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AFRICA'S CALL: IMPACT OF AFRICAN TRADERS IN CHINA ON THE CHINA-AFRICA CELLPHONE TRADE

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ABSTRACT

China-Africa trade has been a heated topic over the past decade with a particular focus on the role of Chinese government and large Chinese state-own enterprises. Meanwhile, the prevalence of cellphones has fundamentally transformed the Africa continent. This paper makes an interesting connection between the two and reveals that: not only the cellphones in Africa is imported primarily from China, but also this trade is dominated by individual African traders who stay in or frequently visit China. Based on in-depth interviews of African traders and Chinese retailers in Guangzhou, this paper examines the positions of these African traders in the trade value chain and their consumption pattern in order to understand the impact of the cellphone trade on the economic development and poverty alleviation in Africa. The paper offers an alternative, non-government-centric perspective on the China-Africa trade, and calls for more attention to the active roles played by individual African entrepreneurs in such international trade.

Keywords: Cellphone, African traders, China, Guangzhou, economic development

INTRODUCTION

The total volume of China-African trade has increased more than 50 times in the past 18 years, from US$4 billion in 1995 to a dizzying US$200 billion in 2013 (TRALAC, 2015), double the volume of trade with the U.S, making China Africa's largest trading partner. [1] Response from the West to this astonishing development has been mixed.[2] Critics are quick to cite China's exploitation of Africa's natural resources—including the focus on oil and minerals, a major part of that trade (Vines, 2010). China's huge investments in Africa's infrastructure have raised additional concerns; for example, the lack of local employment opportunities and poor project quality.[3] Yet by concentrating on the heavy-handed role of Chinese government in Sino-Africa trade, critics have neglected the importance of the small private traders who have become critical players, especially in those sectors related to daily necessities.

These individual traders normally visit China frequently or reside in China temporarily,[4] and played a critical role in importing textile, home appliances, electronics, etc. from China to Africa. Gradually, they have formed their own communities in some port cities in China. The one in Guangzhou is believed to be the largest African community in Asia (Bodomo, 2010). Except a few scholars, the literature on China and Africa trade has overlooked individual traders in general and the Africa traders in China in particular (Lyons et al., 2013).

This paper focuses on this group and their role in the cellphone trade between China and Africa. The quick spread of cellphones in Africa has significantly transformed the continent in almost every aspect. However, few scholars actually link the sprout of cellphones in Africa to the China-Africa trade. The economic development literature focuses on the effects of cellphones on agriculture, banking, health, education, etc. (Aker and Mbiti, 2010), but rarely asks where these cellphones come from. Most do not realize that many of these cellphones are actually imported from China, mostly by African traders.

By focusing on this overlooked group and the cellphone trade, this paper offers an alternative, non-government-centric perspective on the China-Africa trade. It reveals the active role of individual traders and the Africa side in the China-Africa trade, and illustrates how the cellphone trade through Africa traders' hands has directly and indirectly benefited the economic development in Africa.

[1] "China's trade with Africa at record high", The Christian Science Monitor, March 19, 2014
[2] "China in Africa: friend or foe", BBC, November 26, 2007
[3] "Into Africa: China's wild rush", New York Times, May 16, 2014
[4] African traders normally hold three types of visas: the business M visa, the tourist L visa, or the work Z visa. The M visa needs to exit and enter the border every 30 days with the total period normally being 3, 6 or12 months. The L visa usually has less than 30 days to stay. The Z visa is usually issued to representatives of an international trade company who can stay multiple years in China. However, none of the three provide "permanent residence", so legally their stay is all temporary. M and L visa are the majority among African traders.

The paper is organized as follows. Section 2 describes the booming Sino-Africa trade on cellphones. Section 3 introduces the African community in China, using Guangzhou as an example. Section 4 explains our interview strategy, and section 5 presents the result. Section 6 discusses and concludes the research.

CHINA-AFRICA CELLPHONE TRADE

Cellphones have become prevalent over the past decade. Currently, the subscription rate is very high in developed countries, but the developing countries, even the poorest ones in Africa, are not that behind. Table 1 lists the subscription rates of selected Africa countries [5]. The total mobile subscription rate in Africa was 69.3% in 2014, a huge jump from 12.4% in 2005. The average number of African cellphone users increased from 992 million in 2005 to 1,515 million in 2014 [6].

