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**China - Africa Economic Relations, A case study of Chinese
investments in Uganda's hotel sector.**

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Abstract

Whereas foreign direct investment in tourism industry has been cited as a motor for economic development in developing countries, empirical evidence remains limited and very unclear. It has been highlighted in different literature that there is no way we can mention tourism industry without mentioning hotel industry and that hotel industry plays a significant role towards economic development. However still this literature is not conclusive on showing the degree of economic development hotel industry can contribute towards economic development in developing countries like Uganda.

Using data collected through interviews from both Chinese and Ugandan hotel managers, government officials, and other key informants, and literature review published in books and journals with systematic information in this field of study, this research paper examined impacts of Chinese investments in Uganda's hotel industry towards Uganda's economic development. Though from findings there are some negative impacts as a result of Chinese investments in Uganda's hotel industry, the findings contend the contribution of Chinese investments in Uganda play positive impact towards economic development of the country.

The research Contends that Chinese investments in Uganda's hotel industry, through its impacts such as, among others employment opportunities, source of foreign exchange, source of revenue to government, the industry's multiplier effects, that the industry can indeed be a stimuli for economic development.

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Dedication

I dedicate this research paper to my father Ssemanda Abdul, and my Mother Madinah Nantongo, and my aunt Namaganda Amina. I'm heavily indebted for their undying efforts to make me a happy son. My siblings, Sisters Namanda Hanipher, Nasaazi Aisha, Namaganda Aminah, Brothers Muhammad Gadaffi, Ssemanda Abudul Rahuman, Ssemanda Abudul Rahim thank you all for prayers always and wishing me well.

List of acronyms

CDB	China Development Bank
Chogm	Commonwealth Heads of Government Meetings.
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
HTTI	Hotel Tourism and training Institute
ICT	Information communication and Technology
PI	Personal interview.
UGx	Uganda Shillings
UIA	Uganda investments authority
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US\$	United States Dollar
UTB	Uganda tourism Board

1.0 Introduction

Since 1990s, China's relations with African countries have been growing. The relations have been characterized by China investing billions of dollars' in African countries in-form of unconditional low interests loans, aid and trade partnership (Brunell, 2014). In the year 1994, China set up China development bank mainly to meet China's needs. The bank gradually started to work promoted China's global interests. In 2006, CDB set up China-Africa Development Fund, and it was used to fund its active companies overseas, and to venture in investments in African countries (Brunell, 2014).

In 2000, China initiated the Forum, China Africa cooperation, primarily to help China strengthen its regional ties with other countries political, culturally and economic. All this helped China to position itself as a partner and ally in African continent (Brunell, 2014). It has been coming up with initiatives that make it fit in Africa; after all, it (China) considers itself a developing country as many of African countries are (Todaro et al, 2011).

China continue to position itself in Africa as a "non-interfering" ally by providing "No strings attached" aid, and loans to African countries, an act that challenges the West's insistence on "good governance" , this strategy has made China gain allies in the continent (Chan, 2013; Cheru & Obi, 2010; Tull, 2006: 466). This has helped China to gain even access to Africa's resources which the west also desires (Chan, 2013).

China organized Beijing summit on China-Africa cooperation from where it promised a number of benefits to African countries. They included, numerous investments, long term and low interests loans, training of 15,000 highly skilled personnel, construct ten agriculture technical centers, construct 30 hospitals and hundreds of schools. Also a scholarship scheme was to be launched where 4,000 Africans would be trained and educated in Africa (Barr, 2011). By offering all this, China has been cementing its relations with African countries, and hence making its relations with African countries more stable and strong (Barr, 2011).

In Uganda, Chinese economic relations have been improving year after year. It has invested billions of dollars in Uganda in economy through investments. For consecutive three

Fiscal years (2009-10, 2010-11, 2011-12), China has been among Uganda's first top six sources of Foreign direct investments (Uganda Investments authority, 2011/12).

1.1. Research problem

Foreign direct investment in the tourism industry is increasingly considered to be an important stimulus for not only economic development but also sustainable development in developing countries (UNCTAD, 2007). This has generated a debate among scholars analyzing the impacts of foreign direct investments in hotel sector in developing countries in regard to social-economic development (Meyer, 2004). In most of developing countries where hotel industry has been growing, through its multiplier effect, the industry has fostered economic development there (Williams, 2014).

Hotel industry is credited for its contribution towards the growth of related sectors such as travel agencies and hospitality, and providing market to agriculture sector in countries like in Kenya and Nigeria, and South Africa (Williams, 2014). In Uganda, hotel industry is considered one of the main sources of foreign direct investments to the country and one of the country's economic development drivers (Ministry of Tourism, wild life and Antiquities, 2014) with the industry attracting foreign direct investments all over the world (Uganda investment authority, investment abstract 2013/14).

As pointed above and in literature review (Chapter 1, 1.10) hotel industry has been cited as having a significant role towards economic development of a country considering its vast contributions such as employment opportunities, contributing to tax revenues, source of FDI and Foreign exchange coupled with socio-economic evolutions such as urbanization and supporting tourism industry. It is vivid that hotel industry plays a pivotal role as far as economic development of a country is concerned. On the contrary, the research has too often neglected the impact of the hotel industry on Uganda's economic development and there has been little analytical and systematic case-study work to analyze the impact of hotel industry in Uganda; a sector that has played the role of economic motor, stimulating more investments and employment opportunities coupled with the sectors' multilayer effect. It is against this background that this study seeks to examine China-Africa economic relations, using a case study of Uganda's hotel industry and fill this missing gap.

1.2. Objectives

Examine impacts of Chinese investments in Uganda's economic development. A case study of Chinese investments in Hotel industry .

1.3. Research questions

The following research questions provided a guiding framework which I followed while collecting data for this research paper.

