



Can the Dragon Make the Lion Breathe Fire? The Links of Chinese Entrepreneurs in the Addis Ababa Economy

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Abstract

China's increasing role in many African economies has given rise to discussions about the drivers of these economic relations and the benefits that Africa can reap. This article, based on field work carried out in Addis Ababa (Ethiopia), aims to contribute to this discussion by shedding light on a group that is often overlooked: the Chinese small entrepreneurs. Our investigation of five specific economic linkages shows how Chinese entrepreneurs mainly operate in secluded market segments, but also are impactful players in the local economy of Bole Rwanda (Addis Ababa). Their presence has both direct and indirect economic effects: even though focusing mainly on serving the Chinese community, these entrepreneurs play important roles in employment generation, and the transfer of knowledge of particular markets, while simultaneously offering new opportunities for Ethiopian entrepreneurs and transforming the existing vegetable market. The dragon helped the lion to breathe fire—the challenge is to make it a far-reaching and long-lasting breath.

Keywords Chinese entrepreneurs · Sub-Saharan Africa · Addis Ababa · Local linkages · Local economy · Small and medium-sized enterprises (SME)

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Résumé

Le rôle croissant de la Chine dans beaucoup d'économies Africaines a donné lieu à des discussions sur les moteurs de ces relations économiques, et les bénéfices que l'Afrique peut en récolter. Cet article, basé sur un travail de terrain mené à Addis Abeba (Ethiopie), propose de contribuer à cette discussion éclairant un groupe qui est souvent négligé: les petits entrepreneurs Chinois. Notre investigation, ciblé sur cinq liens économiques spécifiques, montre comment les entrepreneurs Chinois opèrent principalement dans des segments de marché séparés; cependant, ils sont aussi des joueurs percutants dans l'économie locale de Bloe Rwanda (Addis Abeba). Leur présence a des effets économiques directs et indirects: même si leur intérêt principal est de servir la communauté Chinoise, ces entrepreneurs jouent un rôle important dans la génération d'emplois et dans le transfert des savoirs dans des marchés spécifiques, simultanément offrant des nouvelles opportunités aux entrepreneurs Ethiopiens et transformant le marché des végétaux existant. Le dragon aide le lion à cracher du feu – le défi est d'assurer la longue durée et portée de ce feu.

Introduction

The economic implications of intensified Sino-African relations have raised many concerns among the public and in the academic world (Brautigam 2015; The Economist 2017). Throughout the debate, one question that frequently arises is how can Africa¹ benefit? Many studies have examined this question, viewing it from different angles, which resulted in unraveling various Chinese policy strategies (Asongu and Ssozi 2016). However, most of these studies focus on the large investments in infrastructure, the resource extraction industries, and trade (Gu 2009; Jenkins and Edwards 2015; Gu et al. 2016; Frick and Rodriguez-Pose 2022). These investments have stirred quite some controversy and suspicion over the years, mostly in light of the active role of the Chinese government and its “no-strings attached” method of operating. The Chinese government appears to set comparatively fewer conditions² when doing business with countries in sub-Saharan Africa (SSA), unlike the West in its economic relations with SSA (The Economist 2017; The Washinton Post 2018).

One aspect that has received far less attention in the overall debate is the flows of Chinese economic migrants entering SSA countries (Mung 2008; Mohan and Tan-Mullins 2009; Cook et al. 2016). Some estimates suggest that more than a million Chinese live and work in SSA countries, a number that is expected to grow in the coming years³ (Mohan et al. 2014). Furthermore, the diversity across Chinese citizens in Africa, in terms of background, labor market position, and type and industry

¹ Henceforth, Africa refers to sub-Saharan Africa.

² E.g., demanding structural political and governance reforms or strongly condemning human rights violations and demanding action regarding such violations.

³ It should be noted that these estimates, and their reliability, are heavily debated in the literature because of a lack of reliable data on this group. However, it does show the magnitude of this relationship and the projections for the future (Mohan et al. 2014).



of employment, is huge (Sullivan and Cheng 2018). According to Mung (2008), this group of migrants can be roughly divided into three subgroups: labor migrants that work in infrastructure projects and natural resource extraction industry; transitory migrants that use SSA as a steppingstone to the Global North; and finally, entrepreneurial migrants that see business opportunities in the untapped markets of SSA.

Entrepreneurial migrants can be especially influential at a grassroots level and are therefore an important target group for research, or as Alden (2007, p. 128) stated: “The behavior of thousands of newly settled Chinese businessmen and the conduct of the African communities in which they live and work will matter as much as the diplomacy and concessions made at the government level.” This group is primarily driven by individual and economic aspirations, rather than being part of the overarching government-led, geopolitical, and economic relations (Lin 2014; Cook et al. 2016). These newcomers can create externalities, either positive (e.g., introducing new products, knowledge, capital, providing local employment) or negative (e.g., increased and/or unfair competition) (Acs et al. 2009; Aitken and Harrison 1999; Berrou and Combarrous 2012; Brautigam 2003; Gu 2009). However, for a positive impact, linkages between the entrepreneurs and the local economy are needed, for instance, through employment or cooperation with local counterparts (Bartel and Soldati 2017; Brautigam 2003; Kalantaridis and Bika 2006). Therefore, by studying the local linkages of Chinese entrepreneurs and their firms, one can begin to understand their role in, and possible implications for, the local economy. These linkages can take various forms for different types of entrepreneurs and businesses (Jack and Anderson 2002; Schütjens and Völker 2010).

