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Temporary Chinese Migration to Madagascar: Local Perceptions, Economic Impacts, and Human Capital Flows

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Abstract
Adopting a human capital perspective with which to analyse the economic impacts of Chinese migration to Africa, this article investigates how temporary Chinese migrants are affecting domestic producers in Antananarivo, Madagascar. Since the first Chinese retailer opened a shop in Behoririka, Antananarivo's 'Chinatown', in the mid-1990s, Madagascar's capital has experienced an accelerating influx of temporary Chinese migrants. The majority of them earn their livelihoods by selling manufactured consumer items imported from China, many of which compete with locally produced goods. This has driven the formation of negative perceptions regarding the impacts of low-cost Chinese imports on Malagasy production. This article fills a knowledge-gap in the literature on China in Africa by exploring local perceptions of temporary Chinese migrants in Madagascar, the growth of small-scale Chinese-owned import and retail businesses in the capital, and their impacts on Malagasy producers, utilizing the country's blanket and paper industries as case studies. Primarily based on empirical data gathered through extensive fieldwork, it is argued that while in some cases Chinese traders are displacing indigenous producers, in other instances they are enhancing economic opportunities for Malagasy entrepreneurs through their more indirect and fluid impacts resulting from the flow of human capital from China to Madagascar.

Keywords: Chinese migration, Madagascar, human capital, perceptions, impacts

1. Introduction

Facilitated by the existence of a resident Sino-Malagasy community, a bilateral immigration agreement between the People's Republic of China and Madagascar signed in 1996, and the inauguration of a flight between Antananarivo and Guangzhou in 2008, temporary Chinese migration to Madagascar has become an increasingly pertinent issue for local entrepreneurs. Between 2001 and 2011, the population of Chinese nationals residing in Madagascar grew from an estimated 20,000 to between 70,000 and 100,000.[1] According to Veeck and Diop (2012), the majority of them are temporary migrants who plan on progressing to the African mainland or returning to China within the next five to ten years, although some of them may end up staying in the country longer than intended. Most of them settle in Antananarivo, Madagascar's capital and the country's most economically vibrant city, as traders of imported items manufactured in China. Between 1998 and 2005, the number of Chinese-owned shops registered in the commercial neighbourhood known as Behoririka rose from 40 to over 500 (La Gazette de la Grande Île, 2011), earning the district its title as Antananarivo's 'Chinatown.' Although they are increasingly moving into other areas around the city, in 2010, close to 90% of temporary Chinese migrants in Madagascar were registered as small-scale traders in Behoririka (Malagasy Institute of Statistics, 2010).

The proliferation of both Chinese merchants and manufactured goods imported from China has spawned a range of perceptions relating to how temporary Chinese migration to Madagascar is impacting local producers, most of which are negative. According to the economic counselor at the French embassy in Antananarivo, Chinese traders are widely considered to have "basically ruined the local textile industry, and are in the process of ruining the artisanal industry, the plastics industry, the blanket industry, and the little agricultural industries" [2]. However, as public debate over their impact in Madagascar intensifies, the temporary Chinese migrant has remained a largely unknown entity, scarcely understood, and insufficiently examined. As the president of the Platform for the Organisation of Malagasy Civil Society for the Environment noted, the Malagasy 'don't really know yet how to act with them. They do not really understand their culture and logic yet'.[3]

This article explores the normative perceptions of Chinese traders in Madagascar, the growth of temporary Chinese migration to Madagascar, and its impacts on local producers, utilizing the country's leading blanket and paper companies as examples. Approaching the subject from the theoretical perspective of human capital formation, it argues that while Chinese traders do sometimes displace indigenous producers, others are finding ways to benefit from the increases in Sino-Malagasy human capital flows. Local entrepreneurs can exploit new Sino-Malagasy linkages that are being established through the expansion of Chinese business networks and supply chains in Madagascar. This implies that there is also a need for the Malagasy government to better protect fragile industries from unfair Chinese competition and support Sino-Malagasy skills, knowledge, and technology transfers

[1] This number is based on information acquired from Veeck and Diop (2012), Fournet-Guérin (2006), personal interviews conducted in Antananarivo between September 2010 and July 2012, and informed speculation.
[2] Interview in Antananarivo on November 19th, 2010.
[3] Interview in Antananarivo on December 10th, 2010.