1. Who are the actors in Chinese investments in hotels in Uganda, and where do they get money or capital from?
2. Who are the employees in Chinese hotel and what do they do in Chinese hotel investments in Uganda?
3. What are the impacts of Chinese investments in Uganda's hotel industry?

1.4. Purpose / relevance of the study

The study will help to examine the impacts of Chinese investments in Uganda's hotel sector. This can help Ugandan policy makers on how to ensure the sector considered one of sources of FDI inflow to the country; how it can be improved further to ensure more positive impact. This therefore means that this study will form a basis for future studies looking in the direction of current state of Chinese investments in Uganda's hotel sector and students intending to do future researches may find findings and conclusions important.

Relatedly, this study may give an overview to Uganda's stake holders as far as streaming terms and conditions of investors in Uganda's hotel sector to ensure that the impacts of such investments are positive and contribute to the country's economic growth.

This study in Africa's context is relevant in that, China's involvement in Africa as a debate topic is all over the continent, China does not only stop in Uganda but almost the entire African countries. It therefore means that the study findings can as well be applied in other African countries where Chinese investments especially in the same sector exist. Hence, the study

can offer some lessons from China's involvement in Africa with Uganda's perspectives.

1.5. Limitation.

This is a desk study research implying it may not be simple at all to get first-hand information. This however this did not affect the quality of the findings because through key informants' interviews, I was able to get first-hand information which I used in addition to scientific literature obtained from various systematic scientific literature sources.

Relatedly, the other limitation was limited databases to access needed secondary information. For example; the ministry of tourism, wildlife and antiquities where hotel sector falls has a very inactive database. This is the same case with Uganda tourism board which oversees Hotel industry in Uganda. I however tried to overcome this by conducting phone and email interviews with minister and other related bodies where I managed to collect primary data from. The fact that many of key informants were contacted via phone calls, and Skype at times there were interferences of connections and some words could not be hard, though this was resolved by asking more times to get well the respondents reply, the interference could in one way or another have affected the validity of data.

Further, from secondary sources, the quality of data reviewed may not be 100% correct considering the fact that in most cases in African countries, there is no systematic ways of keeping and collecting statistics and hence guess work at times. Another limitation is that during data collection for example interviewing hotel employees, I did not select them myself since I was not there physically. They were always selected by hotel managers and this in one way or another could have affected the response since the managers may have opted to select respondents they believe would respond with what they wanted to be said. I tried to work on this issue by use of triangulation and asking same questions twice to ensure I get unbiased information. Another limitation was on multilayer effect of hotel industry in Uganda. I did not look at multiplayer effect in depth with economic model since it required more details and interviewing other respondents beyond the selected key informants.

1.6. Delimitation.

This research study put much focus on Chinese investments in Hotel sector in Uganda yet there are other sectors with Chinese or foreign investments and this means that the outcome of this study cannot be used to draw a conclusion about Chinese investments in Uganda; the study only remains a reflection of investment in hotel sector. However, in literature review, other sectors where Chinese have invested were also looked at.

The reason for delimiting the study to this sector is that, hotel sector is one of sectors that contribute greatly towards economic growth of Uganda with contributions of multiplier effects such as employment opportunities, source of foreign exchange and tax revenues among others (Ministry of Wildlife and antiquities, 2014), but limited studies focusing this sector have been done. Another reason for delimiting my study to this sector is that, other sectors with foreign investments in Uganda such as mining, roads construction, energy sector have all been marred with bribery and corruption allegations involving high government officials (NTV news, 02 May 2015; Daily Monitor, 15 January 2015; Observer 16, January 2015, NTV news, 14 January, 2015) that makes the study about them risky as they are security conscious with most of agreements signed remaining top security.

1.7. Advantage and challenges arising during primary data collection

Having practiced journalism for five years before I came for studies, I did not find many challenges when it came to primary data collections since I had contacts. I had a number of contacts especially with ministry officials, workers Union, and hence, fixing appointments for interviews was not a big challenge.

The challenge that I faced during primary data collection was that being very far, I could not conduct physical interviews. The best alternative was Skype since it is more less physical as you are able to see the respondent, observe his/her facial expression, in addition to writing down his/ her verbal communication. It was not possible to have all key informants do Skype interviews as many of them were not connected considering that internet is not that much

common in Uganda. I only had a total of two Skype interviews and the rest were Phone calls and emails.

The lesson learnt here is that, it is very possible to conduct primary data collection without necessarily moving to field but with help of the growing technology as globalization advances more. The method is cost effective considering the fact that you don't have to incur into transport costs. However, getting feedback with emails becomes effective only if followed with phone calls. Basically, this becomes very possible when one has contacts.

1.8. Ethical considerations

There were ethical challenges such as confidentiality that came up during collection of data- especially when it came to interviews with key informants. This challenge was addressed by asserting that the purpose of this study that it was entirely for research purpose. I also made it clear to all respondents (Key informants) in every interview I had that their response would be presented in an anonymous way. This ensured that respondents especially hotel employees, were protected while writing this paper (Cresswell, 2009).

Apart from respondents who said were ok with mentioning their names in my findings, other respondents identity remained anonymous. This was done on ethical grounds of keeping respondents identity a secret. It is unethical to reveal respondents/interviewees identity if such may cause or bring him/her into uncertain situation immediately or in present (Mickelson, 2005). However, for purposes of future reference, I have a confidential list of all respondents and it is kept very safe in a trusted place not easy to access.

1.9 Disposition

Chapter two explains theoretical framework this research paper has employed explains the choice for the theory and also presents critique to the theory. Chapter three explains the methodology used (research design, sources of data, data collection tools, interviews, selection of interviewees, snow balling, etc), Chapter Four gives a precise and detailed back ground of the hotel industry but with much focus on Uganda. Chapter five is on the description of the findings from the study, while chapter six is on the analysis of the findings (discussion and interpretation of the results). The conclusive remarks and recommendations will be found in chapter six. There are also graphs, figures, tables and other information which could not be included in the text; this can be found in appendices.