Table 1 Subscription Rates by Selected Africa Countries

Selected Africa Countries	**Cellphone Subscriptions per 100 people**								
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Nigeria	13.3	22.6	27.5	41.7	48.0	54.7	58.0	66.8	73.3
Ghana	13.4	23.7	33.8	50.1	63.8	71.9	85.3	101.0	108.2
Senegal	15.4	25.8	30.5	44.0	54.8	64.4	70.2	83.6	92.9
Congo (Rep.)	15.8	25.2	34.3	46.6	73.8	90.4	91.9	98.8	104.8
Zimbabewe	5.1	6.7	9.62	12.9	31.0	58.9	68.9	91.9	96.4
Mali	6.4	12.3	19.9	26.2	32.9	53.2	75.1	98.4	129.1
Kenya	12.9	20.0	30.1	42.1	48.6	61.0	66.8	71.2	71.8
Sudan	4.8	11.9	20.4	29.0	36.1	41.5	68.8	74.4	72.9

Such a rapid development in the poorest countries has attracted wide attention. However, one key question remains unanswered: where do these cellphones come from? The question is legitimate given the living conditions of the average African: Over 75 percent of sub-Saharan residents live on less than $2 per day [7]; only 50 percent of Africans have electricity in their homes [8]. Cellphones must be extremely cheap in order to be affordable by millions of ordinary Africans.

Through careful analysis of the ComTrade data provided by U.N. we find that the dramatic increase of cellphone subscription in Africa was accompanied with an equally dramatic increase of import of telecommunication equipment from China [9], while import from all other countries remain relatively stable. Such "coincidence" suggests, though not necessarily prove, that the influx of cellphones in Africa are primarily imported from China.

[5] ITU 2005-2014 ICT data: Time Series by Country
[6] ITU 2005-2014 ICT data: Aggregated
[7] Poverty headcount ratio at $2 a day (PPP) (% of population). The World Bank. http://data.worldbank.org/indicator/SI.POV.2DAY
[8] Energy access database. International Energy Agency. http://www.worldenergyoutlook.org/resources/energydevelopment/energyaccessdatabase/
[9] Based on U.N. Comtrade SITC rev. 3 Code 764: telecommunications equipment, and parts, and accessories, which includes line telephone, headphones, microphones, speakers, cellphones, accessories, etc. This is the smallest category that has remained stable over the past decade.

Using Nigeria as an example, it is the largest cellphone market on the Africa continent, with 167 million subscribers (27 percent share in Africa) in 2013 [10]. From 2005 to 2013, the subscription rate increased from a merely 13 percent to a high 73 percent (Table 1). In 2003, Nigeria imported a total of $164 million telecommunication equipment (SITC Code 764), 7 percent of which was from China [11]. Nine years later, it imported 7 times more ($1.1 billion) with 50 percent from China. The burst of cellphones in Nigeria coincided perfectly well with the booming trade between China and Nigeria on telecommunication equipment.

Another example is Kenya, the second largest cellphone market in sub-Saharan Africa (excluding South Africa) (Internet World Stats, 2015). China's share in the telecommunication equipment imported by Kenya rose from a minimum one percent in 2003 to 52 percent in 2010 (Internet World Stats 2015). In dollar amount, the China-Kenya trade in telecommunication equipment increased by almost eight-fold in just 7 years (see Figure 1) (Internet World Stats, 2015). At the same time, cellphone subscription rate increased from 4.7 percent to 61 percent. The same pattern occurs to many other African countries. Without the cheap cellphone imported from China at a massive scale, the penetration of cellphone in the African societies could be much slower.

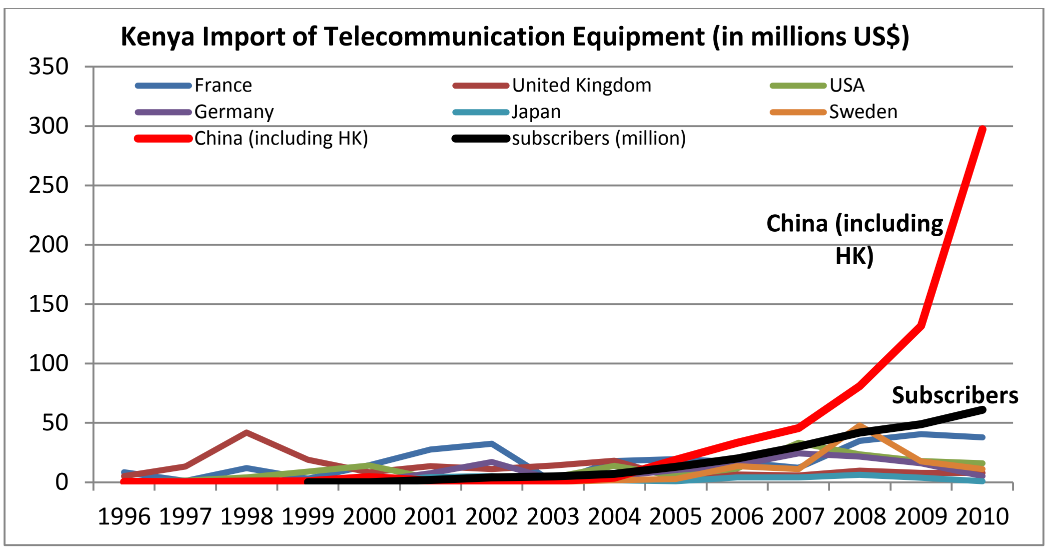

Figure 1 Import of Telecommunication Equipment from various Countries by Kenya

A natural follow-up question is: who actually import these cellphones from China to Africa, Chinese state-owned enterprises, Chinese merchants, or Africa retail companies? The answer is none of the above. Rather, it is a group of individual traders from Africa who first started the cellphone trade from China, and has largely controlled this trading sector ever since. They sensed this business opportunities as early as in the late 1990s, much earlier than their later competitor--Chinese traders who

