, but they are also crucial for navigating in the strict institutional environment. To overcome the institutional barriers from Chinese laws and regulations, African entrepreneurs have to figure out informal ways for acquiring visas and residence permits for entrance, even in cases where they have married in China. Overstayers who are caught by the police are sent to prison where they have to stay until they have acquired enough money to pay for their fine and the travel to their home country (Lyons, Brown, and Li 2013).

Mr. Rando is a shopkeeper who has stayed in Guangzhou for more than 5 years, and he has a Chinese girlfriend who assists his business. In 2016, he was arrested by the police because of being overstayed. With the help of the Nigerian community leader, he got released and avoided imprisonment but with a fine of 10,000 RMB. After three months he got enough money from his friends and went back to his country to get a new visa and entered China again, and he also got married with his Chinese girlfriend. This indicates that being overstayed does not necessarily mean the end of business in Guangzhou, since entrepreneurs can go back to Africa with the protection of the African community in China and get a new visa to enter China again, as Mr. Rando told:

> I paid that night before they released me. They gave me all the documents I need and go to renew visa. The only thing I need now is to buy tickets and make sure that I gather enough money that I will use when I go back … If the police catch the person it is not that bad, as the person will still have a

> second chance. What I keep on telling people is: 'Don't do bad business (criminal such as drug business), don't do any business Chinese law does not allow'.

To avoid problems with the Chinese authorities many African entrepreneurs try to remain out of sight of the policy by moving to areas outside Guangzhou where police monitoring is less frequent. Others stay in Guangzhou, but try to be as invisible as possible (Lyons, Brown, and Li 2013). This forces them to depend on Chinese networks to get access to resources such as renting shops, looking for factories and be responsible for communicating, etc. For instance, whilst moving to the position of shopkeepers, entrepreneurs need to rely on Chinese ties for registering the shop and managing the shop. Most Africans are not qualified to register a shop, as it requires a large amount of capital and legal visa as well as a residence permit. Many Africans running a shop in Sanyuanli got student visa in the local universities or even do not have valid visa at all. By registering the shops on the name of their Chinese business partners, they can avoid police inspection in the marketplace. Trust in the Chinese business partner is often based on a long-term cooperation, but some African entrepreneurs also work together with their Chinese wife or girlfriend. They pay the shop rent while the Chinese females help them with registration and presence in the shops when the police come. For example, Mr. Jonson is an entrepreneur from South Africa who is managing a shop with jeans in one central building in Sanyuanli. He has a Chinese wife who he came across in the markets several years ago and now they are living in Guangzhou with their kids. He registered his shop through his Chinese wife in 2014, and also got visa and residence permit through his marriage.

In contrast to many other countries, marriage with a Chinese citizen does not entail an entitlement to a permanent residence permit. A spouse of a Chinese citizen is required to renew the visitor's visa regularly and this visa does not involve the right to work in China (Lan 2015). That means that even legally married African migrants are at risk of being deported when they are caught engaging in business or employment activities and in that case, they are barred from re-entry for 5 years (Jordan et al. 2021; Lan 2015). Next to the emotional toll for the couple, this may take, it may also lead to the loss of the business, as it is registered under the name of the wife (Lan 2015).

Strategies of trust-building in the entrepreneurial process

The social capital of entrepreneurs is not only determined by the size and diversity of the networks but also by norms of trust and distrust generated in the networks (Lewicki, McAllister, and Bies 1998). Many interviewees strongly emphasized the necessity to be perceived as trustworthy, and how trust allows them to raise initial capital and to expand their business. This is because Africans' networks and businesses are largely engaged in the "openly informal economy" where much business is indeed conducted without enforceable contracts (see Mathews 2015; Lyons, Brown, and Li 2013; Haugen 2012). Working on an informal basis is often a necessity because of the comprised legal status of many middlemen and shopkeepers and because many people trade in illegal goods (fake) or goods that are under-declared (customs) (see Mathews 2015). Negotiations on quantities and prices are done with the help of hand signals and pocket calculators. Many traders get only a receipt handwritten in Chinese when they pay cash for goods in advance (Müller and Wehrhahn 2013).

These relationships thus can be easily broken off with the same informal instruments employed to build them. The markets are full of uncertainty and informality. Traders are often taking risk as the lack of a formal agreement may give rise to misunderstandings with Chinese traders. But even in cases where formal written agreements on prices, quantities and product specifications are made, African entrepreneurs do not always get the goods they ordered (see Müller and Wehrhahn 2013).