2.0 . Theoretical approach and literature review.

The chapter bellow presents and explains the theoretical approach applied while conducting this research paper, then the next part presents critique view to the theory and then ends with a sub- chapter (2.3) which presents literature review (Secondary data) review in detailed form.

2.1 Theoretical approach.

This research paper's point of departure is from two theories that is the capital formation theory and the technological spillovers theory which explains importance of FDI towards economic development. Looking at neoclassical growth model (Solow,1956) the more the capital stock in any economy, this contributes to more production.

Aware that FDI is a source of physical capital in the country where the investments are done, this means that growth in FDI will result into increase in the country's level of capital stock meant for production and hence, with assumption of neoclassical framework, which assumes that the increase foreign-owned capital stock contributes to higher growth because FDI is considered to be additional capital.

Though Brems (1970) casts doubt in FDI's positive impact in long term, he highlights that when we assume diminishing returns to capital, this will result into growth rate as a result of increase in stock of FDI which he maintains is realized only in short term , hence will contribute to economic development but in a short term (Brems 1970).

Scholars like Todaro (2011); Borensztein et al (1998), maintain that FDI plays a significant role in economic growth of host countries. In his book Economic Development, Todaro (2011) further explains impacts of FDI such as employment opportunities. Todaro (also talks of other impacts such as simple transfer of capital that come with FDI.

Going by Dicken's (2015) view in his book "Global shift", FDI can contribute to countries development as states compete aiming at enhancing their international trading position, and gain profits from the from their trade, their companies will produce good quality goods to attract market, and in the long run this will call for even local firms to do the same so they can win market there by providing good services as a result of this competition (Dickens, 2015).

However, it should be noted that the solow model puts much focus on macroeconomic aggregates, and hence though it can be applied to this study, it is less appropriate.

Other than direct capital formation, FID contributes immensely to economic development through technology spillover. Borensztein et al (1998), argue that through technology or knowledge spillover, FDI plays a significant role in terms of economic growth. Relating it to the framework of endogenous growth theory, which underscores the importance of knowledge accumulation as a key factor for economic growth in the long-run.

Foreign Direct Investment (FDI) increases the productivity of host country domestic firms through gains obtained through direct transfers of knowledge/technology between linked firms and this can be from productivity effects through indirect FDI spillovers (Newman et al, 2015).

FDI has enormous impact even in technology perspectives. As firms from developed countries invest in least developed countries, they come with their advanced technologies used in production which can be copied by other local firms and employ the same since they need to produce good quality goods to win the market (Kinoshita (1999)

FDI is important for economic development especially to the host country because FDI is less vulnerable to when compared to portfolio investments hence, one can rely more on FDI for economic development (Lipse 1999) such advanced inputs, they are able to increase on their production and hence the said growth. As foreign firms come with investments in developing countries, they normally come with advanced technologies not known to the local employees and hence their locally recruited employees undergo trainings to ensure that they have knowledge to help firms do improved production work. The new skills given to the workers results to increase in the stock of knowledge in that country, and hence contributing to increased production and growth in the long-run.

2.2 Critique of the theory.

Despite different views expressed above, different studies results from scientific and empirical studies analyzing the impact of FDI-growth connection do not show consensus that FDI promote economic growth. Thus, other theories therefore maintain that FDI has insignificant

positive impact on economic growth especially that most of them are after maximizing their return on capital not bothered with economic development of their host countries.

“We must recognize that multinational corporations are not in the development business; their objective is maximize their return on capital. MCNs seek out the best profit opportunities and are largely unconcerned with issues such as poverty, inequality, employment conditions...”, (Todaro, 2011, page 686).

Furthermore, there is argument that the entry of foreign firms leaves domestic firms at risk of survival as many get outcompeted from the market that later result to their eventual collapse and closure as foreign firms take over. Countries/hosts that receive resource seeking firms, such investments will most likely not bring positive impacts to the host country since such investments’ abilities to generate impacts such as spillovers in the host country are very minimal as they only think of profit repatriation (Nunnenkamp and Spatz (2003).

Other scholars argue that foreign direct investments can have positive impact and contribute to economic development of their host countries depending on the characteristics of the firm’s origin. If the firm is from capitalistic country, then the firm may as well have capitalist tendencies of seeking profits by all means posing a challenge that even profits made in the host country will be siphoned (Fortanier,2007). On the other hand Blomstrom et al (1992) underscores the importance of host-country characteristics in allowing the impact of foreign direct investments to create positive impacts.

The Marxists theory on foreign direct investment is that the developed countries whose firms invest in developing countries (FDI) they hardly impact positively the host countries. In particular for example, the Neo-Marxists suggest that within the monopolistic structure of international commerce the foreign and developed countries that invest in developing countries siphon off the less-developed countries’ real resources leaving their economic growth unrealized (Szymanski, 1974).

It has been highlighted in different parts of literature that foreign direct investments’ contribution to economic development should not be relied on as the only source of economic development. Explaining more about FDI’s impact to the host nation, referring to O’Brien and Williams’ definition of FDI (Brunell, 2014) defines FDI as; *“Investment made outside the*

country of the investing company in which control over the resources transferred remains with the investor” (Brunell, 2014 page 66).

Brunell further explains that such investments are meant to solely benefit the company’s origin country not the host,

“In other words, a key feature of FDI is that production will be directed by (and presumably organized to benefit) a corporation from outside the territory in which the investment is made” (Brunell 2014), page 66.7

2.3 Literature review.

The economic relations between China and Africa continue to attract scholar’s attention and consequently, many continue to write, and examine the relations between one of the World’s strong and growing economies-China and Africa relations (Van der Lugt et al 2011). Different scholars look at this relation in different perspectives with some weighing the impact of Chinese investments in Africa in terms of economic development and assert that China is becoming a big investor in the continent, as its foreign direct investments there increase (Van der Lugt et al. 2011; Carmody, 2011).