[10] ITU 2005-2014 ICT data: Time Series by Country
[11] UN ComTrade database, SITC rev. 3 764

began to set foot on Africa in the past five years. Their sales network is extensive in Africa covering the vast rural area; they are very responsive to customer demand (as explained later); and their price is very attractive to the vast Africans who live under the poverty line. In summary, this group of traders might benefit the most from the China-Africa cellphone trade. Given the size of the business (3 billion US$ in 2013) (Internet World Stats, 2015), the cellphone trade may have significant impacts, directly and indirectly, on the economic development in Africa. To better understand this group of Africa traders and their impact, we must delve in their community in China.

AFRICAN TRADERS IN GUANZGHOU

The fact that individual African traders go to other parts of the world and import products back to Africa is nothing new (Chuku, 1999). Before the Asian Financial Crisis in 1997-1998, many traders from the sub-Sahara countries traveled to Southeast Asia (including Hong Kong) to import a variety of products back to Africa (Bredeloup, 2012). After the 1998 Financial Crisis, many of them began to move to the Pearl River Delta region of China cross the border from Hong Kong because China was the least affected country in that region (Bodomo, 2007). Most came to Guangzhou between 2003 and 2008. Some came from Dubai due to the low price of goods here. This area is adjacent to Hong Kong, is a key manufacturing base in China, and has a similar climate as in Africa. As the capital city of the Pearl River Delta, Guangzhou quickly assembled the first group of Africa traders in China. This community grew dramatically after China joined WTO in 2001 and only began to slow down during the economic crisis in 2008 (Bodomo, 2007).

African traders in China in general and Guangzhou in particular could be massive by number. Due to the affordable price and the variety of products "made in China", the trade was very profitable to these traders, and attracted many Africans to join the team (Mathews and Yang, 2012). Some choose to stay in China for a long period of time, while many just visit China frequently many times over a year. Estimating the total number African traders in China is difficult. Given the dynamic nature of this group, the reasonable estimate should be the number of Africans at one time point, including temporary residents and visitors. However, such statistics do not exist. In Guangzhou, the government records about 20,000 Africans reside in the city in 2013 [12], and 530,000 entries and exits of Africans at Guangzhou Customs [13], but there is no record on the size of Africans at any time point. The wide estimate by academics ranges from "more than 100,000" (Bodomo, 2010) to a more conservative number, 64,000 (Li and Du, 2012). Many local media, however, estimated a number around 200,000 people [14]. None of these have solid evidences. Either way, the African community is very visible in Guangzhou, earning the area they concentrate in the title "Chocolate City" by the locals.

[12] "Guangzhou mayor: about 20,000 Africans reside in Guangzhou", http://finance.chinanews.com/cj/2014/06-13/6279575.shtml
[13] "Guangzhou police serve foreigners in the city", http://www.gdga.gov.cn/jwzx/gdjx/gzsj/201409/t20140904_717118.html
[14] http://news.qq.com/a/20140928/046476.htm#p=1

The African traders in Guangzhou represent a diverse of cultural and geographical backgrounds from Africa. Many are from West Africa but quite a few are from Central and North Africa (Li et al., 2008). In Xiaobei, the majority speaks French, and others speak English, Arabic, and Portuguese, etc, while in Sanyuanli, the main language is English as most Africans in this area are Nigerians Igbo and GhanianReligions also vary according to geographical locations, with Islam and Christianity as two main religions (Li et al., 2008).

Most of the African traders come to Guangzhou to import goods and sell them in their home countries. Clothing, electronics, personal and family products are the most popular goods exported out of Guangzhou to Africa (Bodomo, 2010). A small portion of others also trade furniture, and ceramics. Research shows that many Africans are short-term traders, who only stay in Guangzhou for a couple weeks or a couple months to import goods, and then travel back to Africa (Zhu, 2014). Some long-term traders, however, establish companies and permanent residence in China by either moving their families here or marrying a Chinese citizen (Bertoncello and Bredeloup, 2007).

The African traders in China have been the target of several studies. Through a series of surveys, questionnaires, and field research, Bodomo explains in what ways the multi-layered trading chain could be improved and how African businessmen contributed to the local economy of Guanzghou (Bodomo, 2010). Lyons et al. investigated the value chain of Sino-Africa trade by the small African traders, and found a great diversity of entry levels and opportunities for socioeconomic mobility (Lyon et al., 2013). African traders developed diverse strategies to obtain and defend their position in the chain. However, the authors concluded that such a trade could harm the local economy of Africa because they focus on the textile industry. Haugen compared the competitive advantages between African traders in China and Chinese traders in Africa, and revealed a complex relationship between the two groups (Haugen, 2011). However, we have not identified any research that focuses on the cellphone trade by these African traders. This is the focus of our research.