By examining the role of Chinese entrepreneurs in a local African economy, this article contributes to the literature on Sino-African relations at the microlevel. The fieldwork for this research was carried out in Addis Ababa, Ethiopia, between September 2018 and February 2019. Ethiopia is, after South Africa, the next strongest economic partner of China in SSA and a growing political and economic power in the region (McKinsey 2017; CFR 2018). This strong economic partnership with China is driven by Ethiopia’s fast-growing economy, increase in infrastructure contracts, and its upcoming industrial sector, which in turn creates many entrepreneurial opportunities for Chinese migrants, a group that until now has not received much academic attention in the Ethiopian context (Hancock 2017; McKinsey 2017).

The central research questions in our study are as follows: *To what extent, and how, are Chinese entrepreneurs linked to the Addis Ababa economy?; do these local linkages vary among the entrepreneurs?; and what are the possible implications for the local economy?*

To answer these questions, qualitative research methods were applied, specifically in-depth interviews and non-participant observations. The main research group in this study comprised Chinese entrepreneurs in Addis Ababa, that is, those owning small service and/or retail businesses.⁴ We focused specifically on one neighborhood, called Bole Rwanda, because of the high concentration of Chinese businesses

⁴ Our choice of the type and size of businesses was based on previous research on Chinese entrepreneurs in Africa (e.g., Dobler 2005 and Hanisch 2013).



there (Huang 2019). Residents from various neighborhoods in the city confirmed that Bole Rwanda is the area with the most Chinese entrepreneurs. Besides interviewing and observing Chinese entrepreneurs, we also retrieved valuable information from other informants such as the customers and employees of these businesses, Ethiopian entrepreneurs (i.e., those in the same neighborhood), and a government official.

Chinese Entrepreneurs in the African Economy: The Literature

As already mentioned, the relationship between China and SSA has not gone unnoticed in both public debate and academia. The field of research on Sino-African relations, and its implications for SSA countries, has so far focused mostly on trade relations, large infrastructure and resource extraction projects, the geopolitical drivers as well as the generally negative economic and environmental impact for the partner countries. On the one hand, China is often portrayed as the new colonial power which is only engaging with SSA for its natural resources and political backing on the world stage, a relationship with no clear long-term benefits for SSA countries. On the other hand, many scholars have debunked these allegations and presented positive implications about this development, painting a more nuanced picture of Sino-African relations (Brautigam 2009; Asongu and Aminkeng 2013; Hirono and Suzuki 2014; McKinsey 2017; Brautigam et al. 2018).

Within the debate about China's involvement with Africa, the focus on migrant entrepreneurs running small and medium-sized enterprises (SME), usually in retail or wholesale, and their impact on local economies in African countries have only recently found traction in academia (Mohan et al. 2014; Cook et al. 2016), despite the general consensus on increased employment opportunities and transfer of knowledge and skills at the local level (Mohan and Tan-Mullins 2009).

In the context of SSA, we are confronted by many questions about this group of entrepreneurial migrants: why are they there?; what type of economic activities are they involved in?; are they linked to the local communities and how?; and what is their impact on the local economy?

The last question is especially interesting from an economic and geographical point of view. Over the years, several studies have been carried out to answer similar questions. Authors such as Dobler (2005), Haugen and Carling (2005) and Gu (2009), working mostly on small traders in local African economies, have paved the way for more recent studies at this micro level (Dankwah and Valenta 2019). Dobler (2005) studied the economic activities and local links of Chinese retail traders in Namibia. He found that, while the traders created local employment, enabled access to new and affordable Chinese products and sometimes even stimulated local entrepreneurs to participate in similar activities, the overall beneficial impact on the local economy was limited. This can be partly explained by the inadequate connections with local parties (e.g., local business links such as suppliers) and a lack of skill development and transfer through the local employment created. Similar findings have been reported in several studies on Chinese entrepreneurial groups (in specific sectors) in different African countries [e.g., Brautigam 2003 (Mauritius); Cook et al.



2016 (Ethiopia and Ghana); Haugen and Carling 2005 (Cape Verde); Hanisch 2013 (Lesotho); Giese and Thiel 2012 (Ghana)].

Based on their comprehensive meta-analysis of studies on Chinese entrepreneurs in Africa, Mohan and Kale (2007) formulated important research questions for future research, among which included: *to what extent and through what means are Chinese entrepreneurs becoming more embedded in local economies in terms of employment, supply chains, or joint ventures?*

Mohan et al. (2014) addressed the same question in their book where they introduce and apply the concept of embeddedness as part of the theoretical framework to analyze these linkages between Chinese migrants and African economies.

Entrepreneurial Linkages to the Local Economy

Following Mohan et al. (2014), the links of Chinese entrepreneurs to the Addis Ababa economy is the central focus of our study. However, this is not a one-way relationship. The interaction between entrepreneur and the various contexts is believed to be reciprocal, that is, context affects entrepreneurial activity and vice versa (Jack and Anderson 2002). Furthermore, as Huang (2019) showed in her study on the physical and social forms of Rwanda Market, and in particular the encounters between different groups of people, daily engagement between migrants and locals shapes various and dynamic contexts.

The reciprocal nature of this interaction is especially important for this study because we want to study the links of these entrepreneurs in the context of Addis Ababa's local economy and local actors involved. In line with the value chain linkages in the economic geographical literature and the (limited) knowledge of Chinese migrants in Africa (cf. Mohan et al. 2014), we have chosen five main economic linkages: *customers (forward linkages)*, *supplier/inputs (backward linkages)*, *employment, interfirm connections*, and *institutional alignment* for further investigation.