The remainder of the paper is organised as follows. First, it clarifies the context and explains the research methodology. Next, perceptions of how the Chinese migrants are impacting the local economy are explored, and the growth of Chinese migration to Madagascar over the past decade is examined. It is shown that the ubiquity of Chinese textile imports and the under-declaration of these imports at customs have helped displace the local blanket industry. Conversely, examples involving Malagasy entrepreneurs that have taken advantage of newly created Sino-Malagasy business linkages and a paper company that has not only been able to withstand competition from Chinese imports but exploited the Chinese presence in the country to boost its own competitiveness point to the relevance of the Sino-Malagasy human capital flows.

2. Existing Studies, Contexts, and Gaps in the Literature

The discussion in this paper is part of an ongoing study to understand the dynamics and host country impacts of contemporary China-Africa relations. More specifically, it explores the economic dimensions of the evolving relations between Chinese temporary migrants and local entrepreneurs. Since the mid-1990s, Chinese migration to Africa has accelerated alongside China's growing economic and political engagement of the continent. Following the formulation of more liberal emigration laws in China during the course of the 1990s, the proclamation of China's "going global" strategy in 2001, and the launch of the Forum on China-Africa Cooperation (FOCAC) in 2006, labor migrants and private entrepreneurs from China have become a common sight in many African cities. Due to the novelty of the subject and the temporary nature of the migrants, current estimates concerning the size of the Chinese diaspora in Africa are speculative (Sautman and Yan, 2007). Most researchers place the number of ethnic Chinese in Africa around 500,000 (Mung, 2008; Mohan and Kale, 2007; and Skeldon, 2011).

The bulk of contemporary Chinese migrants reside in their host country on a short-term basis. Temporary migrants, who may include circular and transit migrants, are defined as those migrants whose duration in their host country is limited by pre-determined work contracts, legal opportunities and host country restrictions, or by their own choice. They are either short-term labor migrants linked to public infrastructure and development projects undertaken by Chinese state-owned enterprises, or entrepreneurial migrants who work mainly as small-scale traders in both the formal and informal economy (Kuang, 2008). Increasingly, a few migrants are also agricultural workers seeking to become landholders in Africa (ACP Observatory on Migration, 2012). [4] Labor migrants may evolve into entrepreneurial migrants, meaning that they are sometimes interchangeable. Of these two groups, temporary private entrepreneurial migrants constitute the majority of Chinese immigrants in Africa (Mung, 2008) and are the focus of this discussion.

In contrast to earlier perceptions of migration, the paradigm of temporary entrepreneurial Chinese migrants in Africa integrates the fields of migration and development. Today, private sector migration is gradually being recognized as a principal engine of economic exchange between China and Africa and the development impacts that may result from it (Wang, 2007). This is evidenced by a growing body of research on entrepreneurial migrant activity in specific African countries, including Haugen and Carling (2005), Dobler (2009), Liu (2010), and Bourdarias (2010). While temporary Chinese migrants are often perceived as a threat to local industry (Axelsson, 2012), positive impacts resulting from the creation of new business linkages are increasingly being identified (Brautigam, 2003; 2009). Nonetheless, the literature still exhibits significant and multiple knowledge gaps, particularly on the "under the radar flows" of the more recent waves of entrepreneurial and informal migrants in specific African countries (Mohan and Kale, 2007, p. 2).

In this article, the notion that Chinese migrants introduce beneficial forms of human capital in their host country through the dissemination of new ideas, business networks, and supply chains is explored. Human capital is defined as the knowledge and skills of an individual that allow him or her to be an economically productive member of society. Human capital and economic development are causally linked because the accumulation of the former enhances the latter by increasing domestic productivity and future real income (Becker, 1962). Although the idea of human capital generally refers to highly skilled individuals and intellectuals, it also applies to migrants who bring with them new concepts regarding business creation, management, and resource mobilization (Solimano, 2002). African societies can thus enhance their levels of entrepreneurialism by exploiting new 'human capital that will have to come mainly from the developing world, particularly from China' (Teunissen, 2005, p. 5) through 'large-scale immigration of a kind that diversifies, widens, deepens and augments Africa's limited human resource base' (Mistry, 2005, p. 669).