INTERVIEW STRATEGY

Our main data collection method is in-depth interview with key stakeholders on the Sino-Africa cellphone trade: African traders in China and Chinese retailers or wholesalers. Given the exploratory nature of this research, out interview is not structured but tailored to each individual interviewee. For Chinese cellphone retailers/wholesalers, we are interested in their role in the China-Africa cellphone trade, experience in doing business with African traders, and the possibility of opening business directly in Africa, etc. For African traders, we focus on their business models, position in the value chain of cellphone trade, consumption pattern, and competition and cooperation with the Chinese businessmen in Africa. The goal is to understand their effect in developing the China-Africa cellphone trade, and the associated, potential benefits to Africa.

Sampling Method

Finding the right interviewees is a big challenge. For Chinese retailer/wholesalers, the task is easy. A random sample from the cellphone retail/wholesale market is sufficient. There are several such markets in Guangzhou with hundreds and thousands retailers, serving primarily African traders. However, interviewing Africa traders is a big challenge. Most African traders in China are not very “visible”—it is hard to find out their names, business, or contacts from any information platforms (websites, yellow books, third-party database, etc.). Even after you find them, most are reluctant to be interviewed for two reasons. One is personal safety—some African traders might be undocumented or not registered through the local government to perform such trading business (Lan, 2014). Second is the confidentiality of business operation—they are not willing to share key operation statistics such as trade volume, selling price, customer base in Africa, etc. in fear of competition. To overcome these problems, we adopted multiple approaches to reach out to potential interviewees. Third is the precious Visa time—most of them want to recover the costs including travelling, housing, food and visa fee, and earn their profits in a limited time

One approach is to contact reporters and scholars who wrote about African traders in Guangzhou and mentioned specific traders in the article. Some of them introduced us to Africa traders whom they have maintained a good relationship with and know that they are open to interviews like ours. Most of these traders are successful businessmen and well-connected in their business community. For this group, we conducted interviews either through phone conversation or in person.

The second approach is “cold call”-- randomly approached African traders who were shopping in the cellphone markets and chat to them. As expected, intercept interview is relatively inefficient. The response rate was low--around 20 percent. Among those who responded, some were not traders; some only speak French so the information collected was limited. However, intercept interviews yielded a variety of African traders--long-time players vs. newcomers, permanent residents in China vs. frequent travelers from Africa, cellphone-only vs. everything-goes, etc.

The third approach is introduction by Chinese retailers/wholesalers to their long-time African customers. All four Chinese retailers keep a list of trusted African customers and are willing to introduce us to them. Interviews are conducted either at the retailer’s store or at coffee shops outside the market.

For all three approaches, we used snowball sampling to get more potential interviewees from the initial responders. Some are willing to introduce us to their friends in the community. In this case, interviews were easy to schedule and often took place at coffee shops or restaurants outside the market. Even after the interviews, we stay in touch with several African traders through social media such as WeChat, the equivalence of WhatsApp in China.

Interview Process

We started the first approach in February 2014 and got sufficient feedback from six scholars and reporters from China, Austria, Norway, and German. The communication was through email (all of them), phone calls (three of them), social media (three of them), and in person (three of them). Through their reference, we got to know five African traders based in Guangzhou, and were able to interview two of them through phone before we visit Guangzhou in June 2014.

Figure 2 Entrance of Dashatou Cellphone/Electronics Market

While in Guangzhou, we conducted a week-long field survey in two cellphone markets serving primarily African traders. The first market is TianXiu building, a 26-story building located on the Xiaobei Road in YueXiu district, which is probably the most known place among Africans in Guangzhou. The first four floors are shopping malls occupied by small Chinese retailers/wholesalers on casual clothes, formal attires, and electronics. The floors above are rented to many African traders or companies as offices, plus apartments. Xiaobei Road is a north-south Avenue located in the YueXiu district, the oldest district in downtown Guangzhou with the largest African community in Guangzhou. The area is known as the “black people district” or the “chocolate city”, where gathers the majority of Africans from more than 50 countries (Li et al., 2012). The second market is DaShaTou, a big shopping mall focusing exclusively on cellphones and electronics. It has two separate buildings, one for retail and the other for wholesale.

The whole process produced 13 valid interviews for African traders and Chinese retailers and wholesalers. Interviews ranged from 20 minutes to two hours depending on the scene (at the market or in a coffee shop) and interviewees. Table 2 lists all interviewees, their type, references, interview scene, duration, etc.