Firms' forward and backward linkages (i.e., customers and supplier/inputs) can serve as important anchors in the local economy. Entrepreneurs operate in economic markets created by a demand for a product or service. Many migrant entrepreneurs tend to organize their business activities around co-ethnics⁵ and their needs, operating in an ethnic economy which is often separate from the local economy (Aldrich and Waldinger 1990; Light et al. 1989; Portes 1995). However, this may not always be the case. Several studies found that Chinese entrepreneurs target local customers, sell them Chinese manufactured goods, and use local inputs. Despite the presence of local links, the impact on the local economy can be negative, for instance through competition with local businesses unable to compete with such providers (Dobler 2005; Hanisch 2013).

Another way through which entrepreneurs are locally embedded as economic agents is through employment. According to Mohan et al. (2014), employing locals is one of the most direct ways through which Chinese entrepreneurs have ties with

⁵ Co-ethnic refers to people from the same ethnic group, in this case other Chinese in Addis Ababa.



African economies. Besides yielding direct economic benefits for local economies (e.g., increasing employment), the employment of locals can also have significant indirect benefits such as knowledge and skill spillovers (Hanisch 2013; Mohan et al. 2014).

Furthermore, following Mohan and Kale (2007), we study the interactions of entrepreneurs *within* the economy, meaning the interactions between businesses in the same market, and the way they are connected (e.g., do they cooperate and/or share information, and with whom?). If such connections exist, they can lead to spillovers of knowledge and skills, which is beneficial for both the migrant and/or local entrepreneur, and in the end, the local economy (Acs et al. 2013; Dutrénit and Vera-Cruz 2005).

Finally, to examine institutional alignment, we look at the political/institutional context of the Chinese entrepreneurs in our study. Institutional alignment deals with the way in which the entrepreneurs relate to the formal institutional structure (e.g., legal requirements for doing business, see Warmerdam and Van Dijk (2016)). In Ethiopia, for example, foreign entrepreneurs face very strict rules and regulations with respect to registering a business (Cook et al. 2016). Within a group of entrepreneurs, there can be variations in the way they deal with such requirements and how they grasp opportunities (Solano 2019).

Apart from shedding light on these five local economic linkages, we also analyze whether these linkages vary between the Chinese entrepreneurs. According to Solano (2019), factors that influence linkages are personal characteristics as well as aspects of an entrepreneur's human capital such as age, work experience, (local) language skills, and knowledge about the host country. Furthermore, the entrepreneur's social capital (i.e., social network) can strongly impact economic activities. Finally, certain business-related factors, such as location and number of employees, can influence the entrepreneur and his/her activities (Schutjens and Völker 2010; Sleutjes et al. 2012; Risselada 2013).

Methods

To answer the research questions formulated earlier, we applied qualitative research methods, namely interviews and non-participant observations, in a specific neighborhood of Addis Ababa, Ethiopia. We observed a unique and strong concentration of economic activity of Chinese SMEs in a neighborhood in the eastern part of the city, Bole Rwanda, which is why we chose this neighborhood as the main research area and the Chinese SMEs located there as the main research group. Observations in other areas did not reveal a lot of Chinese SMEs and confirmed the specific concentration of Chinese businesses in Bole Rwanda (for more contextual information, see “Addis Ababa and Bole Rwanda” section and Huang 2019, who refers to Bole Rwanda as ‘Rwanda Market’). We mapped out the Chinese businesses in the area to



create a sample from which to extract the data. We counted 55 Chinese businesses⁶ and one large vegetable market (i.e., the so-called China market with approximately 40–60 stands) in the research area (approximately one square kilometer). The China market is a relatively large open-air market, which is known for the Chinese produce that is sold by local (Ethiopian) vendors. Almost all other Chinese businesses (i.e., targeting Chinese customers) are located in the streets surrounding this open-air market (for more contextual information, see “[Addis Ababa and Bole Rwanda](#)” section). This particular food market has recently been extensively described and investigated by Huang (2019) studying both the local food value chains related to this market, and the social relations and interactions between the migrant and local communities in this particular area. While her research focused on the Rwanda Market itself, as a space for interactions and encounters resulting in changes in boundaries and even identities, the current study takes on another perspective in analyzing the strategies and economic linkages of (Chinese) entrepreneurs active in the Bole Rwanda area.

The data for this study were collected from respondents related to 33 businesses around and the China market in Bole Rwanda. The main body of data was collected through interviews with the Chinese entrepreneurs in that neighborhood. The assistance of a translator for the interviews was needed because we encountered a strong reluctance to participate, as well as distrust among the Chinese business owners when we first approached them without a translator (i.e., approached in English). Our translator’s assistance clearly improved the communication, increased the level of trust of the respondents, and enabled transparent and responsible data collection by discussing and asking for consent.

The entrepreneurs whom we interviewed have lived and worked in Addis Ababa between six months and 11 years (with an average of approximately 2 to 3 years). Within the sample, there were slightly more male entrepreneurs than female entrepreneurs and their age varied, with the youngest in her mid-1920s and the oldest approximately 70 years of age. The entrepreneurs came from different regions in China, with the majority originally from provinces along the eastern coastline of China.

In addition to the information, we obtained from the Chinese entrepreneurs, we consulted other sources as well. During the fieldwork and in line with Huang’s (2019) findings, we discovered that several Ethiopian entrepreneurs responded to the rising demand for Chinese products and services by running and starting similar businesses themselves. Several of these Ethiopian entrepreneurs targeting Chinese customers were also interviewed. Other Ethiopian-run businesses in the Bole Rwanda area were not included in this study.

While this research focuses mainly on the Chinese businesses in Bole Rwanda, additional information was gathered from sources in the area including street vendors, and (local) employees and customers of the businesses, as well as market

⁶ A business was considered Chinese based on the following: Chinese language signs/advertisement, Chinese products, Chinese customers, and Chinese employees. Basically, these were businesses that supply the needs of Chinese customers.



vendors in the China market. Moreover, we interviewed a senior official at the Ministry of Trade, who was responsible for issuing business licenses to entrepreneurs in Addis Ababa. This source provided an institutional perspective on Bole Rwanda's economy.