Despite its contribution towards economic development, African countries have been receiving a very small fraction of FDI; but with China coming on board, foreign direct investments especially in African countries has been raising despite the effects of global financial crisis in the year 2008 (Todaro, 2011, page 686). Todaro attributes the low FDI inflows to Africa due to unstable governments, and incomplete economic reforms Todaro (2011) He however maintains that FDI plays a significant role in developing countries (Todaro, 2011).

Some literature suggests that Chinese economic relations with African countries have already started showing positive results in transforming African countries economic development. Some African countries are already developing at growing speeds which will economic transformation of such countries. (Friedman, 2009). However, China’s support to develop African countries will of course not transform all African countries considering the big number of the countries in the continent and with diverse demographic , economic and political

challenges which China cannot intervene to ensure such its efforts bring there economic development (Friedman, 2009).

Friedman,(2009) however says China also has interest in Africa, but adds that China's interests are of both short and long term process, and that China has already started gaining such as getting mining contracts, construction contacts, *"Millions of Chinese already reside in Africa, with more arriving every day. They build dams, roads and railroads...or simply hope to get rich..."* Friedman,2009 page 3.

The increasing rate of Chinese Foreign direct investments in Africa has resulted to policymakers formulating rules, regulations and policies aimed at increasing positive effects of FDI, and its urged that the fact that many of large-scale investors in Africa remain Chinese state-owned enterprises, they say some of these new policies being formulated may end up with direct impact on their activities (Van der Lugt et al. 2011)

The huge population and rapid economic growth in China has forced it to look for alternative means where it can find alliances that are not aware of China's economic interests, thus China going to Africa which may in the long run have negative impacts on the continent (Carmody, 2011). China's economy is in need of resources such as mineral's to its growing industries and the growing population noting that the current rate of China's growth and need for raw materials would have massive resource implications particularly on African countries (Cramody, 2011 page 66).

China has positioned itself as a development partner with African countries, but it's real motive in Africa is the natural resources is in Africa which China wants largely for its own economic gains (Alden 2007). In his book "China in Africa" (Alden, 2007) Alden points at the China's extraction of resources in South Sudan, in Nigeria's Niger delta, in Benin, Timber in Congo, Liberia, and Cameroon among other African countries.

"Led by Chinese petroleum companies flush with massive foreign currency reserves, and a strong political mandate, Chinese businesses have been on an acquisition of spree for resources across the African continent since 1996" (Alden, 2007, page 3).

As the debate about China's relations with Africa continue, some scholars say that unlike African Politicians, the relations of the two have left less impacts on the lives of Local Africans while African leaders and the bourgeoisies are gaining (Alden, 2007).

“In exchange of their countries riches, African politicians have acquired dozens ofusing Chinese labour numbered in hundreds sometimes thousands while unemployed Africans were ignored” (Alden, 2007, page 3).

The above fits well in Uganda's context, it is the Chinese that funded Uganda's Entebbe State House, New parliamentary chambers as well the country's biggest stadium-Mandela national stadium (Reuters, 27th April, 2012, Chinese' embassy, 28,October 2004).

Friedman maintains that Chinese investments in Africa will boost African countries economic development (Friedman, 2009). China's investments in Africa though may not be immediate, they will have positive impacts in the continent (Brunell et al, 2014; Friedman, 2009).

Since the end of cold war in early 1990's, China's relations with African countries has been steadily increasing and continues to grow, with the country putting much investments in Africa and continues to position itself as a development partner to many of African countries, giving aid, unconditional low interests loans and promoting trade relations with many of African countries. China's relationship with many African countries has existed now for over two decades has seen China and Africa enjoy from their interactions (Tull, 2006: 466).

Africa is a rich continent with numerous minerals and resources that can help it to develop economically (Chan, 2011. Barr, 2011. Alden 2007). These resources have attracted foreign investors notably China to invest in African countries, offer aid and low interest loans with no conditions (Barr, 2011; Carmody,2011). Factors such as abundant resources and availability of market have resulted into increased inflows of FDI in African countries. The 2007 UNCTAD and UNDP reports (UNCTAD and UNDP, 2007) points that although China's FDI in Africa is behind India's, China's FDI in Africa is rapidly increasing. Increased inflows of FDI, results into numerous gains to host countries (Dickens, 2015). Contrary to expectations of gains from such relations, African countries continent are still engulfed in high poverty levels,

unemployment and, most the citizens have not gained from the resources and the opportunities available in their African home countries (Alden, 2007).