Figure 3 Inside Dashatou Market in Off-peak Hours

Table 2 List of Interviewees

Name (not real name)	Type	Reference	Interview media	Time	Duration (minutes)
Sultan	African trader	from scholars	Phone, in person	March 2014, June 2014	60, 90
Felly	African trader	From scholars	In person, WeChat	June 2014 -- present	135
Lin	Chinese Retailer	Random	In person	June 2014	45
Hong	Chinese Retailer	Random	In person	June 2014 -- present	70
Grasco	African trader	Cold Call	In person	June 2014-Present	30
Xi	Chinese Retailer	Random	In person	June 2014	60
Two Malians	African trader	Cold Call	In person	June 2014	20
Two Egyptians	African trader	Cold Call	In person	June 2014	30
Joe	African trader	Cold Call	In person	June 2014	30
Ugandan	African trader	Cold Call	In person	June 2014	15
Leo	Chinese retailer	From African trader	In person	June 2014-Present	120
Josue	African trader	From Chinese Retailer	In person WeChat	June 2014-Present	100
Abba	African trader	From scholars	In person	June 2014	60

RESULTS

Our interviewees' background is consistent with prior study conducted on African traders in Guangzhou. All began to visit China after the 1998 financial crisis; majority are from Western African—Mali, Senegal, Ghana, Congo, Nigeria, etc. Most started the cellphone trade over the last decade when the demand for cellphone began to take off in Africa. The sector was highly profitable as one trader explained to us, largely due to the cheap price of cellphones made in China. Individual traders are often able to set the market price for cellphones back to Africa and perform price discrimination, selling different people different price. Many Africans have to own several cellphones because the service network is often incomplete and fragmented by different providers (Lange, 2011). They need to have multiple cellphones from different networks in order to have a continuous service. All interviewees agreed that the profit has been declining while competition intensifies over the past five years.

Cellphones are transported back to Africa in two ways. For large volumes of orders, ocean shipping is the only viable option. Cargos are first transport to ports in Guangzhou or Hong Kong (the latter provides subsidy to attract cargo shipping), shipped to ports in east African, and then transferred to railway or truck to Western Africa. It is cheap but may take between 50 to 60 days from Guangzhou to retail shops in Africa. The second way is to pack small volume orders in luggage and transport to Africa by air. This approach is quick but costly, often perplexed by the China aviation policy to separate batters from cellphones in luggage and the possible confiscation harassment by airport security in Africa. As one interviewee stated:

"Because in Guangzhou, I cannot send cellphones to Africa with batteries. If I want to do, I have to go to Hong Kong. I need to buy cellphones in ShenZhen and then send them to Hong Kong, then send them to Africa. If I want to send them earlier, I must take batteries out of cellphones, which take more time. So I mean, I can send batteries here, but the total time to Africa will be much longer, like 10 days or more."

These cheap cellphones do not guarantee a good quality. One major reason, as explained by most interviewees, is that Africa customers are very sensitive to price, while do not have the knowledge or experience to distinguish counterfeit, second-hand cellphones from true brands. The result is that many African traders would much cheaper counterfeit and second-hand products. The malfunction rate could be pretty high. As one interviewee mentioned up to 30% of phones might die within two weeks of sale, and have to be replaced often at no cost.

In this section, we organize the interview results around four issues related to our research questions: African traders' role in the value chain of Sino-Africa cellphone trade, where the profit would stay (estimated), competition from Chinese traders in Africa, and future trends.

Roles in Value Chain

The concept of value chain has been used to analyze international trade and textile trade between China and Africa (Lyons et al. 2013). Value chain involves all transactions from the manufacturer to the final consumer, including the variety of layers in the middle. This concept is particularly useful for international trade dominated by many small private traders. The amount of profits that traders earn depends on the roles they play in the value chain. Through interviews, we observed three types of African traders based on their position in the value chain.

The first type is full integration. These traders set up the entire business chain themselves, from negotiating with factories in China, transporting the goods back to Africa, to establishing retail shops in Africa.

Josue (not the real name to protect personal identity), a Congo businessman, falls in this category. Josue comes from an influential family in Congo, and has been working in the cellphone business for 10 years in China. He has wide social connection in China and is able to establish business relationship with factories directly. Most of factories were introduced by

Josue's Chinese friends in Hong Kong or mainland China. Negotiating directly with factories remove extra layers in the deal and allows a lower price of products compared to that of market price, which gives Josue more competitive advantage. Josue owns 26 retail stores in Congo, some of which are VIP stores selling exclusively real and worldwide brands cellphones.

This type of African businessmen tends to operate at a large scale. The price of cellphone tends to be in the high end but the quality is also better. For example, Josue imports approximately 70,000 cellphones from china per month. They normally have legitimate business and visa status in China, and strong connection in both sides. The number of traders in this category is small but they are quite influential.

The second type is super customer, who does not have direct connection with manufacturers in China but integrates the rest of value chain and sells directly to customers in Africa. They purchase from retailers and wholesalers in cellphone markets in China and own retail stores in Africa. This type of traders often works in team with normally one partner traveling to China to purchase while others staying local managing the store. These traders often operate at a small scale. Since they do not fully control the quality of purchased phones, they tend to focus on the cheapest, often second-hand cellphones. This type of traders is the majority in Guangzhou.