Addis Ababa, Bole Rwanda, and the Chinese Businesses

Addis Ababa and Bole Rwanda

The Chinese presence is highly visible in Addis Ababa. Large (often state-owned) Chinese companies, active in sectors such as construction, manufacturing, and banking, have offices throughout the city. Many new high-rise buildings and large infrastructure projects are being, or have been, constructed by Chinese companies (e.g., the new airport and the Light Rail Train) (The Diplomat 2018). These economic activities have led to a large number of Chinese expats living and working in the city.

Most Chinese expats live (and often work) in Bole. Bole is one of the ten sub-cities (boroughs) of Addis Ababa, located in the eastern part of the city (AACAA 2017). The concentration can be further pinned down to a specific neighborhood, namely Bole Rwanda. Huang (2019) also identifies this Bole sub-city, in which Bole Rwanda is centrally located neighborhood, as being the area in Addis Ababa where most of the Chinese migrants of the city are concentrated. This neighborhood is known for a large variety of malls and chain-branded hotels and restaurants. In general, this area is characterized with a high concentration of foreigners, both residents and visitors, mostly due to its proximity to the airport. Many international organizations and embassies have their offices in Bole Rwanda as well, making it a very international neighborhood.

This neighborhood is now also characterized by a high concentration of Chinese SMEs. According to our respondents, over the past 10 years, the number of Chinese businesses has grown immensely, and the area has become a self-proclaimed Chinatown.

The concentration of Chinese SMEs originates from the large, centrally located, vegetable market (i.e., China market). It is difficult to pinpoint why and when exactly this area became such a popular location for Chinese SMEs, but many respondents mentioned the original market as the geographical center. This market used to be a local market, selling local vegetables and local fruits to Ethiopians only. However, over the past 10 years, this fruit and vegetable market has transformed and grown, making it an interesting case as it is a locally operated market which supplies the many Chinese residents of the city. Now, one finds a variety of typical Chinese vegetables such as bok choy, bitter melon, and Chinese eggplant. While these vegetables are sold (almost) exclusively to Chinese customers, they are cultivated and sold by Ethiopians—hardly any Chinese are involved as vendors on this local market. The market stand owners explained that they bought Chinese seeds and cultivated the vegetables in farms outside of Addis. They obtained information from their Chinese customers regarding different produce such as where to buy the seeds, how to farm



Table 1 Total number and research sample of Chinese businesses in Bole Rwanda (BR), by nationality of entrepreneur and business type

Business type	Total Chinese businesses		Chinese-run Chinese businesses		Ethiopian-run Chinese businesses	
	<i>in BR</i>	<i>Research sample</i>	<i>Total in BR</i>	<i>Research sample</i>	<i>Total in BR</i>	<i>Research sample</i>
Goods/traders	27	20	15	9	12	11
Restaurants	19	9	19	9	–	–
Services	9	4	8	4	1	–
Total	55	33	42	22	13	11

the vegetables, and the products that were in high demand. This change in market produce corroborates Huang's finding (2019) of this market's transformation and integration of Chinese food into a local value chain.

Chinese Businesses in Bole Rwanda

(This street was known as Japan Street [because of the Japanese Embassy in the area], but now it's ours, it's Chinatown!). This statement was proudly made by a business owner, and he was not the only one to acknowledge the area as Chinatown.

The businesses in this study can be characterized as SMEs employing fewer than ten people (with locals and family members/acquaintances comprising their staff) and have, on average, been conducting business for a few years; the longest surviving business has lasted 11 years. All businesses in the area are active in the retail and service sector and they can be divided into three categories: goods/traders, restaurants, and services.

Within the goods/traders category are businesses such as mini markets (i.e., name derived from the shop names such as Target Mini Market or Pingjia Mini Market), mostly selling very specific Chinese food and beverages including rice, specific Chinese beverages and snacks, soy sauce, dried fruits and vegetables, as well as certain types of cooking utensils. The meat, fish, and vegetable shops in the area specifically target Chinese customers, as seen by the Chinese advertisement signboards on shop-fronts and the goods sold. Meat shops sell pork—which most Ethiopians don't consume due to their religious beliefs. Other businesses in this category are gemstone traders and jewelry stores catering to the needs and preferences of Chinese clients.

Besides shops selling goods and traders selling gemstones and jewelry, there is a large array of Chinese restaurants in this area, with a regional-specific cuisine. Most restaurants have advertisements outside their establishments, but only in Chinese. The same applies to their menus (i.e., no English or Amharic versions).

Next to firms active in retail/trading and restaurants, there are also several specific Chinese service businesses in the area. These include a dental practice, garage, ticket office/travel agency, package service, and several barbers, massage parlors, and hotels (see Table 1 for the distribution of businesses in this study).



As mentioned in “[Methods](#)” section, we encountered also several Ethiopian entrepreneurs selling Chinese goods. Their businesses, all within the goods/traders category, closely resemble to the Chinese-owned businesses, with respect to products, advertisement, type of customers, and so on. The Ethiopian-owned businesses are somewhat smaller than those of their Chinese counterparts, in terms of quantity and variety of products, and number of employees. Most Ethiopian-owned businesses are family-run and do not employ other locals. These entrepreneurs have different professional backgrounds, but for most of them, this is their first “Chinese business.” Many of the Ethiopian entrepreneurs have a connection with Chinese businesses in general (SMEs or larger companies), either as its former employee or through personal contact with Chinese through their previous work (e.g., taxi driver).