Chinese migrant patterns follow kinship and business networks that are expanded in their host countries (Vertovec, 2007). Since networks are by definition informal, they are assuming complex forms of interactions with local entrepreneurs in Africa. Chinese migrants are not a homogeneous group of actors, and the manners in which migrant communities use their networks in African countries vary. On the one hand, they enable Chinese traders to exploit increasingly fluid comparative advantages in their particular host countries without many positive spillovers to indigenous entrepreneurs (Gadzala, 2009). In general, the Chinese entrepreneurs who use business networks can depend on financial, technical, and informational support from their wide-ranging connections within these linkages. Improved access to informational and financial networks provides a faster approach to credit, information, and technology for the Chinese members of the networks, which is not the case for their African counterparts. On the other hand, contact with Chinese networks could help to invigorate African entrepreneurship through flows of models, ideas, and resources from outside the region (Meagher, 2012). Chinese business networks 'facilitate the exchange of inputs critical to global capitalism, including finance, technical knowledge, and marketing information' for African businesses (Brautigam, 2003, p. 447). Via formal and informal contact, they accelerate information sharing in their host economy. In the case of trade, information sharing helps match buyers and sellers, and in terms of investments, it helps identify new and potential opportunities (Song, 2011).

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[4] Leasing land to foreigners has become a controversial issue in many Africa countries (Sautman and Yan, 2007). This is especially the case in Madagascar, where a deal to lease a large amount of territory to Daewoo Logistics, a South Korean conglomerate, had been negotiated in 2008 and helped precipitate the political crisis in 2009. Under the agreement, which never materialized, Daewoo Logistics planned to utilize the land to grow palm oil and the equivalent of half of South Korean corn requirements for export to the Korean market. Many Malagasy erroneously believe the deal was negotiated with a Chinese company instead of a Korean one. See Burnod, Gingembre, Andrianirina, and Ratovoarinony (2011) for further information.

A primary strength of business networks is that they are flexible and can adapt to new social contexts and organisational structures. Since economic transactions can be concluded without resorting to law or other formal rules, they are a method of economic organisation and entrepreneurship that functions well in the type of informal economies found in many developing countries such as Madagascar (So and Walker, 2006). There is significant potential for a positive transfer of skills located within the Sino-African relationships at the grassroots level, where the presence of Chinese migrants can provide opportunities for increased prosperity when African businesses learn valuable skills from their Chinese counterparts and utilize newly formed Chinese business networks to harness the development of local entrepreneurships (Brautigam, 2003). As a result, it is increasingly appreciated that temporary Chinese migrants in African countries may act as "new agents of development" (Mohan and Tan-Mullins, 2009, p. 588.

Chinese migrants first arrived in Madagascar as contract laborers hired by the French colonial authorities in the late-1800s and as private settlers escaping civil and economic insecurity in China during the first half of the 19th century (Slawecki, 1971). Today, Madagascar possesses the second largest community of locally born citizens of Chinese descent in Africa and the Indian Ocean in terms of individuals [5]. The recent influx of Chinese migration, which is the focus of this study, began in the mid-1990s. The growth of Madagascar's temporary Chinese migrant community is routinely underestimated and the lack of existing research on the Sino-Malagasy relationship exacerbates uncertainties regarding their characteristics, motives, and impacts. Studies that mention Madagascar in connection with Chinese migration to Africa, including Guerrero and Manji (2008), Mohan and Tan-Mullins (2009), Park (2009), and Sautman and Yan (2007), base their figures on a database of Chinese migration published by Ohio University in 2001, which estimates that 30,000 Chinese were living in Madagascar at that time. Bardonnet (1964), Donque (1968), Slawecki (1971), Andriamanana (1987), and Raveloarimanana (2001/2002) concentrate specifically on Chinese migration to Madagascar, but all focus on either the earlier waves of migration or on the relations between the resident Chinese community and the new migrants. Notable exceptions include Fournet-Guérin (2006; 2007), who tracks the growing presence of Chinese entrepreneurial migrants in Antananarivo, Pellerin (2011) and Veeck and Diop (2012), who provide cursory but more current overviews of the subject. To date, however, no study explores how this growing presence is interpreted locally. Neither do we know in what ways the increasing human capital flows from China to Madagascar affect the local economy. It is these lacunae that the present study seeks to fill.