One example is Abba from Nigeria. Abba has been running business with two other friends for 2 years. He is responsible for importing cellphones from China to Africa and normally comes to China every 2 or 3 months. Abba and his team are attracted to this business for its high profitability. His routine is that receiving order from Nigeria, coming to China, purchasing phones, and ships (or bringing) them back to Africa for his friends to sell to customers directly. Abba mentions that it is hard for the African businessmen to tell the difference between high copied, copied, second-hand, and original phones. People in Nigeria are, just like other Africans, looking for cheap but good quality phones. To balance the two contradicting requests, Abba's secret weapon is to buy second-hand phones and recondition it by replacing a new screen or other parts. Abba and his teammates sell old-styled Nokia phones for $7 in Nigeria, but they decide to make the price of (second-hand) smartphones much higher due to the lack of anchor price in the market.

The third type is middleman, who stays most time in China, but does not have a direct connection with Chinese manufacturers and formal partnership with retailers in Africa. These middle men receive orders from retailers from Africa, purchase the products from cellphone markets, and then ship them back. Middleman and retailers often know each other even they may not form a formal partnership. Middleman is a recent phenomenon probably facilitated by the prevalence of smart phones and social network Apps like WhatsApp or WeChat. One middleman, an interviewed trader from Uganda told us that he can take pictures of new models of cellphones in China and share with retailers back to Africa through WhatsApp. Retailers then show these pictures to potential customers, collect their preference and orders, and send the information to him. He mentioned that about 7 percent of cellphone users in Uganda own smart phones, but the main barrier is not price but illiteracy. Most people do not know how to operate smartphones. The middleman group is quite small because the trust between the middleman and retailers is the key, which is often developed over many years and may not be easily expandable.

All interviewed traders mentioned little competition from imported cellphones through other channels when they started, e.g. Chinese traders in Africa or large trading companies. In the Dashatou cellphone market, according to the interview of Chinese retailers/wholesalers, about 95% of the cell phones are sold solely to the African traders [15]. Chinese retailers/wholesalers' profits are largely determined by the African traders. For example, their business decreased in 2008 during the global recession because fewer African traders visited China and for those who still came over they came less frequently. The business was stagnated again in 2010 during the Guangzhou Asian Games because the Chinese government imposed stricter visa rules to foreign visitors. Africa traders seem to play a dominating role in the China-Africa cellphone trade.

Where Profits Go

We examine three scenarios where the profits earned by the African traders can go. This question matters because if the profit remains in Africa, the China-Africa cellphone trade controlled by African traders certainly benefits the economic development in Africa. If the profit stays primarily in China, then the economic impact back to Africa would be less. Where the Africa traders choose as their primary residence and how they consume largely determines where the profits end up.

The first scenario is that profits stay primarily in China. This occurs to African traders who stay in China for most of time, probably with family. These traders are likely the most successful ones in the China-Africa trade. Two interviewees fall in this category. One is Sultan, a successful trader in his 50s on electronics and mechanic equipment. Sultan has a bachelor degree in Engineering, worked as an engineer back to Africa, but has lived in China for more than 10 years with his African wife and kids. Besides cellphones, his main business is on electronic generators, which have been very popular in Africa in recent years. As Sultan explains, the prevalence of cellphone raises the demand for electricity dramatically. Standalone generators and solar panels are the only solutions to most areas outside the big cities in Africa.

Another interviewee is Felly, a young man in his 30s from Kinshasa, Congo, who has been working and living in China for 12 years. The last time he went back to Congo is four years ago. He currently held a Z visa, started his business career in China by importing cell phones in Guangzhou, and shipped it back to Africa, but now he is also doing furniture business. Felly is a Christian, speaks fluent Chinese, and has a Chinese girlfriend in Guangzhou. He is an example of young, successful African traders who choose to stay in China to advance their career. Felly's nice apartment (as a foreigner he cannot buy property in China), ownership of a nice car, and his knowledge about Guangzhou local culture, like Guangzhou dialectall indicate that Felly spends his money primarily in Guangzhou. Indeed, he told us that he spend nearly all his money in Guangzhou.

[15] This estimate includes Chinese customers who come to Dashatou to buy cellphones and then sell them to new comers from Africa in the Xiaobei area.

Note that this scenario does not mean that traders like Felly and Sultan do not spend money at all in Africa or send remittance back. These cases just happen occasionally in a small scale. For example, Felly only converts a small portion of his Chinese RMB into African currency to support his family.