Finally, both the Ethiopian and Chinese respondents mentioned a noticeable trend in Bole Rwanda: “Business is slow.” Over the past 2 years, business in Chinatown has slowed down. The entrepreneurs attributed this to two overarching developments. The first was the completion of several large, Chinese-led, infrastructure projects (e.g., Ethio-Djibouti Railway and the Light Rail Transit in Addis). These projects brought many Chinese employees to the city, which meant market opportunities for many SMEs, or as one mini market owner stated: “Less projects means less Chinese, means less business.” Second, the political situation has become increasingly unstable since the appointment of the new prime minister, Dr. Abiy Ahmed, in 2018. The unrest that accompanied this change in power has, according to some respondents, negatively impacted the business activities in the area.

Five Types of Linkages to the Local Economy

This section discusses the five linkages between Chinese entrepreneurs and the Addis Ababa economy, in particular the local economy of Bole Rwanda.

Customers (Forward Linkages)

As can be deduced from the discussion so far, the economy in the Bole Rwanda area grew as a direct response to the influx of Chinese firms and nationals and the ensuing increased demand for these goods and services. Therefore, it is not surprising that the customer base of all businesses, regardless of type, size, and ownership, is Chinese. There are a few exceptions, for example Korean, American, and Indian expats, but they make up a small proportion of the core customer base.

Besides word of mouth, the entrepreneurs used WeChat,⁷ a platform where they also advertised their products and services to communication about products, services, and specific needs. Many entrepreneurs referred to their customers as *friends*, implying good and personal relations. When asked to describe their customer base, most entrepreneurs said that their customers were regulars. They often acted as

⁷ Chinese multipurpose social media application used for messaging, online payments, ordering food, etc.



sources of information about products (i.e., where and what to buy) and formed part of their supply channel as well (see below).

It is important to note that none of the businesses we studied had Ethiopian customers. Moreover, most entrepreneurs also stated that they did not need or want customers besides the Chinese. This might also explain the single-target group approach in their advertisement and products. There is only one example of a Chinese entrepreneur embedded in the local context, as shown by the entrepreneur's significant Ethiopian customer base. Being the owner of the first Chinese restaurant in Bole, her long residence and experience in the city (i.e., 11 years) led to her attracting Ethiopian customers also. However, this was an exception to the rule.

Ethiopian-Run Businesses

The same also applies to the Ethiopian-run businesses which focus primarily on the Chinese in the city and whose customer base is almost exclusively Chinese.

Supplier/Inputs (Backward Linkages)

Within the goods/traders business category, the mini markets and the meat, fish, and vegetable shops differ regarding supplier linkages and the supplier location. Mini markets obtained their inputs from China, with the small exception of locally sourced water, beverages, and basic utilities such as toilet paper. Although most mini markets sold similar products such as dried and fried snacks, cooking ingredients and utensils, the origin and specific type of products highly depended on the region of origin of the entrepreneur. Three main channels provide the Bole Rwanda mini market and traders with inputs: direct import, package service, and 'suitcase service.' Many entrepreneurs imported directly from China, often through an importer, whose nationality and relationship with the entrepreneur we were not able to assess. Importing has a downside because high import taxes push up prices. The second channel, suitcase service, is used by almost all mini market owners. This means that the entrepreneurs themselves or their friends and customers brought in products from China. Evidently, this is only possible for small quantities, but judging from the size of most mini markets, suitcase service is a feasible and cheap option as the import taxes are circumvented. In addition, it also gave their customers the option to 'order' specific products, or as one of the entrepreneurs described it: "If it is small enough to fit in a suitcase, you can order it, anything." Not many of the interviewed entrepreneurs used a third channel, package service. The entrepreneurs using package services ordered online (i.e., often small quantities) without involving a local or foreign importer.

In contrast, meat, fish, and vegetable shops generally sourced their fresh produce locally. However, since many of the products are specifically for the Chinese customers (e.g., pork, fish, and specific Chinese vegetables), the entrepreneurs often used specific suppliers (i.e., Ethiopian farmers catering for Chinese customers).



Chinese-run shops selling fresh produce thus have close links with local Ethiopian suppliers.

The Chinese entrepreneurs with restaurants in the neighborhood all mentioned that they obtained most of their ingredients locally, because it was cheaper to do so. Furthermore, many believed the local products, vegetables for example, were of far better quality than what they were used to in China. They only brought in products from China if necessary, such as specific spices. Because of the small quantities involved, entrepreneurs took it on themselves to bring in the products, or they got others (*friends*) to bring it for them. The service businesses mostly imported their inputs (if applicable) which were very specific to their business and not available locally. For example, because both the garage owner and dentist imported all their materials from abroad, no local suppliers or importers were involved in the process.

Ethiopian-Run Businesses

In contrast, the Ethiopian owners of Chinese business obtained almost all their inputs from China. Several Ethiopian entrepreneurs have mentioned that they used fellow Ethiopian importers or suppliers for these inputs, creating Ethiopian economic links. The latter not only delivered the inputs but also acted as important sources of information.

Employment

All Chinese entrepreneurs in this study employed Ethiopians in their businesses, with most of the employees roughly between the ages of 18 and 30. Only some restaurants also employed Chinese staff, including family friends and acquaintances. However, the majority of the employees in the Chinese businesses are local.

Most local employees were recruited through the personal networks of the entrepreneurs who already knew Ethiopians from previous work, or entrepreneurs recruited Ethiopians through mutual contacts. Another method mentioned by an Ethiopian employee was brokers who arranged for Ethiopians to work in Chinese businesses. This is not surprising because many of the Ethiopian employees mentioned that they specifically wanted a job at a Chinese business establishment. To quote one employee: “It is important to learn more languages, especially Chinese, because there are so many of them here.”