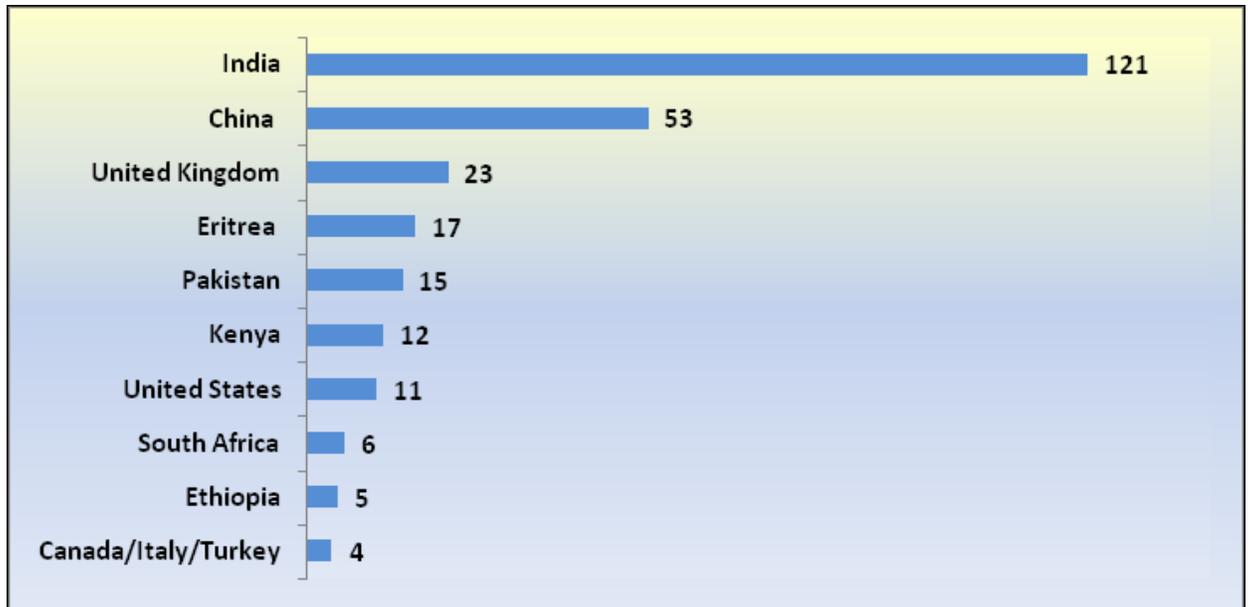
The number of Chinese licensed projects for the fiscal Year 2013/14 in Uganda grew by 13 percent, to 461 projects from 408 projects in 2012/13, thanks to China's increasing investments in Uganda. For 2013/2014 fiscal year, China alone accounted for 38 percent of the total licensed projects in 2013/14 Uganda while locally owned investments (For Ugandans) accounted for just 24 percent of the total licensed projects for the year 2013/14 (UIA, 2013/14 report). This growing number indicates that Chinese investments in Uganda are on increase even beating the national's share as well as reducing the former big investors in Uganda such as Kenya and United Kingdom.

In Information Communication and technology, China has invested billions of US Dollars to Uganda's ICT sector. China's China International Telecommunication Construction Corporation has already earmarked US\$135million to finance a modern ICT park in Uganda. In addition to giving over 10,000 Ugandan youth employment opportunities, the ICT facility's headquarters will as well provide office space for the Ministry of Information, Communication and Technology and the National Information Technology Authority (05th,Feburay, 2015, Uganda media center).

Uganda has continued to gain from the two-state relationship with China investing billions of dollars in the country's economy. Uganda National Beaural of Statistics 2006 put the two country's economic befits for Uganda at a very big figure, where by China's exports to Uganda significantly grew as well as imports (UBOS 2006)

In the fiscal year 2013/14, china was number two on the list of FDI inflows to Uganda's economy after it registered 53 investments/ projects. (Uganda investment authority, 2014).

Figure 1. Uganda's Top 10 FDI Sources by number of Projects FY 2013/14



Source: Uganda Investment Authority database.

From the figure above, it is evident that though that year China was in number two position, it still remains among the top ten countries that invest in Uganda.

Politicians in Uganda believe support African countries Uganda in particular as it opposes West's "hegemonism and imperialist practices" (Uganda state house, December 2012) . Presenting a public lecture to the students and community of Moscow State Institute of International Relations University of the Ministry of Foreign Affairs of the Russian Federation in Moscow under the theme "*The situation in the Modern World and Africa*", Uganda' president Yoweri Museveni noted,

"We salute the stand of Russia and China in opposing hegemonism and imperialist practices. Progressive forces in Africa, working with Russia, China... have the capacity to contribute to World peace," (Uganda state house, December 2012).

The diction here shows how Uganda's leadership believes China is an ally not only in development perspective, but a good ally to foster peace in the world's arena.

In Uganda, China has contributed to the country's different sectors on several occasions. In energy sector, Chinese experts have constructed 27 Biogas Projects in different parts of the country (Chinese embassy in Uganda, 2004). In health, China has been sending medical experts to work in Uganda's health sector. China's 11 teams and 128 doctors have been working in

Ugandan hospitals such as Jinja Hospital at the Chinese Government's own expenses, on top of opening up there departments such as Surgery, urological, pediatrics, ophthalmology , plastic surgery, gynecology and obstetrics departments among others (Chinese embassy in Uganda, 2004). There is also education exchange where 35 Ugandan students are awarded Chinese scholarships yearly; Ugandan teachers also attend training in China. In 2004, China donated 50 computers to Uganda's Makerere University and Mbarara University of science and technology (Chinese embassy in Uganda, 2004).

However, scholars continue to question China-Africa relationship. Concerns raised include, is the relationship of mutual gains for Africa or for China? Why is China not bothered with human rights promotion or democracy practices in Africa? Why is China not bothered with such issues? Is it her non-interference policy a sign of respecting sovereignty of other states or she hidden interests? (Barr, 2011; Taylor, 2005) China's willingness to continue working with regimes perceived to be despotic without any caution to them, but instead selling them arms and endless business, this raises questions such as whether China is playing the international role such as maintaining peace and harmony, or after advancing its agenda (Cheru & Obi, 2010)

In recent years, China's Foreign direct investments in Africa have been growing (Todaro, 2011; Carmony, 2011; Cheru & Obi, 2010). Between 1999 and 2003, China's investments relations with developing countries grew to a record of 88% (Carmody,2011). In Uganda, foreign direct investments in sectors such as mining, manufacturing, Construction, hotel and Catering has grown, contributing to the country's GDP (Uganda investments authority, 2013/14).

