

SOUTH AFRICA'S IMMIGRANTS

Building a new economy

"Give me your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore.
Send these, the homeless, tempest-tost to me,
I lift my lamp beside the golden door!"



South African Institute of Race Relations

The power of ideas

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1. Introduction

In a way, all human history is a history of migration. We have been on the move since we first appeared as a species, pushed out of our comfort zones by war or drought, or pulled toward the horizon by the promise of something better beyond it.

Prior to the outbreak of war in Syria in 2011, the most dramatic migrations of modern times involved armies of the poor trying to cross the Mediterranean into Europe, or wading across the Rio Grande into the United States. In these migrations, the great attractants are economies that offer opportunities to people willing to start at the bottom and do the 3D– work too dirty, difficult or dangerous to appeal to those already there.

South Africa is also a magnet for this sort of migration, although its allure is less obvious. The United States has an unemployment rate of 4.7 percent. Around 96 percent of German adults who want to work are able to do so. South Africa, on the other hand, is a lower-middle-income country with an official unemployment rate of 27 percent, rising to around 40 percent if you apply the expanded definition. This is a country that can't even begin to provide work for all its people, and where jobs and opportunities are held to be painfully scarce, especially for blacks.

This is, at any rate, the view of the ruling African National Congress, which believes it is impossible for black South Africans to advance without the assistance of laws forcing whites to hire them or promote them or take them into white-owned businesses as Black Empowerment partners. Since these laws have yet to deliver the desired level of economic equality, the ANC continues to portray South Africa as a society where black ambition is smothered by white racism. “The majority of black people are still economically disempowered,” declared President Jacob Zuma in his 2017 state of the nation address. The solution, he said, was to “move beyond words” by deploying new and even more deadly weapons against white economic domination.

In truth, Zuma's party has been on this course for 22 years already. During this time, enormous numbers of migrants entered South Africa from elsewhere in Africa and Asia, clearly undeterred by ANC warnings regarding the insuperable odds they faced. They also ignored all the Afro-pessimists who were leaving even as they arrived, muttering about poor governance, economically suicidal government policies and apparently impending economic collapse. On the face of it, it was almost insane to move to such a country, but they came anyway, dark-skinned people by the million. Where South Africans saw desolation, they saw hope. Where we saw problems, they saw opportunity. They found work where there was none, raised capital even though they had no access to bank loans. They moved into arenas where competition was brutal – the township grocery business, for instance, or informal trading in Johannesburg's inner city – and beat us at our own game.

Strangest of all, *the unemployment rate among these migrants is a fraction of our own*. According to the academics who formulated this conclusion, this is “very unusual”. Foreigners arriving in a country where they can't speak the language and often have no working papers typically struggle to find work. In South Africa, unemployment among foreign migrants is 14.6 percent, roughly half to a third of the local unemployment rate, depending on which definition is applied.

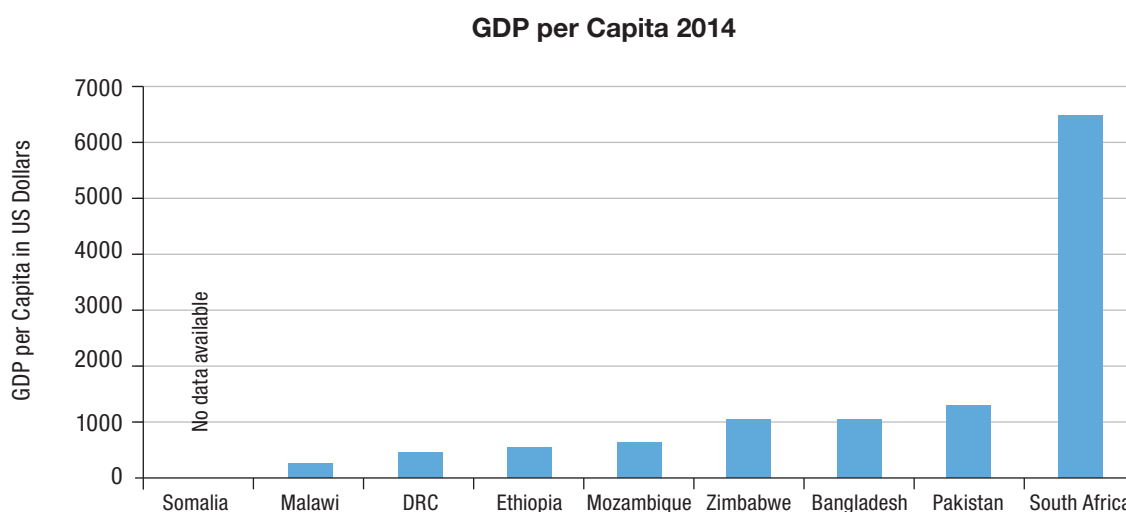
Two years ago, Small Business Development Minister Lindiwe Zulu took a beating in the media for suggesting that foreign migrants should share their business secrets with black South Africans. “Black people were never part of the economy of South Africa in terms of owning anything,” she said, “and therefore when they see other people coming from outside being successful they feel like the space is being closed by foreigners. It’s important for the foreigners to share with the South Africans what it is that makes it possible for them to be successful.”

This was taken to be xenophobic, and Ms. Zulu was duly savaged. But this report takes the view that she was posing an entirely legitimate question, and that an answer is called for.

This report is therefore dedicated to Ms. Zulu. Based on a survey of the academic literature and interviews with foreign migrants, it seeks to solve the riddle she posed, and in the process winds up questioning some of our most cherished assumptions about ourselves and our society.

2. Why do they come?

As noted, human migration is driven by both push and pull forces. In South Africa’s case, the chief push factor is war or political repression in four countries (DRC, Somalia, Ethiopia and Zimbabwe) that eject large numbers of refugees in our direction. And the chief pull factor is South Africa’s relatively strong economy. Consider the graph below, which depicts per capita Gross Domestic Product in eight countries that contribute heavily to SA’s migrant inflow.



Source: Data according to World Bank

There is of course some interaction between push and pull factors. Somalis and Congolese might be fleeing bullets but at the same time, yearning to live in a country where they can work in peace and earn enough to send money to relatives at home. It’s sometimes hard to distinguish between these two motives, but for now, let’s agree that if you live in a war-torn country, South Africa offers relative safety, and if you live in a very poor one, it looks like a society where life is better for almost everyone, even those at the bottom of the human pyramid. Not that potential migrants study World Bank Tables. All research everywhere shows that the greatest of all pull factors for migrants is letters (or these days, emails and cellphone calls) from pioneers whose message to those they left at home is, it’s okay here, there is food and money, come.

3. How many of them are there?

Nobody knows.

But let's consider the possibilities. In the apartheid era, SA's borders were patrolled by soldiers, and illegal migration was fairly strictly controlled. Change set in during the post-1990 transition. Borders were demilitarized, and in 1998, parliament passed legislation committing South Africa to granting at least temporary asylum to anyone seeking refuge here.

At the same time, government officials began to exhibit a certain slackness, causing South Africa to become known as a country where border controls were slack and fraudulent identity documents easily obtainable. A trickle of migrants turned into a flood, and by 2003, even the director-general of the Department of Home Affairs was willing to acknowledge that border control had become "a joke". Planeloads of foreigners were flying into Johannesburg, buying new identities from bent Home Affairs officials and flying on to the UK, where a South African passport enabled visa-free entry.

In recent years, government has made efforts to crack down on this sort of corruption, but we are still struggling to cope with its legacy. Between 2006 and 2015, more than a million asylum seekers entered the country, swelling the number of refugees already present. Unknown numbers of economic migrants simply jumped the borders or overstayed their visas and went underground. In 2011, for instance, around 12 million visitors entered South Africa legally, but only 10.3 million left again. The present whereabouts of those who stayed is unknown.

Do undocumented aliens tell the truth when government officials knock on their doors? In Census 2011, around 1.7 million residents were willing to tell Stats SA enumerators that they were "not South African citizens", but, beyond that, the numbers are opaque. In 2015, the New York Times reported that South Africa was host to around five million immigrants, but that was a guess and the newspaper had to withdraw it under pressure from anti-xenophobia activists. Migrant numbers are fraught terrain; low estimates make it easier to dismiss migration's opponents as small-minded bigots, whereas high ones (the highest on record is 12 million) lend urgency to demands for closed borders and radical immigration reform.

Erring on the side of caution, this report chooses to accept the verdict of Census 2011, even though it is probably an underestimate.

On the other hand, 1.7 million is not an inconsiderable number. Let's assume for a start that the newcomers are almost all working-age adults, because it is in the nature of migrants to leave their aged and their children at home. If that's the case, they constitute about five percent of SA's adults aged 20–64. And if we accept the claim that around 86 percent of them are working, they make up around 11 percent of South Africa's working population, and a much larger percentage of those working in the informal sector, where lack of work permits and ID is no barrier to entry.

Generally, the known facts suggest that SA hosts far more undocumented aliens per capita than rich countries like the UK or Germany, and almost as many as the USA, which naturalizes some 700,000 new citizens a year and hosts an additional 11 million illegal migrants besides. On the other extreme we find China, which is wary of outsiders and unmoved by the plight of refugees. According to *The Economist*, China, with the second largest economy on the planet, has only 1,448 naturalized citizens *in total*, and has, to date, granted asylum to only 583 refugees. Against this backdrop, it seems safe to say that the Chinese must regard South Africa as one of the most generous – or most stupid – countries on the planet.