3. Methodology

This article is based on 15 months of fieldwork undertaken in Madagascar between September 2010 and July 2012, which was conducted partly in Mandarin Chinese and mostly in French. Quantitative and baseline data were acquired from the Malagasy National Institute of Statistics (INSTAT), the Office of the Anamalanga Region (which comprises Antananarivo), the Ministry of Commerce, the Central Bank, the Malagasy press, and other available literature. Due to a lack of systematic data collection capacities in Madagascar and a dearth of existing knowledge of the subject, the analysis in this article is largely qualitative in nature. It is based on information sourced from a survey of 25 Chinese traders in Behoririka and structured interviews and informal discussions with 67 other individuals living and working in Antananarivo.

Out of the 25 survey participants, 10 worked in the Dong Wu Shang Chang shopping center and 15 in the Venice shopping center, which are both located in Behoririka. The survey participants were chosen due to their occupation, their location inside the shopping centers, and because they had all arrived in Madagascar over the past five years. The survey comprised 10 questions, which included basic queries about personal information such as age, Chinese province of origin, number of years in Madagascar, and about their business, such as the number of Chinese and local employees, the origin of their products, from whom they rented or leased their shop, how they perceived the Malagasy business environment, what types of interactions they experienced with the Malagasy and resident Chinese community, how they perceived their impacts on the local economy, and more generally what they thought of living and working in Madagascar. The prevalence of negative perceptions concerning their behavior and business practices has led to the self-imposed isolation of the temporary Chinese migrants, rendering them suspicious of outsiders and reluctant to answer questionnaires or surveys in writing. These suspicions were overcome by keeping the survey informal and verbal, and by utilizing a Mandarin translator.

The remaining 67 structured interviews and informal discussions were conducted with key individuals from larger, state-owned and private Chinese companies in Madagascar, local Malagasy, and members of the diplomatic corps and international development community in the country. Chinese interviewees from the latter category included the Chinese deputy chief of mission and two economic and commercial counselors at the Chinese embassy in Antananarivo. Malagasy interviewees included consumers, presidents of consumer associations, private entrepreneurs, company directors, presidents of business organizations and industrial syndicates, Sino-Malagasy, and government officials. The latter comprised civil servants and ministers from the Ministry of Commerce, the Ministry of the Interior, the Ministry of Foreign Affairs, and the Malagasy Central Bank, which are all located in Antananarivo.

[5] South Africa has the largest community of locally born Chinese, with close to 200,000 Sino-South Africans residing in the country, and Mauritius has the third largest, numbering close to 40,000 (Park, 2009, Sautman and Yan, 2007). Mauritius, not Madagascar, is often quoted as having the second largest resident Chinese community in the region, but this is only true when the community is conceived of as a percentage of the whole population. In Mauritius, which only has a little over 1 million residents, the Sino-Mauritian community accounts for 3% of the population. The four states (South Africa, Madagascar, Mauritius, and Reunion) that experienced significant earlier waves of Chinese immigration now have higher rates of new immigration and display a higher degree of social, economic, and political integration between the new migrants and local communities (See Mohan and Tan-Mullins, 2007).

4. Quantifying New Chinese Migrants in Madagascar

Quantifying temporary Chinese migrants in Madagascar is no simple task. By definition, the temporary migrant community in Madagascar is fluid, with many migrants operating within Madagascar's informal economy. The country's relatively large resident community of Sino-Malagasy also provides good cover for migrants wishing to overstay their visas or utilize false identification documents belonging to deceased Malagasy citizens of Chinese descent. A dearth of reliable demographic statistics from both the Chinese and Malagasy governments aggravates the issue. Approximating the number of Chinese nationals living in Madagascar was possible by collating data from personal interviews and available figures. Table 1 illustrates that estimates for the Chinese migrant population in Madagascar have more than quadrupled between 2001 and 2011.

Table 1: Chinese nationals residing in Madagascar, select years, 2001-2011

Year	Chinese nationals residing in Madagascar
2001	20,000
2005	20,000-50,000
2007	40,000-60,000
2009	60,000
2011	70,000- 100,000