Other scholars look at China's investments portfolios in Uganda as a disadvantage to the country's home based industries and firms that end up collapsing as a result of failing to stand the competition. Actually critics of Ugandan government often points out the collapse of many of formerly state-owned enterprises such as Lint Marketing Board, Foods and Beverages company, Nytil among others. The critics and economists agree that these enterprises collapsed as a result of stiff competition from Chinese products that were of quality and cheap price compared to those produced by Ugandan firms (Daily Monitor February 15, 2015)

What is striking is that China does not have holistic engagement with African countries, neither do African countries have policy frame work to ensure their cooperation with China is constructive, and the two only have bilateral approaches which allows China and African

countries to deal with one another .But unlike African countries, China knows well exactly what it wants and what its capable of getting from each country in Africa (Cheru & Obi, 2010).

African countries have no a coherent policy towards China while China keeps changing its approach in Africa. The extent if African countries to understand well China's approach towards their relation usually presented within humanitarian and development ground is not yet clear, though there is attempt to end incoherencies in their policies (Cheru & Obi, 2010).

Looking at impact of hotel industry from a global perspective, while analyzing Geneva Lake region, one of renowned origin of European tourism, Humair (2011) underscores the pivotal role played by hotel industry which he describes to have played a role of an economic motor that has resulted into increase in investments, and provided employment opportunities. He explains that the booming and progress of hotel industry provokes a domino effect on other important sectors like banking, industry and building sector which contributes to economic development, Humair (2011). As a way of enticing their customers, the hoteliers continue to come up with eye catching beautiful designs coupled with up-to-date and modernized housing, as well as modernizing transport means of transport, revitalization of communication network among others (Humair, 2011). This coupled with the need to gain and maintain the competitive market; services have improved including ensuring technology transfer and training or giving of skills (Humair, 2011).

In Uganda, hotel industry continue to contribute to the country's GDP growth and remains one of the main sector that is credited for creating employment opportunities (Ministry of Wild life and Antiquities, 2014).

Closely to the above but still with a global perspective, hotel industry plays a significant role in regard to economic development not only in developing countries but also in developed countries. Hotel and restaurants remains a major source of source of employment opportunities. Citing countries like France and USA, Meriot et al (2000), stresses the importance of hotel and restaurant industry as far as employment opportunities is concerned for both skilled and semi-skilled labor force. Closely to the above, through the larger multiplier effects of tourism industry, hotel industry has contributed to economic development of a number of chines provinces (Pratt, 2015), notes that, the many tourists who visit China spend much of their money in Chinese

hotels, which in turn the industry spends some of the money in other activities such as buying food from farmers in the area. Giving an example of China (Pratt, 2015) explains that, the impact of increased visitor arrivals in areas has resulted into demand and supply of services to related sectors such as hotels which in-turn contributes to economic growth even in areas that are less developed (Pratt, (2015).

Hotel industry has been and still plays a significant role in earning countries millions of dollars from foreigners there by contributing greatly to revenue generation, and employment opportunities especially in the host countries, Sharma (2013). Hotel industry is important in that, defining tourism industry, without mentioning hotel, the definition stands lacking (Sharma, 2013). As Sharma (2013) contends, hotels provide space to stay, food and beverages to eat and drink as well as some facilities to enjoy; there by complementing to the tourism industry which is known as not only a source of foreign exchange but also employment opportunities, which are all important in economic development of a country (Sharma, 2013) .

In tourism industry, Hotel sector plays a primary contribution in social economic dimensions of sustainability especially when it comes to local employment opportunities (Cukier, 2002; Go` rg, 2000; ILO, 2001). Hotel industry has been hailed for creating opportunities described as arms against poverty which is one of the main goals of Millennium Development Goals- fighting poverty (UNWTO, 2005). The sector is important in that, many employment opportunities and multiplier effects of hotel industry are enjoyed and valued by locals or citizens (Sinclair, 1998, p. 31).

Tourism industry where hotel industry is can play a role in reducing poverty levels especially among the marginalized groups by providing employment opportunities especially to women (Cukier, 2002). In rural areas where most of marginalized people live especially in developing countries employment opportunities in hospitality sector (Hotel) can account to at least 10% of employment opportunities there (ILO, 2001, p. 48

3.0 Methodology frame work

This research paper is a qualitative study, combining desk study and key informants interviews. Key informants helped me to get important information as Mikkelsen (2005) notes, key informants have and can give knowledge useful information that may not be easily got from other sources.

3.1 Research design

This paper used a case study strategy as a design, looking at China-Africa economic relations, a case study of Chinese investments in Uganda's hotel industry. Case study helps to investigate contemporary phenomenon in its real-life context especially where the difference between a phenomenon and the context seem not to be clear or evident (Yin, 2009, Jack & Baxter, 2008). Stack (1995) explains in instances where we use a case study, the one conducting the study is able to collect data using a number of methods.

The use of case study enables the researcher to get more and concise information and then re-contextualize it. With a case study, the researcher is in position to describe and recontextualise a phenomenon that is being studied (Jack & Baxter 2008).

However, this case study design was used in mind that case study designs maybe difficult to establish the level of analysis, which may result into ending in a broader aims than they can predict (Jack& Baxter, 2008).

3.2 Data collection method

This research paper has been built and complied with a combination of data from primary and secondary sources. Primary data was collected from interviews with stake holders and other key informants. Interviewed were officials from Uganda Tourism Board, Uganda investments authority, members of parliament and, district leaders, leaders of Workers union, Uganda Hotel

Owners association, Hotel managers, Hotel employees, government officials, Media, and intellectuals. The study has been conducted with help of information published in books and journals with systematic information in this field of study, that provided secondary information, Other secondary sources of data included UNCTAD, UNDP data base, as well as other online sources (Creswell, 2009).

However, during data collection, there were challenges such as the concerned ministries such ministry of tourism, wild life and antiquities, their data base is not updated, the same applied to Uganda investment authority' data base , while Uganda tourism board that over sees hotel industry in the country, they have no updated and active data base. However, the above did not affect this research paper as far as data collection is concerned as key informants were opted for to provide data as shown below.