4. How they come

Crossing continents can be a compelling and dangerous adventure, but some migrants – a minority – do it the easy way, flying into South Africa on tourist visas, and simply staying. These include West Africans, Chinese, richer Pakistanis and Bangladeshis. Others come on “facilitated journeys” organized by syndicates who (for a fee ranging from \$2,500 to \$5,000) will smuggle you from Nairobi to Johannesburg and across all borders between. According to academic researchers, around one in five of those using this route will be harmed in some way before their journey is done – robbed or raped by bandits, extorted by police or border officials, or held prisoner on arrival by traffickers who compel friends or relatives to cough up a ransom to secure your release.

Those too poor to afford the services of organized traffickers take buses to the South African frontier and circumvent border posts under cover of darkness. If they run into a police or army patrol, it is often but not always possible to bribe their way out of trouble. Studies of the Beit Bridge border post reveal that the cheapest of all smuggling rackets in that area is run by police who charge R100 a head to get undocumented migrants across the frontier. On the other hand, some cops see it as their patriotic duty to turn back the incoming tide, even if that means denying genuine refugees their right to enter. If you’re lucky enough to escape their attention, you trek through the bush to the nearest transport route and resume your onward journey.

And so you come to Johannesburg, a city circled by townships and squatter camps where unemployment is astronomical. Without a work permit, your chances of getting what trade unions call “decent work” – a job with a salary, medical benefits and a pension – are less than zero. Day-labour gigs are a possibility, but there are throngs of unemployed artisans and labourers sitting outside every hardware emporium waiting to be hired. There’s a beggar at every traffic light, and every suburban supermarket has a notice board festooned with bits of paper in which Malawians and Zimbabweans beg for work as gardeners or domestics.

So what do you do?



The people’s love for each other is limitless.

That’s a quote from an Ethiopian named Haile, who arrived in Johannesburg on New Year’s Eve in 2003 and felt that the fireworks in the sky were there to welcome him. Haile was a political refugee, at odds with his country’s secret police, who suspected him of harbouring sympathies for an insurrectionary movement that was seeking to overthrow the ruling party of Miles Zenawi. Haile worked in a bank at home. He wore a collar and tie, and spoke fairly good English. Police threw him in jail and tortured him. Fearing that he might be killed, Haile’s father sold his business and bribed prison guards to set his son free. Haile wound up on the back of a truck laden with livestock, wallowing in cow dung as he was smuggled over the border into Kenya, from where he joined a “facilitated” caravan heading south.

Most of the countries he crossed en route to South Africa are host to communities of migrant traders from elsewhere in Africa or Asia. Refugees could halt their journeys anywhere along the line if they chose to do so, but Kenya, Malawi, Zambia and Tanzania offer few economic opportunities and little hope of realizing what might be your real aim, which is to get into Europe or North America. SA, on the other hand, is at least halfway part of the great Global North. United Nations agencies have offices here, and Pretoria is full of rich-country diplomats who might give you a sympathetic hearing.

So Haile, like millions of others, crawled under the border fence and pushed on towards Johannesburg. He was hugely impressed by his first sight of South African skyscrapers and infrastructure. “I admired the road,” he says. “Passing many tollgates, I thought I am in Europe or somewhere. I was happy and dreaming big as well.”

One of Haile’s travelling companions had an uncle who lived in Little Ethiopia, an enclave of dense ethnocentricity in downtown Johannesburg. There was Ethiopian music in the air as Haile arrived, and almost everyone on the streets on New Year’s Eve was speaking Amharic, his mother tongue. “For the first time since I was detained, I felt safe and free,” he says. “I cried.” And so, by his account, did many others. “When people heard my story, they cried. Strangers gave me money. Others let me use their phones to call my family to say I am safe, or offered to help me find work or a place to stay. The people’s love for each other is limitless.”

Within days, Haile had a bed in a room shared with five fellow Ethiopians and a job of sorts with a man who imported material from China and turned it into curtains. “This is how our people do it,” he says. “The one who has already established a business here, he helps the other one.” The work was called “location,” and the pay was zero. Every morning, his benefactor would give him some curtains on credit, and he’d set forth into the townships on foot, selling door-to-door. “It was hard,” he says. “Some days I would make R50 commission. Some days nothing. A lot of days, nothing. But what could I do? You have to pay rent. You have to live. You have to be successful.”

On several occasions, Haile was robbed of his takings, but he paid his benefactor anyway, because that was correct form for a person in his position. It was also important to show commitment and ambition, and his college business diploma helped in this regard. “One day I had a big idea,” he says. “I realised that our model for the curtain business was not good. Often we were only making enough to cover transport. I said we should try something else.” The new plan entailed concentrating sales efforts on salaried civil servants. Haile obtained permission to sell to teachers during their lunch breaks, and to the staff at township clinics. “We got many new clients,” he says “Everyone was happy, and I began to go up.”

Almost all migrant stories begin this way. Pilgrims come from far away, lured by reports of freedom, safety and opportunity in South Africa. Once here, they fall into the warm embrace of what academics call social networks – family, friends of the family, people from your home town, members of your own tribe or clan, and sometimes, just countrymen. Ethiopians help each other. Nigerians, Zimbabweans and Somalis likewise. Your people feed you and house you, give you a chance to prove yourself.

Not all pass the test. Some steal. Some are lazy. And some are fractured by the stress of their new situation. A recent study found that asylum-seekers in Haile’s position visited Home Affairs’ refugee reception offices six times before being granted the coveted A4 piece of paper known as a temporary refugee permit. As Haile says, first you go during office hours, but the queue stretches around the block and the office closes before you get in. So next time you sleep on the pavement outside so you’re at the front of the queue in the morning, but then it turns out that you lack some important piece of evidence, an oversight that might be overlooked if you’re willing to part with a sweetener.

South Africa’s refugee reception centres are notoriously corrupt. According to Amir Sheik, chairman of the Somali Community Board of South Africa, everyone from the security guard at the gate to senior officials is on the take. “You can put this on the record,” he says. “I am willing to say it in front of the president: corruption is the only language at Home Affairs.” Those who have money get their paperwork processed. Those who don’t must wait. Some of those at the back of the line lose it and fall apart. Without papers, their lives degenerate into

a nerve-racking cat-and-mouse game with law enforcement. Their jobs are typically ill-paid, their living conditions miserable. They start drinking, get depressed, give up. At this point the loving community might turn cold and suggest they admit defeat and go home.

This is an important point. Not all refugees and migrants succeed. But most do. That's probably because migration is a great Darwinian selector. Throughout history, it has been the best and brightest, the toughest, who hit the road in search of something better. Such people are not easily deterred, especially if they come from hell-holes like the DRC, Somalia or Zimbabwe. Or in Haile's case, Ethiopia, where authoritarian rulers deal ruthlessly with dissent. Haile had no choice; he could not go home. He had to make it, and, eventually, he did.

And now, thirteen years later, he's sitting in a Rosebank café, wearing smart casuals and speaking perfect English, talking about his company car, his upmarket flat, his two children in Model C schools and the "decent job" into which he eventually clawed himself. All migrant stories are different, but they all begin with a bow to the social networks that embrace you on arrival and hold your hand until you find your feet, so to speak. What comes next is the most interesting part of the migrant story.

Case Study 1

The foreign takeover of SA's township grocery trade.

The term spaza (Zulu slang for "camouflaged" or "hidden") is a throwback to the era when black South Africans struggled to get business licenses, forcing survivalist entrepreneurs to open small shops inside their homes, where they were invisible to passing policemen and municipal inspectors. As apartheid collapsed, these secret shops came out into the open. Some became holes in walls through which the owner sold sweets, cigarettes and a small range of daily necessities. Others evolved into real shops, with counters and shelves stocked with groceries, toothpaste and disposable nappies. By 1990, there was at least one spaza on every township street, typically serving a cluster of around 85 households.

That snippet of information comes from GG Alcock, author of the best-selling *Kasinomics*. A white boy who grew up in a mud house in the old kwaZulu Bantustan, Alcock earns his living by explaining the workings of SA's informal sector to corporations that lack his language skills and ability to cross cultural barriers. He notes that first-generation spaza shops had several unique characteristics. Owners and customers knew each other, and if you needed an aspirin in the dead of

night, the spaza would open for you. On the other hand, you'd pay a premium for convenience, because spazas were expensive. Prices were 30 to 40 percent higher than in suburban supermarkets, but you needed taxi fare to get there, and that made shopping outside expensive, too. So spazas survived and prospered.

Among the forces that protected them was the township's reputation for lawlessness. South Africa's retail chains kept their distance, believing they'd be robbed or looted if they set up shop in places like Soweto. But as SA recovered from its turbulent transition, retailers reconsidered. Crime rates were declining. The black middle class was growing exponentially, and there was talk of instituting social grants for the poorest poor. According to Andrew Plastow, who manages a tinned-fish brand for the Oceana group, retail chains took to poring over satellite photographs of South African townships, counting cars and satellite dishes and trying to calculate residents' collective spending power. They soon realized that what Plastow calls a "post-apartheid windfall" awaited them in black residential areas.

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“When I moved to Johannesburg in 1993, there was just three supermarkets in Soweto,” says GG Alcock. “Fifteen years later, there were supermarkets everywhere – Shoprite, U-Save, Pick’n’Pay, Boxer, Pick’n’Pay Family Stores, even Woolworths. Everyone in Soweto lived within three to five kilos of a supermarket.”

Similar changes took place across South Africa, and were welcomed as a sign that townships were transforming from labour barracks into liveable suburbs and cities. Spaza owners were less enthusiastic, because the gleaming new retail emporia offered a cornucopia of consumer goods at prices they had no hope of matching. Some spazas scaled down into cigarette kiosks. Others closed down entirely. “Driving around *kasi* you’d see boarded-up spazas and fading Coke signs everywhere,” says Alcock. “The small guys couldn’t compete and they were dying. I was one of those who thought the spaza shop was history. Boy, was I mistaken.”