As one Nigerian middleman called Mr. Parthu told:

> A year ago, I had problems in business as I lost money because I trusted my supplier. I paid him money without seeing the goods, he is the one that took the goods to the warehouse … but he put the wrong one for me, not the one I asked. So, when the goods arrived in Africa, I cannot sell the goods, it's a very good amount. And it cannot match with the toilet. That's how I lost that money. And I asked the Chinese what to do, the Chinese said he cannot do anything now … Later he only paid half of the money.

To build up more stable economic relations, entrepreneurs have to figure out ways to build trust with "strangers', customers and partners at different positions in the chain system. One way to grow trust is to engage in informal credit systems with new business partners. African entrepreneurs frequently do business with large-scale Chinese traders, giving goods on credit. Importers also report receiving goods on credit from Chinese factories keen on cementing an outlet for their stock. In such a highly competitive and distrusted environment, giving credit is seen by traders as a signifier to build trust. Many interviewees found it easy to be trusted by Chinese traders with credit. One Nigerian guy told his experience of being invited by a Chinese trader to sell goods in credit the first time they met:

> It was a miracle. The first day I went to the market in China, I wanted to buy flash drive, and I was looking for where to go. Then I went to a shop, I don't know the guy and it was the first time I saw him in my life. I asked him the prices and after everything, we agreed on the price. Then he asked me how long you can sell it. I say maybe two weeks three weeks or one month. He said OK, if I give you can you sell? I say of course I can. But I was suspicious because this was the first time,

> I see him. I don't know him. So, he gave me tea we started drinking, he said can we take pictures? I said it's ok. We took pictures and became friends, from that first day. So, he now told me the goods would come out in three days. I say ok. I paid him. I left. So, after three days he called me my goods are out, I say ok, I'm coming to inspect it. (…) Let's say my goods are like 3000 pieces of flash. And here I saw like 6–7000 pieces of flash. He says carry on, you can send and sell, let us grow together. I look at him for like ten minutes, I was just looking at him and didn't talk. We sold it less than one month. So since then, business has been moving.

Therefore, giving and receiving goods on credit has been an important way to construct a positive impression for cooperation to grow business. With time passing by and successful sales increasing, interpersonal trust between traders can be enhanced (Carrier and Elliott 2018; Zhou et al. 2016). This process is what Haugen (2018) named "beholden value chain". In a beholden value chain, vertically connected actors are "indebted, both financially and socially: they owe money to business further up the chain, and they owe their appreciation to the businesses further down the chain for bringing them orders. Conversely, all business actors find other actors beholden to them at any one time. If they break off these relationships, the possibilities for recovering outstanding assets are reduced" (Haugen 2018, 321).

Another way to gain trust and reputation among customers is to manage a shop. As it is well known that many African entrepreneurs overstay their visa and they are involved in contesting legal boundaries in China, to manage a shop in the wholesale markets can give an image of their "legal status' to customers. Building trust through managing a shop is a cumulative process as having gained trust with Chinese business partners is an important prerequisite to becoming the manager of a shop. Once an entrepreneur reaches the position of a shop manager, the shop can be used as a means to generate more trust. Having a shop can show a degree of permanence and implies people can be found when payment becomes due. Moreover, these shops are a place where friendships with Africans might lead to bigger things: Africans might get in touch with their friends to establish a trading network in these shops. Indeed, the shop forms a fertile environment where cross-clan and even cross-ethnic business relations can be forged, while commercial relationships can become friendships due to trust created in the permanent shop. As Mr. Parthu, a Nigerian shopkeeper said:

> So many people buying from (recognizing familiar) face, they are looking face to buy sometimes, 80%, 70%.

"Face" in the narrative is very important for customer relations as it is often linked to a good credit reputation. To some extent, the shop represents the "face" of the shopkeeper, because the location is easy to figure out and the decoration in the interior shop can be easily recognized. Since the economy is quite dependent on credit, reputations have to be preserved so that one can be entrusted with goods and capital. Through linkages, information can spread quickly about the trustworthiness of an individual, even transnationally, and as networks stretch globally, Africans can place potential business partners within a social map whereby people who know the person in question can be consulted.

Another way to achieve trust from customers is to develop own-designed high-quality products. Studies show that a high-quality product and service can increase the credit and reputation in the long run (Shapiro 1983). Even Africans who don't have shops can sell well due to a good reputation for their own designed product. However, the success of having own-designed products relies on trustworthy ties with both Africa and China. Chinese wives or girlfriends often become the brokers of building trust with the Chinese production side such as material suppliers and manufacturers. As one Nigerian company owner says

> In China here I don't have shops, I just put it in me and my wife and the factories. Because business is secret. If I open big office, and employ many workers, they will take No. 1 what happened, the workers will learn what you are doing; 2. They will go your way and take many of your customers. So my business is between me and my wife. We enter our car to the factories, we are loading goods and discussing, discuss with factories. (…) So in Africa, I have many shops, many warehouses, many workers. Maybe 25 direct workers, and there are indirect ones. Then our plaza, some warehouses. We don't need workers in China, workers are only needed in those factories. (…) Business is secret and it remains so. It's only me and my wife. No one knows the factory, it's only between us.