3.3 Primary data collection - the Interviews

In this research paper, I also used Key informant interviews that helped me to get primary data. Key informants have special knowledge on topics being discussed and can help to give necessary and contemporary information, (Mikkelsen, 2005).

Selection of interviewees was done with a combination of purposive sampling and snowballing that is by using first contacts to get others. I also used purposive sampling and this was done to have control over respondents so as to have a balanced response. This was done for example getting respondents (Employees) from hotels, (Mikkelsen, 2005). Purposive sampling was done by identifying strategic actors in the hotel industry in Uganda.

I interviewed 38 respondents of which 2 minister of Tourism, and minister of Trade, industries and cooperation, 2 workers representatives, 1 Municipality mayor, 2 workers union representatives, 1 PRO Uganda investments authority, 1 Uganda tourism board, 1 Chairperson Uganda Hotel and owners association, 2 journalist, 12 managers of hotels (6 Chines and 6 Ugandans), 11 hotel employees, 1 official of Immigrations board and 1 former hotel employee (See table in appendix).

However, as a researcher I had it in mind that key informants may give misleading information because of bias, “*There is a risk of being misled by key informants’ sometimes biased information*” (Mikkelsen, 2005, page 172)

The validation of empirical material was done by use of methodological triangulation, that is interviewing different key informants including members of civil society organizations, senior government officials, media people, workers union representatives, members of parliament from relevant parliamentary committee, intellectuals, and even local governments officials to get their own views about China-Africa economic relations with focus on Chinese investments in Uganda’s hotel industry, possible information biases were reduced (Mikkelsen, 2005, page 97).

However, for some hotel employees, they were selected by the hotel manager and handed a phone to them (four) and I interviewed them one by one. They responded to my questions in presence¹ of the manager. This may have in one way affected their response since the manager may have selected the employees he wanted to say what he liked. Again him being around while responding, this could have also influenced their response. I however tried to ensure I check their response especially by rephrasing my questions and asking them again to see consistence in the response.

¹ In one of the Chinese hotels, when I called the manager, I asked him if I could interview his employees and he offered to get them for me. Since I was not there physically, the manager selected them and he actually called back using his phone’s credit and I interviewed all the four interviews he had selected for me. At one point I asked

4.0 Back ground of Hotel industry

In Uganda, Hotel sector is under the ministry of Tourism, wild life and antiquities. The ministry generates a significant flow of FDI into Ugandan economy. In 2011, bank of Uganda, indicated that hotel industry or hospitality (accommodation, food and beverage services) their investments had reached USD 141 million (Ministry of Tourism, wild life and antiquities, 2014).

The ministry of Tourism and antiquities where Hotel industry falls indicates that hotel industry played a significant contribution towards achieving the Millennium Development Goals in Uganda, especially with regard to MDG1 – Poverty Eradication, as well as contributing towards Uganda’s economic transformation and inclusive growth. These are mainly being achieved through direct and indirect employment opportunities in hotel sector, and its multiplier effect (Ministry of Tourism, wild life and antiquities, 2014).

In Kampala alone, Uganda investments authority says there are 11 Chinese hotels and restaurants registered with UIA and operating in Kampala with 737 employees. However, UIA says there are other Chinese hotels operating but not registered with Uganda investment authority, but with trading licenses from district or municipality authorities,

(PI with UIA on phone and email, 30th April, 2015). I asked why other hotels were not registered despite them knowing it, and UIA said this is because there was a time when Uganda they were not considering Hotel industry as a source of FDI, and therefore were not registering them. The registration of Hotels as a source of FDI started after UIA realized that the industry was growing and bringing a significant share of Foreign exchange into the country (PI with UIA on phone and, email 30th April 2015).

Outside Kampala the capital city of Uganda, Chinese own hotels in far western parts of Uganda in districts like Kabalore, Kasese, and Mbarara, with others in parts of Eastern parts of the country like Mbale and Tororo and other parts of the country (PI Uganda tourism board, 4th May 2015).

In Uganda, hotel industry continues to grow with a number of new hotels both regional and international coming up. By end of November 2007, Kampala alone the capital city of Uganda had over 50 hotels graded to be on international level². Most of these hotels, many such as Hilton Hotel, Sheraton, Fang Fang among others are all foreign owned; hence bring FDI to the country. (PI, Uganda tourism board, 4th May 2015).

The Ugandan government also underscores the importance of hotel sector. This is evidenced by the government's initiative to start the first government Hotel and Tourism Training Institute (HTTI) in mid of 1980's as a pilot school. Aware of the need for hotel industry, in 1994, the government enacted a statute No.14 of September 1994 that established the present Hotel and Tourism institute and transferred its former hotel (Crested Crane Hotel) and its assets to the institute. Currently the institute offers a number of courses among others Diploma in Hotel management, and it provides employment opportunities to very many Ugandans (Ministry of Tourism, wild life and antiquities, 2014).

However, the growth of hotel industry in Uganda came with huge costs to the local Ugandans. In 2007, for the first time in the country's history, Uganda hosted a two week long Commonwealth Heads of Governments Meeting (Chogm)

The event was important in its nature considering the high level of visitors (VIP); over 50 heads of state attending, United Kingdom's queen, over 4,000 delegates and their support staff. This required accommodations and hotels with international standards fitting the status of the VIP guests. Consequently the Uganda government entered into a joint venture deal with a private investor to have him construct hotel befitting standards of international visitors. The deal was valued \$30 million (Price, 2006). In process of constructing hotels meant for Commonwealth

² Hotels that were classified and approved that they meet international standard to host international dignitaries that were attending 20th Commonwealth Heads of Governments Meeting 2007 that sat in Kampala-Uganda from 23rd November to 25th November 2007. This event saw a number of hotels constructed and many upgraded and rehabilitated.