Like almost everyone else, Alcock missed the start of a counter-trend whose origins are shrouded in mystery. All that is clear is that some enterprising foreigner must have seen an opportunity that was invisible to locals and offered to rent one of the dying spazas and see if he could make a go of it. When he succeeded, other foreigners followed suit. Most were Somalis, but Ethiopians, Pakistanis and Bangladeshis also entered the game.

Under foreign management, many spaza shops were tarted up with a coat of paint and glass-fronted fridges, and their once-bare shelves suddenly sported a much broader array of brand-name consumer products. Alcock says he noticed this trend when it first manifested, but then came the anti-foreigner pogroms of 2008, which claimed the lives of 70 traders and saw thousands of foreign-owned spazas looted and burned across the country.

Again, Alcock thought the spaza was dead. Again, he was wrong. The foreigners returned to their gutted shops, repaired and restocked them and started again. By 2013, there were roughly 50,000 foreign-run spazas nationwide, and Alcock was convinced he was witnessing the start of a retail revolution. “Everyone was vaguely aware that the foreigners were moving in,” he says, “but they

didn’t believe the scale of it. When I was pitching for business, I’d show a slide of a Pakistani trader smiling from behind his spaza counter and say, ‘This is the new face of South Africa’s retail grocery trade.’ The big business guys would say, ‘Hmm, very interesting,’ but I could tell they were skeptical.”

The big business guys had reason. It was totally inconceivable that shabby foreigners with no access to capital could stand up against the collective might of Shoprite, Woolworths and Pick’n’Pay. These giant corporations are famous for grinding brutal discounts out of farmers, food processors and mall landlords. They buy goods by the hundreds of tons and use satellites, cranes and fleets of articulated trucks to move them from factory to market. Shoprite alone employs 138,000 people in fifteen countries and turns over R65 billion a year, achieving economies of scale a Pakistani shopkeeper could only dream of.

Fast forward to early 2016, and Alcock suddenly finds himself being summoned to meetings with Unilever, the world’s third largest manufacturer of food products, soaps, toothpaste and shampoo. “They’d noticed something funny,” he says. “A flattening of their sales through conventional retailers like Shoprite, and at the same time, a steady rise in sales through wholesalers located near townships. So they came to me and said, ‘GG, that shit you’ve been talking about foreigners, is it for real?’ And I was able to say, yes guys. And then I took a senior Unilever executive into the townships to see for himself. His eyes nearly popped out of his head.”

Alcock whips out his laptop and runs a PowerPoint presentation that lays out the basic facts. There are about 100,000 spaza shops of various sorts in South African townships, he says, ranging from tiny holes in the wall to fancy joints that he calls spazettes. Once upon a time, they were all locally owned. By 2013, half had been taken over by foreigners. That surged to 70 percent in 2015, and by now, he says, it’s probably 80 percent. “A hole-in-the-wall spaza turns over around R25,000 a month,” he says. “Spazettes are actually mini-supermarkets, and there around 25,000 of those, each turning between R80,000 and R200,000 a

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month. I can't provide exact numbers, but that's a collective turnover of two to six billion a month for spazettes alone, and it's growing."

According to Alcock, foreigners are also moving upstream into territory dominated by giant wholesalers like Cambridge Foods and Masscash. "I have a database of three hundred mid-sized foreign-owned wholesalers," he says, all located inside townships, whereas mainstream wholesalers prefer to lurk on the fringes. "They're popping up everywhere," he says. "Right now, we're studying a cluster of 12 Somali-owned mid-wholesalers in Shoshanguve. Our research shows that they're turning over six to 15 million a month apiece, and they're growing too. Mark my words, this is the future of retail – the foreigners collectively. If I was Shoprite or Masscash, I'd be shitting myself."

Alcock is a man of volcanic enthusiasms, so let's forgive his colourful language and try to come to grips with what he's saying. The 80,000-odd shopkeepers he's looking at generally arrived in South Africa as penniless migrants. Around 50 percent of them are Somalis who fled their war-ravaged country with just the clothes on their back and a few rumpled dollars hidden in their underpants. The rest come from Ethiopia, where per capita income is one-twelfth of South Africa's, or from poverty-stricken Pakistan and Bangladesh. Many have refugee papers, but the vast majority find that banks still refuse to open accounts for them, and loans are of course out of the question. The South African government offers start-up capital to small-scale entrepreneurs, but that avenue is closed to foreigners, too. On top of all that, most could not speak English or any African language when they first arrived, and all were handicapped by the dark skin that supposedly makes black advancement impossible.

Against this backdrop, it was theoretically almost impossible for them to progress – especially if you consider the nature of their opposition. "Everyone blames the foreigners for killing off the South African-owned spaza shop," says Alcock. "That's bullshit. The damage was done long before they moved in, and it was done by the retail chains. And it's those retail chains whose domination is now under threat."

In 2013, Elizabeth Thabethe, deputy minister of Trade and Industry, paid a visit to the small town of White River, where she spotted a trend that disturbed her somewhat. "You still find some spaza shops with African names," she said, "but when you go inside to buy, you find your Mohammeds, and most of them aren't even registered." Thabethe was duly pilloried for this racist generalization, but as is sometimes the case, a stereotype embodied a potentially important truth. Ethiopians generally adhere to Orthodox Christianity, but Somalis, Pakistanis and Bangladeshis are the dominant force in the spaza revolution, and they all come from strong Islamic cultures. What's more, as we shall shortly see, religion plays a not inconsiderable role in their success.

So then – how did they achieve the apparently impossible?

Immigrant traders generate their own start-up capital. Newcomers entering the various social networks start at the bottom, working for little or nothing in someone else's spaza until they prove themselves, at which point they'll be granted a share of the profits or be invited to join a partnership that typically runs several spaza stores. "A Somali won't work for years for peanuts," says Amir Sheik, a Somali community activist. "If I am loyal then you must give me a share so that my own situation will grow."

Immigrant traders are thrifty. They sleep and eat in the back of their shops, cutting overheads to the bone, and save every cent until they're positioned to enter a partnership

Immigrant traders are ethnocentric and almost never include outsiders in their partnerships, a factor which enables them to pool resources and form formidable joint ventures along lines that are simultaneously national, tribal and religious. This is particularly true of Somalis, who have (according to one interesting study) replicated Somalia's ancient clan structure on South African soil. Partnership deals are verbal, and based entirely on trust. Partners are always from your own extended family or clan. Clan elders oversee negotiations and settle disagreements in a "fair, peaceful and respectable manner". As one of the subjects in the aforementioned study puts it, "This is the way of our people. Family people from the same clan trust and love each other."

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Immigrant traders work hard. They rise before dawn to sweep their shops and restock their shelves, open their doors at six or seven, and stay open for at least 14 hours, seven days a week. This alone gives them a significant advantage over locals, some of whom like to booze after sundown or go to church on Sundays. According to the calculations of one academic, the foreigners' brutal work schedule boosts trading hours by 12.5 percent, the equivalent of an extra month's business every year.

Immigrant traders offer excellent value for money. "These guys have amazing intelligence networks," says Alcock. "They're on their cellphones all day, sharing information about what's on special at the wholesalers. When they spot something interesting, they call their buddies, hire a bakkie and race off to buy a load of it."

They also keep a close eye on competitors' prices and strive at all times to match or undercut them by slashing profit margins. According to Alcock, their margins fall as low as 2 percent on some fast-moving items. In this manner, they provide township residents with great value for money. Locally owned spazas were up to forty percent more expensive than mainstream retailers. Now that the foreigners have taken over, the spaza often undercuts the supermarket. One of Alcock's PowerPoint slides claims that "shopping at an informal retailer saves the consumer between three and nine percent on the cost of a basket of goods bought at a Shoprite in Naledi, Soweto. Savings increase to 5 to 11 percent if the cost of a taxi to and from the supermarket is factored in."

Sceptical of this claim, we did some comparison shopping of our own, and lo: a can of Koo baked beans that cost R9.80 at a suburban Checkers was R1 cheaper at a Somali outlet in Soweto. A six-pack of Parmalat long-life milk was R80 in the suburbs, vs R73 in Soweto. A six-pack of Powerade cost R60 vs R50.

Immigrant traders provide convenience. As Alcock says, the cost of transport is a painful factor in the lives of the township poor. Supermarkets are typically three to five kilos away, while the spaza is mostly literally on your doorstep. So why spend money on taxi fares or walk long distances when you can stroll over the road and

buy the same branded goods at a competitive price from a foreign-run spaza?

Immigrant traders give credit. In the old days, local spaza owners would often give credit too, but according to Alcock, they'd charge loan-shark interest rates. This practice is forbidden in Islam, and since most of the new class of spaza operators are Muslims, they cannot engage in it. They often circumvent the problem by charging no interest at all. In other words, they make a shrewd assessment of their customers' reliability, and then extend free credit to those who seem likely to repay. According to Alcock, this excludes males wanting to buy cigarettes or cool drinks. But grannies with pensions and mums with social grants are deemed worth the risk, especially if they're shopping for basic foodstuffs. As Alcock says, people who go hungry if they can't get credit are unlikely to stiff their friendly Muslim shopkeeper when their grants come in, because he's their only hope when times are tough again.