Source: Author's estimates derived from interviews and Fournet-Guérin, 2006

The number of Chinese applicants for a Malagasy National Identity Card for Non-salaried Foreign Professionals (CIPENS), and statistics on Chinese-owned businesses registered in Madagascar help identify growth trends. The majority of registered Chinese migrants in Madagascar are salaried professionals, followed by non-salaried and inactive actors, meaning dependants (Razafindrakoto and Roubaud, 1999, p. 8). Between January 1st and December 6th 2010, Chinese nationals lodged 181 applications for a CIPENS. For the first time, this number exceeded that of people from France, who due to their colonial past have traditionally represented the biggest expatriate community in Madagascar. Over the same time period, 101 applications were lodged by French nationals, followed by 31 requests from Indian nationals and 21 by residents of other African countries, which were all grouped into one category (Office National de la Région Anamalanga, 2010). Table 2, which depicts the number of new businesses registered yearly by Chinese nationals in Madagascar between 2001 and 2010, shows a growing trend, with only a drop in 2009 due to the political instability in the country that year. It demonstrates that 215 new Chinese-owned businesses were registered in Madagascar, and specifically in Antananarivo, between January 1st and July 20th 2010 (INSTAT, 2010).

Table 2: Chinese businesses registered yearly in Madagascar, 2001-2010

Year	Chinese businesses registered yearly in Madagascar
2001	36
2002	26
2003	54
2004	79
2005	96
2006	123
2007	142
2008	236
2009	178
As of July 20th 2010	215

Source: INSTAT, 2010

5. Local Perceptions of the Chinese Migrants

Despite their growth and visibility in the capital, little is known about the Chinese traders in Madagascar, which evokes reactions from the dominant groups out of proportion to its size and drives the prevalence of negative perceptions concerning their economic impacts. Although xenophobia against the Chinese in Madagascar is relatively low (Pellerin, 2011), the arrival of a new group of temporary Chinese immigrants, who 'clearly stand out owing to the fact that they live in urban areas and make their presence felt in economic spheres to do with consumerism', has led to a 'partial shift in the position of outlets for Malagasy frustrations, with the new Chinese now taking on the role of scapegoats' (Fournet-Guérin, 2006, p. 53). While the most recent political coup d'état was unfolding in 2009, demonstrators on the streets of Antananarivo looted several Chinese shopping centres in Behoririka (Holslag, 2011). The discovery at the end of 2010 by agents from the Malagasy National Fund for Social Welfare that a Chinese manager of a building project in Behoririka had hit a female employee degenerated into a national scandal (Pellerin, 2011). In 2011, a crowd of 3,000 – 5,000 Malagasy gathered on the streets of the shopping district after a Chinese employer struck his Malagasy employee (L'Express de Madagascar, 2011). The Malagasy rioters eventually pillaged several Chinese shops and attacked three other foreigners, which suggests that while the actions of the Chinese traders served as the immediate impetus for the vandalism, underlying social and economic discontents may have resulted in the targeting of other 'others' as well.

Local anger towards the Chinese and the negative perceptions of their presence that underpin it are partly shaped by a lack of social interaction with the Malagasy. Informal social networks are not only important motives influencing Chinese migration to Africa; they are also paramount in determining economic relations among Chinese migrant communities once they are in Africa (Park, 2009). The migrants tend to hire family members as employees, socialize almost exclusively amongst one another, and generally make little effort to integrate themselves into Malagasy society outside of the economic sphere. Malagasy employees are usually hired only because the Chinese trader needs them to overcome the language barrier. Out of the 25 Chinese traders interviewed for this study, 23 had moved to Madagascar after hearing about business opportunities in the country from a relative or friend who had previously worked in Madagascar, a few spoke limited Malagasy, none of them spoke French (which is widely spoken among the more educated Malagasy), and all viewed their stay in the country as an economically necessary, short-term commitment. Sino-Malagasy relations at the ground level are thus confined to a vendor-customer or employer-employee basis.

Perceptions are also largely shaped by interaction in the market, where the low quality of many Chinese goods exacerbates existing anti-Chinese sentiments. Complaints regarding a lack of quality apply to almost all types of Chinese wares sold in Madagascar, with the overall quality of Chinese products considered inferior to that of similar goods imported from other countries (Midi Madagasikara, 2012). The Malagasy believe that the majority of Chinese products available in the country constitute the lowest, or 3rd tier, of Chinese goods made for export. While 1st and 2nd tier products are produced for the European, American, and other Asian markets, 3rd tier goods (locally known as the 'Africa-grade') are thought to be explicitly manufactured for export by Chinese companies and entrepreneurial migrants to Africa. Chinese products are perceived to be 'flooding' the Malagasy market, implying that they are aggressively pushing away local competition and leaving Malagasy consumers little choice in their purchases (Midi Madagasikara, 2012). The accelerating rate of Chinese migration to the country thus gives significant cause for concern among local businesses in Madagascar, and it has contributed to the significant decline of the Malagasy blanket industry.