Another aspect of the local employment that is of relevance here is the length of employment. Most local employees have been working at the Chinese businesses for quite a few years, often from the start, when the business began. The Chinese entrepreneurs viewed these (relatively) long-standing relationships favorably because of the trust built up with employees. For the employees this was positive as well, because it meant stable employment and a better chance of learning from the Chinese businesses (e.g., language skills, needs of Chinese customers, and knowledge about Chinese products).

The above corroborates our observations that, in almost all cases, the Chinese entrepreneurs and their Ethiopian employees have a good relationship: friendly



and familiar yet professional. Most entrepreneurs and local employees confirmed this observation, characterizing their relationship as respectful, friendly, and professional. Some of the entrepreneurs also shared personal relationships with their employees, calling them *friends* or even *family*. One restaurant owner spoke of her strong relationship with her employee:

(In the three years that she [Ethiopian employee] has worked for me, she has become family. I am going to take her back to China to find her a man. Ethiopian men are no good, I don't like the relationship between men and woman here. She needs a decent Chinese man!)

Last but not least, with respect to local linkages and local impact, we found that in many of the businesses, the local employees have learnt (or were learning) the Chinese language and other specific skills. In many instances, Chinese entrepreneurs taught their Ethiopian employees the language because the employees wanted to learn Chinese as it would improve communication. In several cases, especially where employees had been employed for a few years, the employees reached such a high level of language proficiency that they communicated freely with the owner and customers. This can be seen as a useful skill in light of the Chinese economic activity in Ethiopia. In some specific cases (often in the service businesses), the Chinese entrepreneurs have put much effort in training their staff. For example, the Chinese garage owner personally trained all his Ethiopian staff, many of whom had no prior knowledge about cars. It must be said that this transfer of knowledge was not one-way, because several Chinese entrepreneurs mentioned that their local employees often helped them with practical issues (e.g., acquiring and translating legal documents) and were a source of information about the local 'Ethiopian context' in which they operated (i.e., social norms and beliefs). The findings discussed here applied to all entrepreneurs and types of businesses considered.

Ethiopian-Run Businesses

Regarding Chinese businesses ran by Ethiopians, their small size strongly affected the findings regarding employment. The majority of these businesses did not have any staff, but the few that did, hired locals as well. Of course, the employees of Ethiopian-run Chinese businesses lacked Chinese language learning opportunities, but they were equally exposed to the Chinese products on sale, conduct of business and customers as the employees of Chinese-run Chinese businesses.

Interfirm Connections

Connections among the Chinese businesses and between Chinese businesses and other firms in Addis Ababa (both in similar and different sectors) can increase information sharing and benefit all parties involved through knowledge and skill spillovers, in both directions.

However, the interviews revealed that most Chinese entrepreneurs seemed to be rather individualistic about their business activities. Although Chinese entrepreneurs



were well aware of other Chinese businesses and Chinese entrepreneurs in Bole Rwanda (referring to them as *their friends*), their business relationships did not extend beyond the level of mere knowledge of each other's existence. Information was hardly shared among the businesses, irrespective of whether they were in the same sector. Most entrepreneurs mentioned that they did not need or want help from others and that they did not exchange information relevant for their business. Only some mini market owners mentioned they helped each other out if they ran out of a specific product.

Besides these very limited, spontaneous, and need-driven connections, we only found one clear pattern and relationship between businesses. Four entrepreneurs (i.e., two restaurant owners, a barber, and a gemstone trader) were members of the same Christian congregation. The entrepreneurs in this very specific subgroup within the Chinese community did mention a clear business connection, one in which they helped each other out⁸ and shared information. The rest of the Chinese entrepreneurs kept to themselves with respect to business matters. While the Chinese business community can be described as close-knit and connected (e.g., via social media), business contact and information sharing were limited to strictly necessary matters. No connections with Ethiopian entrepreneurs were found at all.

Ethiopian-Run Businesses

With regard to the Ethiopian entrepreneurs, we also did not find any connection between Chinese entrepreneurs and their Ethiopian counterparts. None of the Chinese respondents mentioned sharing information with, or 'helping out,' the Ethiopian entrepreneurs. However, among the group of Ethiopian entrepreneurs themselves, such connections existed and they frequently shared information about products, prices, and suppliers.

Institutional Alignment

In Ethiopia, strict and protective regulations make it very difficult for foreign entrepreneurs to set up shop in the retail, service, and restaurant sectors in Ethiopia (World Bank 2018). These regulations are introduced since these are generally the sectors in which many local businesses operate and, in an effort, to protect their domestic market. As we found, these are also the sectors in which Chinese entrepreneurs are most active. The entrepreneurs in our study were well aware of this institutional barrier. Cases of such policies can be found all over Africa, including Ghana, Zambia, Malawi, and Lesotho (Giese and Thiel 2012; Hanisch 2013).

There is, however, an exception to the regulations on the exclusion of foreigners from certain business sectors. Foreign entrepreneurs are permitted to set up shop if they work together with an Ethiopian partner, in the form of a joint venture. However, in discussions with employees at the Ministry of Trade, it became clear

⁸ Both restaurant owners had the business cards of the barber on display in their businesses.



not many requests from Chinese entrepreneurs were issued, specifically for Bole Rwanda.