Immigrant traders are brave. They come to South Africa to make money, not friends. They go into the townships as outsiders; their presence is often resented and their vulnerability compounded by their inability to open bank accounts, which forces them to stash cash in the mattress and carry large amounts of it when they go to restock. This makes them obvious targets for bandits. South African newspapers cover outbreaks of xenophobia and the attendant looting and burning of foreign-owned shops. But they don't cover the daily war of attrition. According to Amir Sheik of the Somali Community Board, there are some 70,000 Somalis in this country. In the average year, around 100 of them die in armed robberies, he says. This translates into a murder rate of 140/100,000 – more than four times the South African average, and one of the highest murder rates ever measured. Some lose their nerve and go home, or try to find business opportunities outside the townships. But most stick it out. Ask why and they say, "Have you ever been to Mogadishu? If you'd been to Mogadishu you wouldn't ask that question."

And finally, **some immigrant traders bend the rules.** In Cape Town, a study revealed the existence of a network of Somali "agents" who

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distribute goods that sometimes include untaxed black market cigarettes, a hot-selling commodity in poor areas. In some cases, these goodies are withheld from South African-owned stores and those belonging to rival clans from back home. The IRR was also told that foreigners sometimes collude to lower prices in a given area, only to raise them again once they've driven local competitors out of business. For the most part, though, they succeed because of their adherence to the old-fashioned virtues of thrift, hard work, discipline and sobriety.

In the interest of fairness, we ran this potentially controversial conclusion past Mr. D, a thoughtful Soweto businessman who started out in the taxi business but quit circa 2001 because the violence unsettled him. Having sold both his Zolas, he invested in a street-corner shop, opened a spaza and made a success of it, providing his family with a good living and his children with university educations. "I know this business and I work hard," he says. "I am here all day, fetching and carrying for my customers. How many kilometers you think I walk every day?"

When the immigrant traders first made their appearance in his area, Mr. D noticed that they were spying on him, at least to the extent of monitoring his prices, so he started spying back and making sure he stayed competitive. After years of this, he believes he has come to understand their business secrets.

"Their big advantage is actually their religion," he says. "They can have ten shops and use those Muslim people as staff and know they will abide by their Koran. Not stealing and so on. If I had the same kind of dedicated people I would have 10 shops by now."

"Our biggest problem," he continues, "is that we can't trust our own people. If I leave my workers here for an hour I know they are going to steal something. I know! And our people don't just steal, they loot the place." He laughs ruefully, warming to the theme. "When I first started I trusted people," he says. "Then one day I found something missing and the way it was done made me think it's not the first time. I knew where these employees were renting so I went there. The landlord said, 'Oh it's you, I can't believe you still have a shop!' Then he let me inside and I saw their place was full, full of my stuff." After several similar experiences, Mr. D decided

enough was enough. These days, like his foreign rivals, he is extremely reluctant to hire anyone who does not share his bloodline.

Mr. D is convinced that the immigrant traders collude among themselves to set prices, but otherwise, he's grudgingly respectful of them. "They know how to run a business," he says. "They can keep their prices low because they have low expenses. And they don't have extended families here, so they can save lots of money." Mr. D goes on to complain about the so-called "black tax" – extended family obligations that make it hard for him to accumulate cash and capital at the rate immigrant traders do. "With local black people, if one guy is a success, he is supposed to take care of everybody. This is our culture of ubuntu. It's nice to hear but it doesn't help the businessman."

Some years ago, foreigners started approaching Mr. D with lucrative offers for his premises. He said, wait a while. First, he got himself a liquor license. Then he hired a Mozambican contractor to add a second storey to his premises (rooms for rent) and at the same time divide his shop in three. "Then I said to the foreigners, come, I am ready." Some Bangladeshis took over his spaza operation, paying an undisclosed amount for his stock and goodwill and signing a lease that left him with a nice monthly income. They were also eager, as he'd anticipated, to rent his upstairs rooms, and he still has his liquor store and a tiny space where he sells hardware. So he's sitting pretty. In fact, he's doing so well that he recently bought a second small shopping complex, where he's planning to make a similar arrangement.

There are scores of thousands of South Africans in Mr. D's position, drawing rents ranging from R1,500 to R8,000 a month while foreigners tend the spaza. Both sides seem satisfied with this outcome. Locals who were struggling to compete get an income off what was once a dying business, and the foreigners somehow make headway, too. We found an anecdote in the literature involving a Somali who dropped his R10,000 cash savings into a one-third share of a spaza located in a container in Delft, outside Cape Town. They paid R4,000 rent a month to the landowner, but worked and saved obsessively, as immigrant traders do. After six months, they began to lose their nerve (lots of robberies and xenophobic mutterings in the area) and decided to sell and move on. This particular

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Somali cashed out with R44,000 – a 350 percent return on his investment in just six months.

That yarn comes from an excellent MA thesis by UWC student Rory Leiden, who was in exactly the right place at the right time. When he started his research in 2011, the spaza trade in Delft was evenly divided between South Africans and foreigners. By the time he finished a year later, the foreigners' market share had soared to 80 percent, and the South Africans were crying. Most academics who study migration are human rights enthusiasts, inclined to ascribe any resistance to foreigners to xenophobia. Leiden is more even-handed. He listened to the South Africans' side of the story, and reported it fairly. Most of his SA subjects were working-class people whose large households were entirely dependent on the income generated by their spaza. They were not stupid or lazy or afraid of work. They just couldn't compete with people who worked around the clock and slashed their overheads to almost nothing by sleeping, eating and bathing in their shops. Some closed down, but most wound up taking Mr. D's way out – they surrendered their shops to the foreigners, and settled for the rental.

Mr. D is a patriot. He does not whole-heartedly welcome the foreign invasion. In fact, he uses the term "revolt" to describe Soweto's periodic outbreaks of anti-foreigner violence, implying a

measure of solidarity with those involved. But he does not accuse the foreigners of stealing jobs or engaging in foul play, and acknowledges that they provide a valuable service. On the morning after a riot, he says, Sowetans wake up hungry and realize they've shot themselves in the metaphoric foot. With all the foreign-owned spazas looted or shut down, they have to trek to supermarkets to buy their next meal, and that hurts, considering that supermarket prices are often higher and that you have to fork out taxi fare to get there. When the foreigners reopen, their clients return, and business continues as usual.

And the moral of the story? Mr. D scratches his head. He thinks the foreign invasion is good for South Africa only in the sense that it should "wake locals up" and teach them to compete. In theory, this should be fairly easy. South African spaza owners have substantial competitive advantages over their Somali counterparts, given that they do not have to pay rent and are exempt from attack by xenophobic looters. But as yet there is no sign of a South African comeback.

"For a long time, I was the only local who survived in this area," says Mr. D. "These days, I think it must be about 90 percent foreign ownership in the spaza business. I can say this because when I go to the wholesaler, it is very busy, but I almost never see another local buying there."

SIDE BAR 1

Creating entrepreneurs the ANC way

Given our firm belief in free enterprise as the only palliative for human misery, the IRR was impressed when Trevor Manuel's planning commission declared that entrepreneurship was the force that would propel South Africa into the promised land of economic plenty. This apparently post-socialist idea gestated in the bowels of government for a year or two before bursting into public view in 2013 in the form of a hugely ambitious scheme to turn South Africans into "a nation of entrepreneurs, not job seekers".

That's a quote from Lindiwe Zulu whose Ministry of Small Business Development aims to divert 30 percent of government's R500 billion a year procurement budget into the hands of small businesses or cooperatives. Toward this end, her department envisages the creation of 20 state-financed "enterprise academies" and as many as 250 "small business incubators" that will provide billions in start-up financing to mostly black-owned small businesses, thereby generating millions of jobs and driving unemployment down to 6 percent by 2030.

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As word of this plan spread, government reported a sharp rise in the number of small enterprises registering for tax purposes, along with an exponential surge in the number of registered co-operatives (these rose from 4,562 in 2005 to 120,251 in 2016). One assumes that many of these new enterprises were created as receptacles for an anticipated avalanche of new government tenders, especially at local government level, where officials were encouraged to “train youth, small businesses and cooperatives to apply for municipal tenders”.

In a speech to parliament in 2015, Ms. Zulu positioned herself as a champion of underdogs in their struggle against fat cats. “Big companies have for a long time managed to crowd out small businesses through their financial muscle, cash reserves and economies of scale,” she said. “For example, it is much easier for big companies to sell products at lower prices and in the process squeeze out small businesses when competing for government procurement opportunities, especially because government considers the lowest price over development considerations when procuring goods.”

“Development considerations” is of course code for “racial considerations.” So what happens when government disregards price and makes procurement decisions on the basis of race?

Late last year, *Noseweek* published an expose based on leaks from the Democratic Alliance/ EFF coalition that had recently taken office in Tshwane metro. According to *Noseweek*, outgoing ANC administration had established a database of 40,000 approved vendors, most of whom were “recently registered shelf companies operating from residential addresses” or co-ops established to create “entrepreneurial” jobs for the city’s unemployed youth. These middlemen were allegedly profiting from “outrageous” markups on municipal micro-tenders. In many cases, says *Noseweek*, “entrepreneurs” simply bought goods at wholesalers and delivered them to the municipality at markups of up to 400 percent. In this way, Tshwane wound up paying R300 apiece for light bulbs that cost R79 at Makro, and R70 for three-point plugs that cost R15.

There is an important point to be made here. Turning South Africans into a nation of entrepreneurs is a great idea. Some aspects of the ANC’s master plan show promise. Others, like the Tshwane fiasco, remind us of less salubrious transformation outcomes – overpriced coal and diesel at ESKOM, absurdly expensive power stations, water projects whose costs mysteriously surge once the work gets underway, and so on. This is what comes of regarding race as more important than the price and quality of services provided: everyone loses save insiders. And the biggest losers are ordinary citizens whose longing for a better life goes unrequited while government diverts our taxes into the pockets of play-play entrepreneurs.