6. The Decline of the Malagasy Blanket Industry

As elsewhere in Africa, affordable Chinese commodities in Madagascar sometimes function to attract a large pool of low and medium-income consumers away from local enterprises, forcing the latter to adopt competitive pricing strategies (incurring significant profit losses) or eventually liquidate altogether (Gadzala, 2009, p. 6). Over the past five years, a significant number of Malagasy companies have experienced displacement after the introduction of low-cost Chinese imports, especially in the textiles industry (L'Express de Madagascar, 2009). The clothing and textiles industries are often considered to be the first step in export-oriented manufacturing growth (Kaplinsky and Morris, 2008), yet in Madagascar the growing presence of Chinese textile products is stifling progress in this domain.

Nearly half of Madagascar's imports from China are textile products. Almost all of the newly created Chinese businesses are engaged in the importation and retail of textile, electronics, or household items manufactured in China. Table 3, which records Madagascar's ten principal imports in 2007, shows that 35 per cent of imports from China consisted of raw materials for the textile industry, such as thread, silk fabrics, wool, cotton, linen or synthetic, and 12.4 per cent were made up of clothing and clothing accessories. Generators, transformers, batteries, electrical conductors, machines, and mechanical, electrical, and electronic equipment also featured on the list.

Table 3: Madagascar's ten principal imports from China, 2007

Product	Percentage of total imports from China
Thread and tissues	29.10
Clothing and clothing accessories	12.40
Generators and transformers	9.78
Motors and mechanical appliances	6.85
Synthetic thread and tissues	5.98
Vehicles, tractors, motorcycles	3.99
Iron and steel works	2.23
Rice and other cereals	2.69
Chemical and other medical products	2.00
Shoes	2.89

Source: Ramiandrisoa, Razafindravonona, and Rafalimanana, 2008

In the 1980s, Madagascar counted six major textile companies. These included La Société Malgache des Couvertures (Somacou), La Cotonniere d'Antsirabe (Cotona), Société Sud Madagascar Textile (Sumatex), La Société Anonyme Malagasy des Applications du Fil (Samaf), Société Textile de Majunga (Sotema), and Fanavotana. In the late-1990s, three of these companies were forced out of the market. By 2008, Somacou, Madagascar's leading producer of blankets in operation since the 1960s, was the largest company remaining, possessing a significant market share of 80 per cent. However, by 2011, Somacou's market share had fallen to 20 per cent. In its place, blankets imported from China, which retail for around 10,000 Ariary (roughly $5 USD) (as opposed to the 30,000 – 70,000 Malagasy Ariary that a blanket made by Somacou can cost, depending on quality), now command 80 per cent of the market share.

In Madagascar, a general lack of infrastructure, widespread economic recession, the 2009 loss of the African Growth and Opportunity Act (AGOA), and the influx of cheaper Chinese blankets have all combined to play a role in the decline of the local blanket industry. Madagascar had become eligible for the AGOA in 2001, which provided trade preferences in the form of quotas and duty-free entry into the United States (US) for certain goods, and Madagascar was allowed to use third country textile inputs in the production of AGOA-eligible products in 2004. This drove Chinese (as well as French and Mauritian) investments in Madagascar's textile sector. Over the past four years, the loss of the AGOA has led to a severe decline in the number of firms operating in the sector, Madagascar's export volume, and local employment rates. Additionally, Malagasy manufacturing has a high cost of production due to expensive agricultural inputs, high transport costs (internal and ocean freight), and a lack of reliable and cheap energy that renders producers unable to achieve maximum production. When Madagascar was suspended from AGOA, many foreign companies, including Chinese, moved their production centres from Madagascar to elsewhere in Africa. This forced idle Malagasy on a search for employment in the informal textile sector, which was by then dominated by cheaper Chinese prints. In 2010, tensions between Chinese traders and the city authorities in Antananarivo escalated as hundreds of recently unemployed Malagasy textile industry workers competed with established formal and informal Chinese traders.