Nevertheless, all businesses that we visited (i.e., not only the businesses where interviews were conducted) in the area had a business license on display. One detail stood out in almost all cases: the business licenses were mostly registered to an Ethiopian. When asked about this, all respondents said that they were aware that a license was required to conduct business. Most entrepreneurs were reluctant to discuss their relationship with their Ethiopian “partner,” who was officially the holder of the license. Some called them “friends of the business” or “their Ethiopian boss.” One Ethiopian employee of a Chinese restaurant mentioned that Chinese entrepreneurs “make deals with Ethiopians they know for a business license. They make an agreement with the Ethiopians, and the Chinese pay them to apply for a business license and become the official owner.”

Two exceptions to the above were found within our sample where the licenses were registered to the Chinese entrepreneurs themselves. Both these businessmen were married to Ethiopian women, which allowed them to obtain a business license in their own name. Cook et al. (2016) found a similar Ethiopian case, where marrying a local enabled a Chinese migrant to run a restaurant.

Clearly the Chinese entrepreneurs have found a way to become institutionally embedded by circumventing the official restrictive policies which deter foreign entrepreneurs from specific economic sectors. In this way, regardless of the type of business, they contribute to the local institutions through taxes and registration fees, a benefit that could have been absent otherwise. It is a bit far-fetched to call these businesses joint ventures since there was no clear evidence of direct involvement of the Ethiopian license holder with the business nor the entrepreneur.

Ethiopian-Run Businesses

The Ethiopian entrepreneurs were also embedded in the local institutional context but had business licenses that were registered in their own name. As their Chinese-run counterparts, they paid taxes and registration fees.

Discussion

In the Slipstream of Investments: A Newly ‘Created,’ Transformative Economy

Like their fellow migrants in other African countries, the Chinese entrepreneurial migrants in Addis Ababa can be considered part of the slipstream of large investments by Chinese companies. However, contrary to the findings of some of the previous studies on this group in Africa, the Chinese entrepreneurs in this study did not operate in an already existing local economy (e.g., local retail or supermarket). The local economy in Bole Rwanda was created entirely for, and partly by, the Chinese. The birth of a so-called Chinatown is, of course, not a new phenomenon. However, it has not received much attention in the relatively small body of literature on



Chinese entrepreneurs in Africa. Mohan et al. (2014) brought attention to such concentrations when they applied the concept of ethnic economies to describe Chinese businesses and their role for (new) Chinese migrants in Africa. Using the concept of embeddedness, is, however, novel in the literature of this specific field.

The ethnic concentration impacts the local context by reshaping the economic activities that characterize this neighborhood. The area developed from a neighborhood comprising Ethiopian businesses and/or residential plots into the city's Chinatown. This development, and the local response, is best illustrated by the transformation of the large vegetable street market. The physical and economic transformation of this market were initiated by the increasing Chinese presence in Addis Ababa, the accompanying rising demand for Chinese products, and the local response. This has created new economic opportunities for local farmers and market stand owners, as well as for the local street vendors who have learned the basics of the Chinese language to expand their customer base. The impact of the Chinese presence on local value chains can be seen as a form of embeddedness of the Chinese community in local business networks. The China market has become a unique arena in which foreign and local business actors interact and establish relationships. As such, Huang (2019) concludes that this is an alternative way in which Chinese food systems can be integrated in urban areas around the world. The area has become a melting pot of Chinese businesses and entrepreneurs, Chinese customers, and Ethiopians. The last named have found a way to get a piece of the Chinese pie.

Ethiopian Penetration in the Chinese Economy

Three groups of Ethiopian economic agents participate in the 'Chinese' economy in Bole Rwanda: first, the Ethiopian employees in the Chinese businesses who have grasped the economic opportunity created by this economy; second, the market stand owners in the China market, who have followed this development in the neighborhood and transformed their business to accommodate the change in demand; and the third group comprises of the Ethiopian entrepreneurs engaged in Chinese businesses, who have answered the demand for specific Chinese products. With respect to the latter two groups, our findings corroborate the conclusions of Huang (2019), emphasizing the active strategies of not only Chinese entrepreneurs, but also Ethiopian entrepreneurs. Their timely adjustment of offerings (group 2) or their identification and evaluation of new market and business possibilities—and actively grasping and exploiting opportunities to find and retain new consumer market niches (group 3), highlights the power of entrepreneurial flexibility and strategy.

These three groups are not just passively benefitting from the newly created economic opportunities. Encounters and close interaction with Chinese migrant population, both entrepreneurs, residents and consumers, lead to ample exposure to new information about the (changing) needs of the Chinese, the products that are in demand, business ethics, language, and so on. Such information exposure fuels creativity, adaptability, and business plans, which all benefit both employees and business owners in the long-run.



The local penetration of this economy can be framed as another form of embeddedness, but not necessarily by Chinese entrepreneurs themselves. Local links embed the Chinese economy in the economic context of Addis Ababa, specifically Bole Rwanda.

Local Embeddedness of the Chinese Entrepreneurs

In addition to the physical and economic impacts of the Chinese economic concentration in Bole Rwanda, several general conclusions can be drawn with respect to the linkages of the Chinese entrepreneurs in this area. The channels through which these entrepreneurs are linked to the local economic and institutional context vary considerably, but there is no clear pattern among the group of entrepreneurs, meaning that the findings were quite similar for the majority of the sample.