As the ANC’s hold on power weakens, diverting procurement funds to black-owned small business has become a key to its survival. The scale of this scheme is dumbfounding, rivalled only by social grants, which cost SA around R125 billion a year. The preferential procurement ploy seeks to transfer an additional R150 billion a year into the hands of the previously disadvantaged. If it is mishandled, or allowed to turn into a looting exercise, it will destroy the country as surely as nuclear war.

The IRR likes the idea of unleashing forces that sharpen competition and break up unhealthy concentrations of economic power. But if Ms. Zulu’s scheme is to work for the good of the nation, there is still only one way to do it: make tender processes transparent, award contracts to the lowest bidder, and allow the winners to sink or swim in the real world, like the industrious migrants and *Kasikos* entrepreneurs in the adjoining pages.

Case Study 2

The Zimbabwean takeover of Joburg's restaurant work.

For migrants into Europe and North America, restaurants are an important port of entry into the mainstream economy. Restaurants tend to be small family-owned businesses, typically with fewer than 10 employees, and the work they offer is invariably “precarious,” in the academic phrase, with low wages, no benefits and low barriers to entry.

A similar situation exists in South Africa, where the so-called hospitality industry (including hotels) employs more than half a million workers. It's impossible to say what proportion of these are migrants, but in Johannesburg, the popular perception is that most restaurant jobs are now in foreign hands.

One recent morning, I found myself sitting at an open-air restaurant table, discussing this with two young white restaurant owners – let's call them Tom and Jerry. The waiter who serves our cappuccinos is a Zimbabwean, and when I ask, it turns out that the chef is Zimbabwean too, as are most of those chopping vegetables and washing dishes behind the scenes. I say, “What's going on here? In the 1980s, waiters in a joint like this would have been mostly young whites. Chefs too. What happened to them?” Tom shrugs. “In the 1980s, Zimbabwe was thriving,” he says. “Now every second Zimbabwean lives here and works in the restaurant trade.”

That's not entirely true. In 2013, a widely circulated news report claimed that “two to three million” Zimbabweans had fled to South Africa to escape the dire consequences of Robert Mugabe's land reform and indigenization schemes. Like all migrant numbers, that one was hotly disputed, and *Africa Check's* attempts to provide a more reliable figure ran afoul of “scanty, skewed and patchy” government data. All that is clear is that there are large numbers of Zimbabweans here, and that they have somehow acquired a near-monopoly on restaurant work in Johannesburg.

How did this happen? As previously noted, all migration stories follow a similar trajectory. In this case, Zimbabwe is reduced to penury by suicidal

economic policies, and young adults come to face a stark choice: starve or head for South Africa. So they crawl under a border fence, like Haile and millions of others, or enter as tourists and disappear into South African cities, where they are embraced by Zimbabwean social networks. Everybody shows some love to newcomers and shares survival tips with them. In the past decade, a lot of those tips have concerned jobs in the restaurant trade.

“It works like this,” says Tom. “The other day, a vacancy opened up in one of my operations, and I put an ad on Facebook saying, ‘Kitchen staff required,’ or whatever. But soon as word got out, a Zimbabwean already working for me said, listen, I have some cousins who are looking for work, can they come for an interview? I said, cool, but if I hire them, you put your name on it; if they cock up, you cock up too. The cousins came and aced the interview, and now I've got two more Zimbabweans on the payroll.”

Tom's buddy, Jerry, who runs a restaurant in Braamfontein, concurs. “Zimbabweans come across as confident and well-spoken, and that's what you need if you're dealing with the public.” He notes that Zimbabweans are often better educated than South African applicants, and that some are ex-teachers or white-collar workers, taking jobs below their accustomed station. Tom says, “I had a Zimbabwean with a BSc applying for a job the other day. It's frightening how many Zimbabweans are over-qualified for this kind of work.”

But, as he says, Zimbabweans are fleeing a country where the unemployment rate is north of 90 percent, so they have no choice. “The Zimbabweans working for me are men, not boys,” he says. “They have families to support at home. They're desperate.”

In that case, I say, can you get away with underpaying them?

The restaurateurs sigh. Jerry concedes that his scullers earn less than the minimum wage. Tom says he has a youngster chopping potatoes for

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R750 a week. “A young South African would never work for that,” he says. Both men concede that they count themselves extremely fortunate to have competent Zimbabwean chefs willing to work for around R6000 a month. But when it comes to waiters, international conventions apply; wages are miniscule, and most earnings come in the form of tips. “My top waitress makes ten grand a month,” says Tom. “Mine makes twenty,” says Jerry.

That’s a substantial income, considering that most of it takes the form of untaxed cash. Aren’t South Africans willing to work for that kind of money? Even white South Africans?

Jerry says, “I hired a white bartender the other day. He lasted two weeks.” Jerry says, “I don’t hire whites at all anymore.” They’re prima donnas, he says. Only want to work lucrative weekend shifts, when tables are full and tips are high. “This causes enormous resentment among my permanent staff – people who’re committed to me. I’d rather give the weekend shifts to them, to cement their loyalty.”

As for black South Africans, both men deny harboring any bias, and both have some locals on their staff. It’s just that the formidable Zimbabwe social network keeps delivering likeable and competent Zimbabwean job candidates to their doorsteps. I say, come on, there’s more to it than that, and Jerry concedes that this is partly the case. “I just want to hire someone who takes the job seriously and does what he says he’ll do. Zim guys are like that. They’re reliable, hard-working and don’t expect me to uplift them. It’s a more professional, more equal relationship than with black South Africans.”

So what happens if all Zimbabweans are expelled? My hosts reply as one: “Joburg’s restaurant industry collapses.”

Next time you’re in a Johannesburg restaurant, ask the owner about the prevalence of Zimbabweans in his or her operation, and you’ll hear some variant of this theme. One restaurateur said he started with one Zimbabwean twenty years ago and now employs 58, almost all members of the same extended family. Others will tell you that they feel a moral obligation to help Mugabe’s victims, and a handful will say they prefer Zimbabweans because South Africans are spoiled, lazy and dishonest. But most cite the social network and its magical ability

to conjure up ideal employees at a few hours’ notice.

Stories from the workers’ side of the restaurant trade also follow a familiar trajectory, so I’ll just tell one here. I met Emily in a Melville restaurant where she was slinging pizzas and beer. When she took a break I asked her to tell her story. It began, like many Zimbabwean stories do, in 2005, when inflation began its dizzying acceleration (it was 586 percent in 2005, rising four years later to 79.6 billion percent per annum).

“Everything began to collapse,” Emily says. “My father was working for government but there were months when he didn’t get anything. There were no jobs for me. There came a time when we were eating one meal a day and going to bed hungry. I had no choice. I came to South Africa.”

After jumping the border, she fell in with three friends who were sharing a single room in the inner city, paying R325 a month apiece. For once, the social network failed, and she wound up walking the streets looking for work. She found some in China City, the Chinese mall on the west side of downtown. “I had to get up in the dark to walk there,” she says. “The hours were long, and the pay was R40 a day, but I considered myself lucky. Even with that small money, I could pay rent and send money home to my parents.”

All we need to take from Emily is that one telling phrase– “*the pay was R40 a day, but I considered myself lucky.*” Life is hard and there is much to be said about exploitation and injustice, but meanwhile, let’s just observe that you’re unlikely to hear a South African saying such a thing, and that it tells us almost all we need to know about Zimbabwean domination of Johannesburg restaurant jobs: Robert Mugabe has created a nation that is immune to self-pity; his people have to do whatever is necessary to survive, and they accept this with an extraordinary combination of resignation and cheerfulness.

That attitude can take you places. After a few months of hard labour in China City, Emily moved on to a dishwashing job at an Indian restaurant (R50 a day) and thence to greater things, and finally to her present position at a fashionable Melville eatery. Almost all the other waiters here are Zimbabweans too, and yes, they tipped her off about the vacancy.

SIDEBAR 2 – ENLIGHTENED SELF-INTEREST

Five reasons why SA should learn to live with immigrant traders

Professor Jonathan Crush, head of the South African Migration Programme, says South Africans are the worst xenophobes on the planet. A recent survey showed that 30 percent of us want a total prohibition on foreigners coming to work here – “easily the highest of any country surveyed”, according to Crush. An additional 48 percent want strict limits to entry. An earlier survey revealed that around a third of us believe foreigners should be reported to police and deported. Another 11 percent were prepared to do the job themselves, using violence.

The central source of hostility to immigration is the ubiquitous perception that “foreigners are stealing our jobs”. Is that true? Well, yes, in some sectors, and to some extent. But it is also true that foreigners start new business, stimulate the local economy and create jobs.

How many jobs? Years of acrimonious debate in this regard were recently settled by SA Migration Programme researchers who interviewed 1 136 migrant business people in Johannesburg and Cape Town and established that they’d created an average of three new jobs apiece – one for themselves, and two for others. Roughly a third of their employees were South African.

Those numbers are probably too low to shift the xenophobes, so let’s look at the same question from a different angle: what do South Africans lose if all migrants are sent home again?