The under-declaration of the value of goods by Chinese importers is another, more immediate reason for Somacou's decline. False declarations made at customs regarding the type and value of goods allows Chinese retailers to pay lower tariffs and enables them to sell their wares to Malagasy consumers at a price below the market rate. Accusations of dishonest import declarations are fuelled by disbelief over the ability of the Chinese to produce a product for less than a third of what it costs to manufacture the same good in Madagascar when, according to a former Malagasy Minister of Commerce, 'apart from the costs of energy in Madagascar, manufacturing is a cheap enterprise' [6]. However, it is often more profitable for the Chinese migrant to purchase the same goods in China and have it shipped to Madagascar than for the Malagasy to produce domestically. Table 4 shows the price of one unit of locally produced goods and the value of similar goods imported from China as declared at Malagasy customs in 2010.

[6] Interview in Antananarivo on November 29th 2010.

Table 4: The price of Malagasy goods and Chinese imports, 2010

Item	Unit	Local Production (USD)	Chinese Imports (USD)
Blankets	1	2.47	0.50
Batteries	1	0.25	0.12
Lubrications	1	1.350	533
Biscuits	1	2.20	0.59
Household soap	1	0.69	0.29
Cement	1	14.0	9.0

Source: Ramiandrisoa, Razafindravonona, and Rafalimanana, 2008

The Malagasy government has taken few steps to limit the excessive importation of Chinese goods where they compete directly with traditional Malagasy manufacturers or to investigate false import declarations. In addition to crowding out local producers and entrepreneurs, the influx of manufactured imports from China may weaken local incentives for value-added production. A preferential trade agreement signed between China and Madagascar in 2005 was intended to help rectify this situation, but the items eligible for zero-tariff entry to China overwhelmingly consist of primary commodities and unmanufactured products. The Malagasy Industrial Syndicate (SIM) has lodged official complaints with both the Malagasy Ministry of Economy and the Ministry of Commerce concerning the loss of market shares for Malagasy producers through unfair and unlawful Chinese business practices, which resulted in the formation of a National Committee of Corrective Commercial Measures in 2010. Yet there have not been any tangible changes to the current customs regime that would alleviate pressure on domestic producers, such as tighter customs controls, increased oversight, industrial subsidisation, or import quotas on specific goods that are exerting a significant negative impact on local producers, such as blankets.

7. Positive Impacts from Chinese Human Capital Inflows

Although the retail of Chinese manufactures sometimes occurs at the expense of local producers, the introduction of Chinese traders is also shifting market dynamics in a way that may paradoxically help invigorate other economic actors. Despite their ephemeral nature, human capital flows from China to Madagascar are providing new business opportunities for Malagasy entrepreneurs in Behoririka. Malagasy entrepreneurs are benefitting from these flows to such an extent that Pellerin (2011) and Fournet-Guérin (2007) have criticized the misleading use of the term "Chinatown" for Behoririka. For instance, although Chinese entrepreneurs manage all of the shopping complexes, they have to lease the buildings from a Malagasy because a foreigner is not allowed to buy land in Madagascar. As a result, all of the property "owned" by Chinese is in fact leased to them for a maximum of 99 years, and the deeds to all of the buildings in the Behoririka legally belong to a Malagasy. A significant number of the outlets in the new Chinese-built shopping complexes are in turn rented by Malagasy businesses (World Wildlife Fund, 2010). Instead of competing with Chinese imports by offering local products, many of them choose to buy Chinese imports in large quantities and sell them to other Malagasy retailers, who in turn vend them in smaller shops or stalls on the streets of Behoririka. By moving into wholesale, these firms remove themselves from direct competition with Chinese retailers and enhance their competitiveness by being able to lower their prices.

In another example, the economic activities of temporary Chinese migrants indirectly helped force a larger Malagasy enterprise, the Paper Company of Madagascar (Papmad) to adapt its business strategy to compete with cheaper products imported from China. Papmad is the only paper company in the Indian Ocean region and has been in operation in Madagascar since 1963. The company dominated the Malagasy paper industry for almost 40 years until it had to temporarily close down its operations in 2004 due in part to increasing competition from imported paper products from China. Having decided to produce only recycled paper, Papmad re-entered the market in 2009. In 2010, the company launched a new line of recycled toilet paper with a marketing strategy specifically aimed at its Chinese competitors. The product was priced just below its Chinese rivals, and it was packaged and marketed as young, fresh, and Made-in-Madagascar. In doing so, it was targeted at the capital's younger clientele that would normally purchase items from Behoririka while taking advantage of the widespread sentiment that Chinese products are of low quality.