As discussed earlier, there is not much evidence of entrepreneurs' direct local links to the Bole Rwanda economy. Local links were found through the inputs, but only in the case of the restaurant owners who sourced their ingredients locally. In the other business sectors studied, both the backward and forward linkages were not local because almost all customers were Chinese and virtually all inputs, and ways of acquiring these inputs, were not Ethiopian in any way, shape, or form.⁹ Finally, the lack of connections with other entrepreneurs (local or Chinese) also does not suggest strong local links. However, a form of local embeddedness was found given the fact all Chinese entrepreneurs abided by the institutional rules and regulations with regard to business registration (i.e., legal documentation). It is important to mention the tension related to aligning to the existing regulations, as almost all Chinese entrepreneurs circumvented the regulations in place, albeit doing this legally. It could be argued that the mere fact that these entrepreneurs are operating within a sector which is not intended for foreign investment points at business activity disembedded from the local institutional context. However, our finding that the Chinese entrepreneurs are officially registered, therefore falling under Ethiopia's regulatory and tax frameworks, shows their active and also ultimately effective strategies to comply with the local and national rules. Furthermore, the business activity of the Chinese entrepreneurs does not impede locals to also supply Chinese market segments, which are showcased by the many Ethiopian entrepreneurs with similar businesses. One could therefore say that Chinese entrepreneurs paved the way for market opportunities for Ethiopians.

Based on the data collected, employment provides the best example of local linkages. The employment of locals, and the strong relationships with these employees, can facilitate the transfer of knowledge and skills to young Ethiopians and in turn provide access to valuable information that help Chinese business owners as residents and entrepreneurs in Addis Ababa.

The limited extent of local linkages can be partly explained by the economy in which Chinese businesses operate, which is by definition not 'local' (i.e., Ethiopian).

⁹ This generally holds for the different business types and entrepreneurs.



We found more evidence for linkages between Ethiopian entrepreneurs and the local economy. In contrast to the Chinese-run Chinese businesses, their Ethiopian counterparts have established local links through two additional channels: supplier/inputs and interfirm connections. Not only do they use the services of other Ethiopians as their importers, but they also form business connections with other Ethiopian businesses in the same economy through which they exchange information.

Temporality of the Chinese Economy

It is important to consider the temporality of this specific local economy in the discussion of the local implications of the economic activities of Chinese businesses. It raises a structural question: what would happen if the Chinese leave?

This question is pertinent because of several findings of this study. Firstly, the nature of the economy in which these businesses operate is highly dependent on a foreign, possibly footloose, group. Secondly, we repeatedly heard that business had been bad lately due to a decreasing demand for Chinese products and services, simply because of fewer Chinese living and working in Addis Ababa in recent years. This underlines the need to consider the consequences of changes within this economy. The aspect of temporality also shows the importance of local linkages in the context of this study. According to the literature, stronger local relationships of a business are signs of increased embeddedness which can have positive impacts on the local economic context (Brautigam 2003; Bartel and Soldati 2017). However, establishing such relationships takes time, and in the case of the Chinese entrepreneurs in Bole Rwanda, their presence and contribution may be short-lived.

How Can the Dragon Make the Lion Breathe Fire?

Returning to the core of this article, China's increasing role in many African economies has given rise to discussions about the drivers of these economic relations and the benefits that Africa can reap. This article contributed to this discussion by shedding light on an underrepresented group: the Chinese small entrepreneurs. This study found that the concentrated presence and economic activities of this group have played and continues to play an important role in the local economy of Bole Rwanda (Addis Ababa), producing both direct and indirect economic effects.

The local economy in which Chinese entrepreneurs operate is new to the Ethiopian economy in Addis Ababa, because it is in full service of the Chinese residents of the city. Ethiopian entrepreneurs who have actively and successfully penetrated this economy also serve the needs of the Chinese in Addis Ababa, and they have a share of this created economy. In addition, the concentration of Chinese businesses has transformed the neighborhood into a typical Chinatown.

With respect to the local linkages of these Chinese entrepreneurs, such direct impacts were not as evident. This study examined five main linkages through which the entrepreneurs might, or might not, become embedded in the local contexts. Only two of the five (i.e., institutional alignment and employment) can be



considered to be channels through which the entrepreneurs were truly locally embedded. Through employment, knowledge, information, and skills were transferred to, and from, the Ethiopian parties involved. Such spillovers can be seen as a positive externality of these entrepreneurs on the local economy. Furthermore, their institutional embeddedness created an inflow of taxes. Neither input and output relations (suppliers and customers) nor interfirm connections mirrored local linkages as both customers and suppliers were in most cases also Chinese.

In contrast, Ethiopian entrepreneurs showed stronger linkages to the Bole Rwanda economy. These local entrepreneurs worked together with Ethiopian importers and maintained business relations with other Ethiopian business owners in this economy. Based on these findings we can conclude that this Ethiopian minority is more locally embedded than their Chinese counterparts.

Not much variation was found within the group of entrepreneurs and their businesses under study.

It remains challenging to draw general conclusions with respect to the linkages and local impact of these Chinese entrepreneurs. The economic activities of these entrepreneurs have resulted in local benefits such as an inflow of taxes, local employment opportunities, knowledge and skill transfer, and promising business opportunities for other local entrepreneurs. Furthermore, as Huang (2019) convincingly showed, the exceptional Bole Rwanda case of a Chinese migrant economy linked to local business networks, additionally both have indirect economic and socio-cultural effects. The former relates for instance to the increase of local suppliers of produces for Chinese market, such as farmers focusing on particular fish or meat. The latter concerns the rise of social initiatives and organizations at or around the market in response to the growing need for efficient trade in and distribution of goods and services. Over time, these effects may result in significant linkages which are not fully captured by the five linkages central in this study, which calls for additional research adopting a wider societal perspective.

However, we may conclude that the activities of the Chinese entrepreneurs and the ensuing benefits on the short term must be seen within the economic context in which they operate. Metaphorically speaking, an economy serving specific Chinese needs has been “grafted” on to an Ethiopian context, which has limitedly produced direct local links. This is an ‘economy within an economy,’ dependent on an external, possibly transient, group.

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Declarations

Conflict of interest On behalf of all authors, the corresponding author states that there is no conflict of interest.

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