1. **Low prices & convenience.** As seen in the main piece, the Mohammedan takeover of the spaza trade has conferred huge blessings on South African township residents. They can shop on their doorsteps, and spaza prices are usually the cheapest in the city. Same applies to all those cut-price merchants in Little Ethiopia. Small traders wouldn’t flock to them from all over Africa if they weren’t getting good deals.
2. **Rentals.** As stated elsewhere, some 70,000 to 90,000 South Africans are now renting their spazas to foreign traders, and that’s just the tip of a vast rental iceberg that eludes government radar. Let’s imagine, *arguendo*, that Stats SA’s estimate of 1.7 million foreigners is a radical undercount, and that the real number of migrants is around three million. Where do they stay? All but the richest and most established of them can’t buy property, because they typically have no bank accounts and thus no access to bonds and home loans. And they can’t get RDP houses, because those are available only to citizens. So they have to rent. Even if they’re all paying a rock-bottom R300 a month for a single room in a township backyard, that adds up to a cumulative annual windfall of R10 billion for South Africans.

In Vrygrond, a small township near Muizenberg, almost every brick house is surrounded by densely-packed tin shacks, with three or four crammed into every yard. I spoke to the owner – let’s call her Mrs Mavis – of such an establishment. She said her immediate family (herself, common-law husband and son) owned three RDP houses between them. They all lived in one, and had converted the others into rental units and backyard shacks. She said, “I rent only to foreigners. South Africans are too cheeky. They always want rights. But foreigners know that if they don’t pay, I will get my friends from the police to throw them out and deport them.”

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By my calculation, Mrs. Mavis is making at least R10,000 a month in rentals, all in cash and untaxed. How many South Africans are in a similarly sweet position?

3. **Economic stimulation.** Ten years ago, it was generally assumed that most foreigners were engaged in what's known as survivalist trading – you buy a handful of sweets and cigarettes and sell them on the street, making just enough to feed yourself and restock your stall or table. A study in Cape Town paints a very different picture. The vast majority of foreign traders started out with capital of R5,000 or less. Within three years, however, all had at least doubled the value of their businesses, and 40 percent had amassed R50,000 or more.

It's worth noting that small-scale street traders and spaza operators cannot escape paying VAT on goods purchased from wholesalers, thereby contributing to the nation's coffers and stimulating the wholesalers' turnover. Which in turn helps us to understand why Walmart, the world's largest retailer, was willing to pay around R35 billion for a 51 percent stake in Massmart in 2012 – the largest direct foreign investment in this country in years. Why did the Americans find Massmart attractive? Inter alia, because it sells huge volumes of wholesale goods and groceries to township traders, most of whom are foreigners these days. If the foreigners go, trade declines and countless South African farmers and manufacturers suffer, along with all their employees.

4. **Bribes.** It seems fair to assume that foreigner traders don't pay much in the way of taxes, partly because their income usually falls under the tax threshold, but also because their profits are unbanked and thus undetectable. On the other hand, they are constantly required to make forced donations to government officials.

There is a voluminous literature on this subject, and it suggests that huge numbers of South African government officials are topping up their salaries by soliciting bribes from border-jumpers, refugees and alien traders.

This begins at the border, where cops and soldiers can be paid not to notice illegal immigrants. A recent study revealed that “the cheapest of various smuggling services (around the Beit Bridge border post) was run by police officials” who were charging R100 a head to let migrants through.

Inside the country, migrants often have to negotiate police roadblocks set up to “tax” the incoming stream. When they reach the cities, those intending to claim asylum must report to the Department of Home Affairs' refugee reception offices. Another recent study established that 30 percent of asylum seekers were hit up for bribes during the application process, usually more than four times apiece. At the Marabastad refugee centre in Pretoria, the proportion reporting bribe overtures rose to fifty percent.

Even if you manage to get papers, you're still vulnerable. “Cops recognize Somalis by their features,” says Amir Sheik, the Somali activist. “If they see one of us behind the wheel of a car, they always stop you, and even if everything is in order, they still ask for ‘cold drink.’” A study of Zimbabwe migrants living in Johannesburg reached a similar conclusion: “Police officers routinely engage in intimidation and extortion of, and simple theft from, Zimbabweans and other migrants.”

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Tanya Zack, who has spent years studying Little Ethiopia, says its denizens dread the appearance of municipal police, national police and inspectors from SARS or Customs. “Officers from all these law-enforcement agencies are known for massive extortion,” she says. Police would often confiscate a traders’ merchandize on the grounds that it was counterfeit, then offer to return it if they were suitably compensated. They were also willing ignore immigration violations in return for a bribe.

5. **Self-respect.** Why are these migrants here? Because we allowed them in. To some extent, this is a function of our slackness and our inability to police immigration properly. But it is also a function of our signature on international treaties binding us to grant at least temporary asylum to anyone claiming to be a refugee. So, yes, many of these asylum claims are strategic, but some aren’t. This applies particularly to Ethiopians, Zimbabweans, and anyone fleeing the war zones of eastern Congo and south-central Somalia. Sending those people home would be dishonourable and cruel.

So what’s the solution? The other day, informal sector guru GG Alcock was invited to speak at some government-sponsored Township Economies Conference, heavily attended by black businessmen of the sort who pressurize government to expel the *amaKwere-kwere*. Anticipating a hostile reaction, he opened by saying, “I know there are people here who will disagree with me, so bring it on.” He then opined that it was nuts to compete head-on with fanatically hardworking Mohammedan spaza operators, and much better to profit from the opportunities they create. Buy a bakkie and do transport for them. Set up a security company to protect them. Bid for contracts to do things they can’t do themselves, like revamping and refurbishing their shops.

Alock went on to propose a system whereby all foreign traders would be allocated points for creating jobs, buying South African and paying taxes, and that those who surpassed a certain threshold should be granted South African citizenship. Expectations to the contrary, he was awarded a standing ovation. Maybe he’s onto something.

Case Study 3

Rise of the Chaos Precinct

In my distant Joburg childhood, I dreaded being taken to the eastern end of Jeppe Street in downtown Johannesburg. The buildings were tall (four to twenty storeys) and their tenants were dentists, doctors and medical specialists. Dr. Mulder, our dentist, had his drills and other torture implements in a building called Medical Centre. Surrounding skyscrapers had names like Lister Building or Medical Arts, and the streets at their feet were pristine, kept clear of hawkers and other social menaces by strict enforcement of municipal by-laws.

In the 1960s, owning a building in this precinct conferred significant social prestige on a landlord. Doctors were blue-chip tenants; rents were extraordinarily high; at 5pm, fleets of Jaguars and Bentleys would emerge from underground parking lots and head north towards the mink and manure belt.

In the 1970s, however, some ill-considered urban planning decisions diverted new development to Rosebank and Sandton, and soon after, apartheid began its long and painful collapse. Poor people

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started moving into the inner city in defiance of the Group Areas Act. The doctors fled. Unable to find suitable replacements, landlords started renting to blacks, some of whom found themselves at the mercy of rack-renters who failed to unblock the drains, fix the lifts or replace broken light-bulbs. This led to tenant rebellions and the allied phenomenon of building hijacking, in which warlords would see legitimate owners off the premises at gunpoint and divert rental revenues into their own pockets.

After that, says Paul Jackson, one of the unsung heroes of downtown regeneration, inner-city property crashed entirely. "So there's this period from 1989 to about 1996 when people aren't even trying to sell their buildings anymore," he says. "They're just surrendering them. Residential buildings, industrial buildings, office blocks...people are moving into all those spaces, and the owners are just throwing up their hands and walking away, leaving the municipality and the banks to clean up behind them. Everybody forgets this. They say the banks are bad for redlining these areas. But the banks lost billions in defunct sectional title blocks and skyscrapers over which they held bonds. Debtors would flee the country. The banks were burned proper."

Once the banks pulled out, downtown buildings had to be bought with cash, and almost nobody was willing to sink their own money in a zone that seemed to be heading toward *Mad Max*-style dystopia. By 1999, eastern Jeppe Street had become a place where you could buy a blighted, squatter-infested four-storey building for R350,000, three to five percent of what it would have been worth in the area's heyday.

But the zone had advantages that were visible only to those with an eye for business. It was, for a start, located within walking distance of Park Station, and even closer to the giant Noord Street taxi terminal. On any given day, thousands of township and cross-border traders poured into the city through those two ports of entry, looking for goods to buy and take home for resale. As of 1999, their needs were serviced by orthodox sales emporia – street-level retailers and wholesalers who'd had the courage to tough it out in what was

generally perceived as a lawless zombie zone.

But change was coming, driven inter alia by events in the Horn of Africa. Ethiopians started trickling into South Africa as early as 1993, but their numbers remained small until 2005, when Ethiopian strongman Miles Zenawi was almost unseated in a ferociously competitive election. In the aftermath, Zenawi cracked down heavily on those who had voted against him, precipitating a flood of refugees to South Africa. Most of them, like the aforementioned Haile, began their new lives on Jeppe Street, at the heart of what soon became known as the Ethiopian Quarter, or Little Ethiopia.

A second driver of change was China's emergence as a great trading power. Once a poverty-stricken Communist backwater, China instituted pro-market reforms circa 1978 and began to grow exponentially, churning out consumer goods and clothes at impossibly low prices and shipping enormous volumes of them to markets across the planet. In Johannesburg, these products usually wound up in Chinese-owned warehouses on the outskirts of downtown, where amazing deals were available to sharp traders. Many of these were Ethiopians who transported Chinese goods across town and put them on sale in Little Ethiopia – a development that has since transformed the economic fortunes of this sector of the inner city.

Researcher Tanya Zack dates the start of Little Ethiopia's rise to circa 2003, and acknowledges that it was made possible largely by the fact that Joburg's downtown was a place where municipal and other authorities had long since lost control. Municipal by-laws hadn't been enforced for decades. Hawkers had taken over most sidewalks. Policing was minimal, enforcement of labour laws and copyright laws almost non-existent. This created the conditions necessary for a dumbfounding explosion of informal trading.