The second scenario is that profits are spent in both China and Africa without one dominating region. This occurs primarily to African traders who either spent quite amount of time in China each year (e.g., from several months to more than half a year) or who integrated the value chain fully and have business operation back to Africa. For the former, when they stay in China for work, they spend money for accommodation, eating, entertainment, as well as traveling. When they are back in Africa, they normally bring products purchased from China for their family—TV set, makeup, clothe, etc. They may also spend their income on real estate and other products/services in Africa. For the latter, one example is a Congo businessman we interviewed, Josue, whose annual revenue from the cellphone business is about $600,000. Josue has business operation in several African countries, and owns several apartments in Congo, but he lives in China regularly. He exemplifies successful African traders who contribute to both economies.

The third scenario is that profits stay primarily in the home countries of the African traders. The number of African traders in this scenario is relatively small, and with a variety of consumption pattern in Africa. Some traders have a large family in Africa to support, so they normally keep most profit back home regardless how long they stay in China. Some traders just stay in China for a short period of time (e.g., less than two months) to buy cellphones, and spend their money mostly in African instead of China. Other traders may use the profit to set up other businesses in Africa. One African trader from Uganda we interviewed in Dashatou, named Gresco, is a good example. In addition to doing cellphone business, Gresco has a small transportation company in Uganda to convey cements to build high-speed railroads. The money invested in his transportation company mainly comes from the profits he earned from his cellphone business.

Competition from Chinese Traders in Africa

Although started with little competition from other trading groups, African traders on cellphones now face increasing competition from Chinese traders began to set foot in Africa over the past five years. These Chinese traders open up retail or wholesale stores on a variety of products including cellphones (Cissé, 2013). They often have better connection with Chinese cellphone manufacturers in China, but due to language and cultural barriers, have difficulties directly reaching out to customers in Africa. They may rely on local partners on the customer side. To local business in Africa, the presence of Chinese traders may pose both a threat and an opportunity (Haugen, 2011), but to the African traders in China, most view them as a threat.

Chinese traders tend to have a larger amount of capital, thus able to operate the business at a larger volume. This often means cheaper price with equivalent or even better quality of products. As one interviewee explained, Chinese traders often import at the 100,000-piece scale, while the 10,000-piece level is typical for African traders. Africa traders' products often have a higher dysfunction rate because they rely more on intermediate merchants while Chinese traders can establish direct contract with manufacturers. This further increases the cost of business. Many Africans we interviewed in Guangzhou mentioned the impact of Chinese traders on their own businesses. More interestingly, most feel that the competition is unfair because of two reasons.

First is the subsidy to Chinese traders provided by the Chinese government in the form of export tax rebate. Only Chinese nationals are eligible for such rebates, which enhances their competitive advantage in the market. The overall subsidy for all exported products is massive, totaling U.S $170 billion in 2012 [16]. The share of the cellphone export is unclear, but according to one tax rebate accounting firm, Shenzhen Onetouch Business Service Co, in the Pearl River Delta, who focuses their business on small and medium-size enterprises, they assisted clients to claim back tax rebates worth in total of 2.3 billion yuan ($371.1 million) in just 2013 [17]. Such rebate is still expanding with increasing rate each year [18].

Second is the strict regulation from many Africa countries over their own citizens, such as opening up a store or firm registration, while Chinese traders are often exempted from such rules. Africa traders are often the victim of informal rules or corruptions. For example, most of our interviewees mentioned the airport security check in Africa when they bring a luggage of cellphones by air. Security guards often ask for bribes otherwise the luggage would be confiscated, and confiscation indeed happens not in a rare case. Such harassment does not occur that often to foreigners like Chinese. On the contrary, they said they heard rumors that some large state-owned Chinese companies may help Chinese traders pack their commodities in companies' containers to avoid tariff. These large firms are well connected with top-rank officials in Africa, so their behavior is never tightly screened.

The Chinese traders in Africa affect not only Africa traders in China but also the retailers/wholesalers in China working primarily with those Africa traders. The interviewed Chinese retailers/wholesalers in Dashatou said that more and more Chinese businessmen are choosing to open stores in Africa instead of in Guangzhou, and believed that such a phenomenon contributes to the decline of sales in recent years. However, for many reasons, most are unable to move even they heard the profit might be higher there than in Guangzhou.

Future Trends

When asked about the future trends of the China-Africa cellphone trade, many interviewees are quite pessimistic. All mentioned the gold, old days before 2008. Mrs. Xi, to name an example, has been selling cellphones in Dashatou for 10 years since 2004 and saw a significant transformation happened around 2008 when the global economic crisis hit. Now there are too many competition among both retailers/wholesalers and traders. The profit margin has declined each year.