Chinese wives or girlfriends are often responsible for looking for resources and creating trust with Chinese business partners on the production side. Strong ties such as Chinese females often work as intermediaries in the local environment, which reduce the transaction costs of the business activity (Uzzi 1997). Therefore, building an intimate relationship with a Chinese woman can be a key to business success (see also Lan 2015; Jordan et al. 2021). The other side of the coin is, however, that combining business networks within a marriage entails dealing with competing interests. Mutual distrust and tensions often create instability in the marriage, which leads to more uncertainty about the future (Sha 2020).

Conclusion

This paper contributes to the literature on migrant networks by considering the spatial and temporal dynamism in the networks of transnational entrepreneurs. By analysing how entrepreneurs operate and move within the value chain, insight is given in their endeavours to expand and diversify their networks and in their practices of building trust. This analysis is enriched with insights from the mixed embeddedness approach which combines social embeddedness with institutional embeddedness, referring to the institutional context (laws, rules and market characteristics) in which migrant entrepreneurs operate. Our paper has shown that the fierce market competition and institutional barriers in Guangzhou not only have a direct impact on the business opportunities for African entrepreneurs but also affect the way the migrants create and maintain social ties, as well as their practices of entrustment.

Within the value chain, many African entrepreneurs are moving towards positions closer to the Chinese production side. Almost all African entrepreneurs reach the position of middleman, sometimes directly after arriving in Guangzhou and sometimes after an episode of travelling between Guangzhou and African countries as traders. A substantial number of middlemen move to the position of shopkeepers after some time, while others move even closer to the production side to the position of designers or company owners. An important reason to change position is to avoid the risk of being cut out of the value chain. This risk is especially high for middlemen, as travellers tend to try to interact with the suppliers directly after some time. To change position in the value chain, African entrepreneurs need to expand and diversify their local networks. When entrepreneurs move to a position of middleman or shopkeeper, they need to be strongly embedded locally to overcome barriers to stay in Guangzhou permanently and get access to shops, factories and material markets. A stronger local embeddedness does not come at the expense of transnational embeddedness. Even African entrepreneurs who are established for a relatively long time in Guangzhou need to maintain their transnational ties to keep informed about changing consumer preferences in Africa and to manage their overseas businesses. It is their glocalized networks (i.e. networks with both local and global connection) which provide them with social capital that enables them to act on opportunities in the value chain (Chen and Tan 2009). Due to the informal character of the Sino-African network value chain as well as the strict Chinese institutional contexts, entrepreneurs adopt various trust-building strategies, like using an informal credit system, managing shops, and designing products. “Entrusting” credit to someone is not only something that is built on pre-existing social relationships but also an action that itself builds social relationships: giving credit is a key ingredient of social ties within and beyond kin groups in African and elsewhere. Sztompka (1999) describes this as “evocative trust”: by trusting someone, one can create trust.

Furthermore, intimate relationships with Chinese women appeared to be an asset in building trust and overcoming institutional barriers. At the same time, the barriers that prevent Africans from acquiring permanent residence or owning a company are creating an unequal power balance between African entrepreneurs and their Chinese counterparts. Although the Sino-Africa import/export trade can be regarded as a network value chain, characterized by an absence of dominant players and many small players (Lyons et al. 2013) the opportunities are not evenly distributed and the risks of losing all investments, e.g. due to a legal procedure or to a broken marriage, is far greater to African entrepreneurs than to their Chinese business partners or wives.

African entrepreneurs face an uncertain future in China and their numbers are dwindling. Their role as intermediaries in the value chain is threatened by the internet, as their customers in Africa increasingly make use of platforms like Alibaba and WeChat to buy their goods (Mathews 2022). Next to that, the Belt and Road Initiative supports the expansion of Chinese enterprises abroad (Marsden 2017), which also increases the odds to be cut out of the value chain. Finally, the Covid-19 pandemic has not only made migration and travelling more difficult but led to a steep rise in shipping prices. As a consequence, many African trading brokers have shifted to places closer to Africa, like Turkey and Dubai (Mathews 2022).

Note

1. One respondent did not reveal his legal status.

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ORCID

Xin Jin http://orcid.org/0000-0003-4590-5834
Gideon Bolt http://orcid.org/0000-0002-0976-6139
Pieter Hooimeijer http://orcid.org/0000-0001-5072-6481

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