The other day, I trekked downtown to view the outcome. Medical Centre had become the epicentre of what municipal officials call "the chaos precinct". The street outside was clogged with delivery vehicles, the sidewalks choked by masses of jostling pedestrians. Every spare inch of pavement was occupied by stalls or tables loaded with

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clothes, shoes, dark glasses and cosmetics. The din was deafening.

At first glance, there seemed to be four life-forms operating in this frenzied free-trade zone. At the bottom, on the street, there were stalls or tables where small-time sales artists from all over Africa worked the passing trade. Some of the goods on offer in this zone looked dicey – “Levi Strauss” jeans for R100, and Springbok rugby jerseys for R80, less than ten percent of what you’d pay for the authorized version in a suburban shopping mall.

Next came the street-level shopkeepers, who had roofs over their heads and a broader repertoire of goods for sale, including curtains, one of the specialities of the district.

The lobby of Medical Centre, which once had an elegant concierge, was like the gateway to hell, crammed with shouting traders. Its dim interior was like a medieval souk, with tiny stalls piled to the ceiling with merchandise. Great rivers of shoppers were climbing a chipped and battered staircase towards the upper floors, which had been converted into showrooms and workshops by a third and higher caste of Ethiopian businessman.

On one of those upper floors, we entered a showroom piled with towering bolts of material. Two Malawians sat at sewing machines, pumping out curtain trimmings and linings. The operators at this level are manufacturers, but also retailers and wholesalers, selling goods into the rest of Africa. Above them in the hierarchy (and the building) are the really big boys, Ethiopian dons who use the remaining floors of Medical Centre for storage and living space.

Someone told me that a consortium of Ethiopian traders had bought this building for scores of millions. At first hearing, this struck me as unlikely, but I was at the foot of a steep learning curve. According to transactions listed on Property24.com, a nearby building changed hands in 2002 for R300,000. Four years later, another fetched R600,000. By 2011, prices had risen to the extent that some lucky investor was able to sell a building for R6.5 million, but that was nothing compared to what was to come. In 2012, a building 150m away fetched R48 million. The old Jeppe Street Post Office, 100m in the other

direction, was auctioned last year for R95 million.

Intrigued by all this activity, I pulled the title deed for Medical Centre. As downtown property headed towards its nadir, the building fell into the hands of First National Bank, which managed to unload it to a Taiwanese entity in 1993 for R500,000. At some unknown point, it was taken over by Ethiopian tenants who prospered to the extent that they were able to buy it 2011 for R52 million – a hundred-fold increase in 18 years.

Rents have experienced a similar explosion. In 1990s, retail space in the inner city cost as little as R30 per square metre per month. By 2012, when Tanya Zack conducted her research, rentals elsewhere in downtown had risen to around R180 per square metre. The owners of Soweto’s shopping malls were charging around R320 per square metre, while shopkeepers in Sandton had to pay R800 for the same amount of space. In Little Ethiopia, choice trading spaces were even more expensive, and obtainable only by paying “key money” sometimes running into hundreds of thousands of Rand. At the very apex of the rental pyramid, Zack found a woman who was paying R4,000 a month for a shop barely larger than a cupboard. That translated into a monthly rental of R2,000 per square metre – the highest rent in Africa, by her calculation, and among the highest on the planet.

So how did it come to this? I could repeat all the standard clichés about hard work, thrift and social networks but let’s rather look at Little Ethiopia through the eyes of Tibebelessie Tigabu, a hip young writer sent to South Africa in 2015 by *The Reporter* of Addis Ababa. Tigabu speaks Amharic and knows the Ethiopian pop stars whose music provides the soundtrack in the chaos precinct. Even so, his questions are greeted with silence and suspicion until he falls among some “gangsters” who offer to give him the inside story.

Like Haile, these young men jumped the border and started at the bottom, staggering around Soweto with loads of curtains and lying awake at night in communal dormitories, listening to gunshots in the street outside. Unable to bear the torment of door-to-door selling – “the scorching sun” and “feet shaking from the long walk” – they fanned out into

continued ...

rural areas to try their hand at trading, and when that failed, returned to Little Ethiopia to practice *ayer bayer* – Ethiopian slang for the art of making truckloads of incoming merchandise “disappear in thin air.” These wide boys inform Tigabu that “80 percent of the businesses Ethiopians run here are not entirely clean”, a reference to the fact that Little Ethiopia is a de facto free-trade zone where evasion of import duties is fairly common, and at least some goods are counterfeit. Hence ultra-low prices that draw customers from as far away as Kinshasa to buy goods for resale.

Tanya Zack’s narrative of the rise of Little Ethiopia follows a less breathless trajectory. As she tells it, most refugees arrived penniless and initially worked for someone else. In time, they managed to save a little cash and start trading in their own right. According to Zack, they typically hired space from established Ethiopian lease-holders, who were continually subdividing their space as rents rose. Trading spaces grew smaller and smaller, until every square centimetre was intensely utilized. She once paced off the street frontage of one building, and then counted the number of businesses operating along the pavement and on the floors above it. Around sixty metres wide at its base, the building housed 283 retail outlets, all competing ferociously with one another. It had become, as she says, “a vertical shopping mall” whose existence was known only to those flocking to shop there.

So how do Ethiopians make a living in tiny shops surrounded by thousands of competitors? Zack befriended a woman she named Berta, and did a close study of her operation. She found that Berta worked 11 hours a day, and kept her mark-ups to a bare minimum – “R1 to R1.50 on most items”. This caused stock to fly off her shelves, and if she ran out, she could just nip upstairs and buy new merchandise from a wholesaler. By keeping a sharp eye on trends and churning her stock in this manner, she was able to generate a profit of R1,000 a day – a middle-class income in South African terms.

Some of Berta’s earnings, one presumes, went to renting a nearby flat for herself and her family, thereby powering a parallel revolution. Over the last decade, tens of thousands of working people have

returned to the inner city to rent moderately priced flats, typically located in clean, safe buildings with tight security at their entrances. The rescue and refurbishment of these buildings was made possible by organizations like Paul Jackson’s Trust for Urban Housing Finance, which stepped into the vacuum created by departing banks and has since lent billions to entrepreneurs willing to take on the challenges of the inner city. Once this risky model proved viable, inner-city property prices began to recover, and now stand at 1,000 percent above the levels of 2003.

We asked Jackson how many Ethiopians were now living and working in the inner city. Like everyone else, he had no idea, but he was willing to contribute one snippet of hard information – his company alone has financed five Ethiopian acquisitions– and hazard a guess at the rest: roughly 70 percent of buildings in the two kilometre square chaos precinct are either owned or controlled (via head leases) by Ethiopians.

The newcomers’ free-market zeal has not exactly endeared them to Johannesburg’s municipality. For years, the city’s ANC administration fought a losing battle against uncontrolled street trading of the sort that takes place in and around Little Ethiopia. The new Democratic Alliance regime is equally inclined to complain about lawlessness, mess and rampant violations of municipal bylaws. In other respects, though, it is clear that the Ethiopian presence has added hugely to the sum of light in the inner city. The spectacular rise in property prices has resulted in a windfall for the municipality, which now reaps a fortune in rates and taxes from buildings that once yielded nothing but headaches. Beyond that, researchers estimate that cross-border trading contributes R17 billion a year to the city’s economy. Ethiopians deserve an unknown but significant part of the credit here. They are also creating jobs for South Africans¹ and stimulating demand for local goods and services, while the richest among them are now permanent residents and taxpayers.

1 How many jobs? See sidebar.

5. What these case studies tell us about ourselves

As we observed at the outset, South Africa's ANC government (along with most rival political parties) believes black advancement is made difficult or impossible by the legacy of apartheid and colonialism. Proof of this contention is found in the enduring gulf between black and white incomes, and the chosen remedies are affirmative action or BEE laws intended to force whites to open the door and allow blacks to enter the promised land.

At the same time, government and its allies in big business and academe are constantly plotting ways of sharpening black entrepreneurial skills – incubators, small-business subsidies, training courses and informal sector upliftment schemes of the sort described in the sidebar on page 12. Since the ANC came to power in 1994, South Africa has spent untold billions on such projects, and they have achieved little or nothing; black unemployment remains seven times higher than white, while black households continue to earn barely one-fifth of their white counterparts. This reinforces belief in the central contention of black politics in South Africa: whites conspire to keep blacks down, a problem that can only be resolved by intensified affirmative action or a conclusive Marxist-Fanonist revolution of the sort favoured by Julius Malema's Economic Freedom Fighters.

The stories we've just heard raise fundamental questions about the truth of these beliefs. The actors in these migrant economic dramas are all black, using the broad definition favoured by Pan-Africanists. As such, they must face exactly the same forms of discrimination as black South Africans, and many additional obstacles besides – rampant xenophobia, a banking industry that is unwilling to open accounts for them and a government that denies them all manner of benefits available to black South Africans, including state subsidies for black entrepreneurs and participation in preferential procurement schemes that require formal-sector businesses to place a portion of their orders with black suppliers.

And yet, foreigners make it here. Some of the stories told here might convey the misleading impression that all migrants are pulling R20k a month as waiters in posh restaurants, or buying inner-city buildings with suitcases full of cash. These are exceptional cases, but the literature demonstrates that foreigners are more likely to be working than South Africans, and in the few cases where data is available, earning more than their South African counterparts. For instance, a study in Cape Town revealed that the average monthly income of foreign micro-traders was R4,121, considerably more than the black South African mean of R2,998 as calculated by Wits University researchers. In Johannesburg, the equivalent figure was R6,401.