Papmad is also utilizing the new business networks being created by Chinese migrants to enhance its own competitiveness. In order to increase its productivity the company bought three new industrial printing machines from a Chinese company based in Beijing. The Chinese company was better suited to Papmad's needs than the German or Italian companies who dominate the market for industrial printers for several reasons. It produced machines on a smaller scale than the European industrialists, it was able to sell the Malagasy company the machines at a low price, and it produced machines at the production capacity needed by the latter. While the deal was being negotiated, a representative from Papmad flew to Beijing to inspect the machines and spent three days with its Chinese business partners, exemplifying the importance of personal relationships in Sino-Malagasy business links. Three Chinese technicians subsequently travelled to Antananarivo to install the machines and train Papmad employees in their usage, indicating that the Malagasy employees would profit from technology and skills transfer and that Papmad would have a labor force that was trained in the operation and maintenance of the newly acquired machines. Since these men spoke only Mandarin, Papmad had hired a young Malagasy woman who had studied the language at the Confucius Institute in Antananarivo, created in 2008, to act as an interpreter. Thus far, Papmad has stayed competitive in the Malagasy paper market. In 2010, the company expanded by exporting recycled paper to Mauritius. This example simultaneously demonstrates that Chinese migration to Madagascar has increased bi-directional human capital flows. Examples of Malagasy entrepreneurs traveling to China to engage in business are increasingly commonplace.

The director of the Malagasy Enterprises Group (GEM), the country's most important business association, regularly travels to Guangzhou to showcase her company's products at trade fairs and to enhance her business portfolio by purchasing Chinese goods for sale in Madagascar. Others have become temporary Malagasy economic migrants in Guangzhou. Malagasy migrants who have settled in the city offer freight forwarder services to Malagasy entrepreneurs, such as the director of the GEM, who export products from China to Madagascar. A Sino-Malagasy recently opened several hotels in Guangzhou that offer interpretation and intermediation services to Malagasy entrepreneurs wishing to conduct business in China (Pellerin, 2011). The emergence of these types of African trading communities in Guangzhou further facilitates the growth of transnational business networks that arise from human capital flows by providing vital links and connections between China and African countries (See Bodomo, 2010; 2012 and Bodomo and Ma, 2012).

8. Conclusion

While there are many local Malagasy businesses that have not been able to compete with Chinese imports, others are finding ways to exploit the presence of new Chinese business networks and supply chains in the country. Based on the evidence presented in this paper, Malagasy entrepreneurs can take advantage of new Sino-Malagasy business linkages that are created and nurtured by Chinese migrants. Rather than solely harming the local economy by crowding out local producers, the movement of entrepreneurial talent and ideas from China to Madagascar could help invigorate elements of local Malagasy entrepreneurship. Although human capital flows are more indirect and fluid than conventional economic development inputs, they are equally, if not more, vital to the long-term growth of the local private sector in Madagascar.

From a politics of development perspective, this implies that in order for Madagascar to maximize the positive impacts of temporary Chinese immigration, the country needs to develop an institutional and policy framework that protects local producers who have the initiative and ability to adapt their business models and compete with the Chinese entrepreneurs. Companies such as Somacou that cannot meet the challenges represented by the competition from low-cost manufactured Chinese imports should perhaps be left to fail. The government ought to instead support promising local firms who have exhibited the potential to turn the threat of cheaper Chinese imports into an opportunity for innovative business practices. Another angle is to promote an export-oriented economic strategy to provide an incentive for Malagasy firms to compete on the global market as well as the domestic one, and to formulate regulations concerning the usage of local labour and materials for Chinese firms who seek to benefit from the strategy as well. When the AGOA was in place, Chinese companies employed a significant number of local laborers, who were able to learn valuable skills from their foreign counterparts. More generally, the key is for the Malagasy state to formulate and enforce a China-specific migration strategy tailored to its development needs, encourage multi-directional flows between China and Madagascar, and alleviate the uncertainty surrounding local perceptions of the Chinese migrants by promoting awareness about the opportunities inherent in the new Chinese engagements of the country for Madagascar's entrepreneurs. A major implication of these findings is that a theoretical treatment of the links between human capital formation and Sino-African migration flows will significantly enhance our understanding of the emerging relationships between China and the African continent.

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