[16] 2013 China Economic Year Book, Vol 5: Analysis and Forecast, page 240
[17] "New tax rebate policy will help exports", China Daily, April 1st, 2014
[18] "China Said to Plan Boosting Export-Tax Rebates on Some Goods", Bloomberg Business, September 4th, 2012

The Africa traders also raised another interesting issue. In recent years, Dubai, the most populous and prosperous city in the United Arab Emirates, has emerged to be another trading center on cellphones. Dubai is much closer to Africa than China. Some large wholesalers from that region began to purchase large volumes of cellphones with a much cheaper price from China and ship them to Dubai. Small traders from Africa or Middle East can go there and purchase. Cellphones bought in Dubai often have better quality and a lower default rate, so the overall cost might be lower than those bought directly in Guangzhou. Small traders can import products by containers (often shared with each other) as oppose to by air from China. Shipping from Dubai to West Africa only takes less than 10 days, much quicker than from Guangzhou. One interviewee, Said from Egypt, decided to visit Dubai for the first time this year after coming to Guangzhou consecutively for several years. He is likely to make Dubai as the main trading port in the future because it is so convenient.

The China-Africa cellphone trade also affects a number of other sectors. One is the cellphone accessory business. In Dashatou, there are probably more accessory shops than cellphone shops. One interviewee, Ms. Lin, a Chinese young owner of a phone accessory store, sells a variety of phone cases and other accessories that generally gain wide popularity among young people. Ms. Lin has been running her business in Dashatou since 2011. The products that Ms. Lin purchases are all directly from factories, which, as she and many other businessmen at Dashatou confirm, do not sell products to individuals buying only a small quantity. Unlike cell phones, "accessories change styles frequently, which makes the business much harder to catch up and requires much more initial investment than one thinks", said Ms. Lin. Among a rich supply of dazzling commodities, products that have brand labels on them are distinctively conspicuous. These labels are LV, Chanel, Gucci etc. As Ms. Lin observes, most of the African traders intend to buy phone cases with brand labels on even these brands have nothing to do with cellphones. Most African traders also buy a lot of cell phone cases to sell in Africa along with the phones, plus charger, iPhone stickers, and electronics converters.

The cellphone trade also appears to affect other electronic products because their functions are gradually integrated into cellphones, such as television, cameras, DVD players, CD players, computers, etc. This might be part of the global trend [19]. More and more people rely solely on cell phones for their entertainment because smart phones carry many useful applications which allow people to watch television programs, listen to music, write notes, as well as take pictures on their phones. Cell phones are also much more convenient to carry around than bigger electronic appliances. For example, the global sales of televisions decreased from 248 million in 2011 to 238 million in 2012 [20]. Several Chinese retailers/wholesalers we interviewed admitted that they changed profession from selling other electronics to cellphones in the past decade because they were not earning that much money.

[19] "A tale of two devices: PC and DVD Player Usage", http://www.nscreenmedia.com/tale-two-devices-pc-dvd-player-usage/ (last access on March 21, 2015)

[20] "Decline in Global TV Sales Expected to Continue", Wall Street Journal, October 8, 2013

DISCUSSION AND CONCLUSION

Our interviews of Africa cellphone traders and the associated Chinese retailers/wholesalers in Guangzhou revealed how individual African traders developed and subsequently dominate the cellphone trade between China and Africa. Much of the earned profit, thought the exact share if hard to define, remain in Africa. Given the size of the trade, about $3 billion in 2012, it certainly promotes the economic development in Africa without affecting existing industries--Unlike textiles, cellphones are not manufactured in Africa, meaning that the influx of Chinese products does not damage the same sector in the local economy.

However, as confirmed by literature and our interviews, the widespread influx of cellphones from China has much broader impacts on the African society (Ogunlesi and Busari, 2012). Having a well-established cellphone network facilitates a better connection within families and between friends, fosters the efficiency of governmental management, creates business possibility and jobs for many, and improves the quality of Africans' lives in general.

For example, in the realm of banking, cellphone accounts have become the de facto mechanism for paying other bills, buying goods, and making payments to individuals (Ondiege, 2010). Before cellphones, only one in five Sub-Saharan adults held banking accounts and government efforts to extend banking services had largely failed. In the agriculture sector, cellphones have now become platforms for accessing market prices, instant weather information, micro-insurance, and information about land selection, fertilization, crop diseases and packaging. This information benefits not only farmers but also businessmen, researchers, governments, and customers (Zyl et al., 2014). In the area of health care, cellphones are able to provide solid, real-time health information to both doctors and patients, even from remote regions (Berkley, 2013). For the first time, patients are able to make emergency calls to doctors; medical practitioners are able to understand headcounts, pattern of diseases, vaccine stocks, the scope of epidemics and to provide diagnoses and HIV/Aids education from remote locations.

The cellphone story may seem atypical in the China-Africans trade, yet it shows the richness of the trade besides the government-dominant operations. It also indicates that Africans might be more active than we traditionally thought in international trade and the globalized economy. Many Africans are seizing these business opportunities and becoming successful entrepreneurs. In the China-Africa cellphone case, the Africans have up to now been able to overcome the language barrier, integrate the long value chain across two continents, establish an effective business model, and outperform competitors from more advanced countries. It is time to pay more attention to the individual private traders in the China-Africa trade as these individuals show what the international trade really means to ordinary people at the street level in Africa.

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