How do they achieve such outcomes? According to academic studies, they enjoy no discernible educational advantage over South Africans, and few arrive with more than a few dollars in capital. But they do come with a radically different attitude toward work, invariably born of desperation.

A survey conducted in 2008 showed that 80 percent of South Africa's unemployed were also desperate for work and willing to start for very little, provided there was some prospect of advancement. But 62 percent said this got them nowhere, because there were simply "no jobs available." Foreigners dispute this claim, contending that there are all sorts of opportunities here for those willing to start at the bottom or create work for themselves.

It might be easiest if we deal with these two strategies separately. There are two classes of migrant, the first of which is those who come here to work for others – Zimbabwean restaurant staff, Malawian gardeners, Mozambican contract labourers who harvest the crops of white commercial farmers, and several hundred thousand foreigners who wear uniforms and guard buildings for ultra-low wages. The literature suggests that exploitation is rife in some of these sectors. A foreign security guard interviewed for this report claimed to be

working 26 twelve-hour shifts a month in return for R2,000 in cash under the table. That translates into only R72 a day, an income that forces Jackson Mtonga to make a brutal choice between eating and spending an additional three hours a day walking to and from his shack in a distant squatter encampment.

That's shameful, but what's to be done about it? The government could snap out of its lethargy and make it more difficult for migrants to jump the border. Economic theory dictates that a shortage of cheap labour would inevitably drive wages upwards to a point where locals might consider taking Jackson's job. But meanwhile, Jackson is not complaining. "I have no choice," he says, pointing out that there are no jobs at all in Malawi, and that R72 a day has at least enabled him to acquire a foothold in Johannesburg and search for something better.

We encountered an identical attitude among the dozen or so Zimbabwean restaurant workers interviewed for this report. Let's hear from a few of them.

Amy: "We know how to sacrifice. We have to work. My first job was washing dishes for R1,000 a month. Luckily my mom was working as a domestic so I was able to share her room, otherwise I would not have made it. Then I trained as a chef for a few years, and now I am a waitress. I earn R8k a month, sometimes more."

Could South Africans not do this too? Amy giggles. "South Africans can't do hard labour," she says. "It is not for them. Actually, it's not that they can't. They won't. I don't know how this got into their minds. They want things, but they won't work for it."

Emily: "My first restaurant job was washing dishes for R50 a day, but if you've been through what I've been through, you just force yourself. With South Africans, it's about 50-50. Some know that if you want something, you have to work hard for it. But some aren't interested. Restaurant work is too much for them. The hours are too long. They don't have to be fired. They quit."

Michael: "Black South Africans are only interested in jobs with a pay slip, medical aid and pension. This job I do (he washes dishes for R120 a day) is too low for them."

James: "There is a laziness of some sort among South Africans. They haven't experienced problems to push them out of the country where they were born, so they think everything should come as a manna from heaven. That's why you find illegal connection of electricity, or people with RDP houses selling them to foreigners and then going back on the RDP waiting list again. Where I come from there are problems and I know I must strive. I must be determined to find something to survive. That is the difference."

We could continue in this vein indefinitely without denting popular perceptions, so let's just observe that there is more low-paid work in South Africa than meets the eye, and at least some of it is being taken up by foreigners who have no choice other than to open themselves to a degree of exploitation in the hope of improving their situation in the long run. It could also be argued that their presence here makes life easier and cheaper for many of us. I have my hair cut at a Pakistani barbershop that charges R40, about a third of what I'd pay at a posh hairdresser in Rosebank mall. The Indian suburbanite who employs Jackson Mtonga gets his house guarded for R6 an hour. Mr. D, the Soweto businessman, hires migrants to offload his delivery trucks. "Locals say, this is hard work, I want R100," he says. "If a foreigner comes, I can offer him R15 or R20 and he will be happy. Who would you opt for?"

The second class of migrants – those who come here to work for themselves – are also victims of exploitation, but the resource they exploit most intensely is themselves. You will recall the story of Haile, the Ethiopian bank clerk whose first job entailed selling curtains on commission for R50 a day, if he was lucky. We heard a similar story from a Somali named Said, who was given one blanket on credit and sent off to sell it in Alexandra township. When he returned with the money, he was given two blankets a day, and then five, and then ten. After a while, he saved enough to buy himself a partnership in a spaza business, at which point he started exploiting his own people – Somali newcomers who had no choice either.

It is fashionable to shout about exploitation by whites, but nobody pays attention to foreigners exploiting one another. According to one study, wages in foreign-run spazas start at zero in the case of new arrivals who owe money to the syndicate that smuggled them across the border; they work seven days a week for nothing but food until their debt is repaid. In his landmark study of Somali-run spazas in Delft, Rory Leiden found that low-level employees were working all day, every day, for as little as R800 a month. South Africans would perceive such wages as a massive indignity, but for Somalis, they offered a chance to get a foot in the door, save money, and move on to greater things. Many would eventually graduate into partnerships, in which earnings ranged as high as R10,000 a month. Some, one presumes, made it to the big league, where Somali and Ethiopian traders buy tall buildings at prices way out of the range of most South Africans, including whites.

Tanya Zack, who is writing a book about Johannesburg's Little Ethiopia, warns that it's wrong to assume all foreigners are rich. "There are many, many unsuccessful foreign business people too," she says. "Many live on almost nothing for years while they build their business." But then again, many succeed, and they have collectively made an incalculable contribution to Johannesburg's economy, in the process giving something of a bloody nose to the amorphous force known as 'white monopoly capital.'

I say this because inner-city property was a whites-only game ten years ago. Most of the buildings colonized by those frenzied Ethiopian traders were owned by white speculators who made a killing when rentals started surging upwards. One veteran inner-city property observer tells a story about a giant JSE-listed company that could scarcely believe its luck when monthly rentals in one of its buildings rose to R450 per square metre, only to discover that their lease-holders were carving up the space and re-renting it to fellow Ethiopians for nearly double that. And when the Ethiopians tired of acting as cash cows for whites, they formed consortia and started buying buildings themselves.

In a similar way, the advent of foreign-run spazas is challenging the interests of "white" retail chains in the townships and causing unease at giant wholesalers like Masscash. Like the rise of Little Ethiopia, this forces us to entertain an extraordinary conclusion: contrary to popular belief, 'white monopoly capital' is not immune to challenge by black rivals who come from nothing, work hard, and, against all odds, make significant economic headway². Black South Africans could do the same.

In fact, they're doing it already. "It's absurd to say that black South Africans are useless entrepreneurs," says GG Alcock, the "white Zulu" who spends his life studying the intricate workings of South Africa's informal sector. "They kill in businesses they know and understand." Foremost of these is the so-called "KasiKos" industry, a R80-billion-a-year behemoth consisting of scores of thousands of micro-entrepreneurs who sell fast food at train stations, taxi ranks or lately, at fancy township joints specializing in South African soul food –

² For the record, none of the foreigners interviewed for this report viewed white racism as an obstacle to advancement. They were universally far more concerned about hostility from black politicians, black business rivals and black xenophobes.

kotas, *vetkoek* or *pap en vleis*. According to Alcock, black South Africans favour this food partly because it is cheap – as little as R14 for a kota packed with soy mince, onions, chilis and potatoes – but mostly because they prefer it. So they buy it in enormous quantities, providing micro-entrepreneurs with incomes ranging from R1,500 to R10,000 a month and making some very rich indeed.

“I know a kota king who pitched up at a car dealership wanting to buy a new Jeep four-by-four for R500,000 in cash,” says Alcock. “The whiteys thought he was a drug dealer, because they had of course never heard of kotas. I mean, come on. This guy buys five thousand loaves of bread a day. He employs dozens of people to cut onions and fry mince. His operation is as fine-tuned and sophisticated as Shoprite’s.”

Alcock takes the view that entrepreneurship is a cultural commodity, and he’s right. If you’d visited any small South African town a century ago, you would have found Jews running the trading stores, because that’s what they were good at. Afrikaner businessmen were vanishingly rare in 1917. Afrikaners farmed. Jews traded, and in due course moved on to greater things. Their place was taken by Portuguese and Greek immigrants who have also since disappeared. Today, small towns are full of spazas run by Ethiopians or Somalis and cellphone shops run by Pakistanis, while local blacks dominate the Kasikos, taxi and tavern sectors, because that is what they’re good at. In the cities, you find a similar degree of ethnic specialization. Mozambicans dominate the tricky fresh fruit and vegetable sector, but locals are holding their own in the hairstyling business in the face of stiff competition from Cameroonians and Nigerians. And the mini-bus taxi trade is of course entirely under South African control, everywhere.

All these business are black-owned. None were created by government, and none derive benefits from affirmative action laws or government preferential procurement schemes. They evolved naturally. Humans saw opportunities and pursued them. A significant subset of these entrepreneurs are black migrants from elsewhere in Africa, and their success comes *in spite of* rampant xenophobia, constant police harassment and repeated government attempts to reduce their numbers by formulating laws like the draft Refugee Amendment Act of 2015, which sought to strip asylum seekers of the right to work, or the draft Business Licensing Bill of 2013, which proposed the creation of a new bureaucracy that would exclude foreigners whose working papers were not in order.

Under these circumstances, it’s surprising that foreign traders have survived at all, let alone prospered to an extent where they can challenge “white” domination in certain arenas. Their success is testimony to a rare triumph of the human spirit, and the endurance of allegedly outmoded values like hard work and perseverance. As Lindiwe Zulu intuited, they have something important to tell us. It is not too late to listen.