Heads of Governments Meeting, government gave away public land worth millions of dollars to private companies at no cost. An example is the land government donated to Sudanese-owned AYA Investments, to construct a three-tower hotel meant to accommodate some of Chogm visitors (Price, 2006). There were claims of bribery and corruption over the way the land was given out which all resulted into loss of tax payer's money (The independent, Tuesday, 03 November 2009).

In regard to environment, the construction of hotel to facilitate Commonwealth Heads of Governments Meeting summit resulted into environmental degradation which is dangerous for environment. Hotels such as Speke Resort Munyonyo were constructed on the shores of Lake Victoria. National Environment Management Authority said it allowed the Hotel to be constructed very close to the lake because the hotel's plan was to have a floating restaurant (Price, 2006).

4.1 Hotel industry policy

Under section 34 of the Uganda Tourism Act, 2008, Act No 2 of 2008, the ministry of ministry of Tourism, wild life and antiquities where hotel industry falls, on instructions of the minister in 2013 it came up with statutory instruments 2013 which was later developed to 2014, NO. 48 laying out regulations to be followed while classifying accommodation and restaurants in the country.

Under this act, "accommodation facility" was defined as to, "it includes a town hotel, vacation hotel, lodge, villa, cottage, serviced apartment or motel", while "restaurant" under this act means a commercial catering establishment offering an extensive range or specialized cuisine, where meals are served, usually on a flexible time arrangement, and includes such variations as café, coffee shop and similar outlets (Uganda tourism Act, 2013).

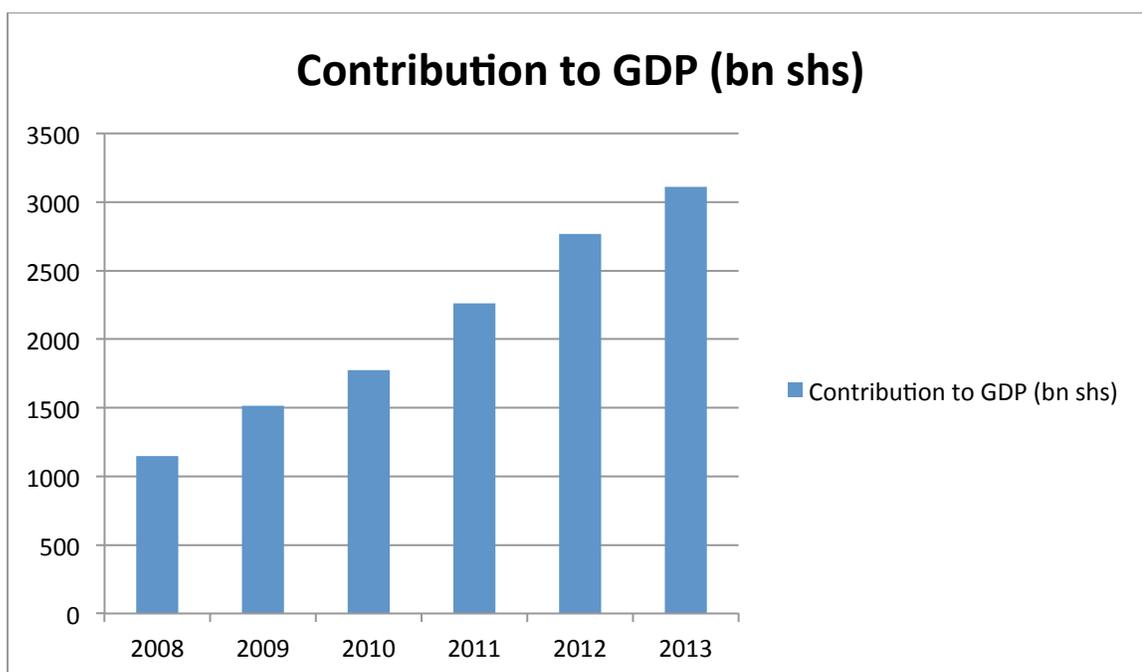
Under this act, section 3, states that there will be annual inspection of hotels and restaurants with a purpose of grading them. Under section 8 of this act, its outlines that in classification, five stars will be awarded, with one star being the lowest while 5 star the highest. Section 10 of this act shows the List of essential items each type of accommodation must have. While section 11 outlines minimum requirements each hotel or restaurant must have.

4.2 Contributions of hotel industry in Uganda

The figure below shows the contribution of the hotels and restaurants to GDP³. The graph indicates an increasing trend of the contribution of the hotels and restaurants from the calendar year 2008 (1149bnshs) to 2013 (3110bnshs) indicating a 12 percent increase from the previous year, 2012. The growth is attributed to the increase in the number of visitors in the country and the growing urban population. The hotels and restaurants had a 5.3 percent share of the total GDP, at current prices in the year 2013.

In the period 2008-2013, Hotels and restaurants' contribution to Uganda's GDP has been on increase. The sectors contribution to Uganda's GDP in the fiscal year 2012-2013 saw hotels and restaurants contribution to the country's GDP by 12 percent. The ministry of tourism, wild life antiquities notes that in the year 2013, the sector contributed 5.3 percent to Uganda's GDP. (Ministry of Tourism, wild life and antiquities, 2014). See the graph bellow.

Figure 2. CONTRIBUTION OF HOTELS AND RESTAURANTS TO GDP



Source: adapted from Uganda Bureau of Statistics

³ It is important to note that the reliability of statistics in African countries Uganda inclusive in most cases is questioned. This is due to among others the methods of data statistics collection and compiling as many of things go unregistered.

From the graph above, we can see that the FDI's contribution to Uganda's GDP has been on increase. In 2008 it contributed 1,149 billion shillings, in 2009 it increased to 1,513 billion shillings, and in 2010 FDI's share to Uganda's GDP rose to 1,772 billion shillings. In the year 2011, the contribution went from 1,772 to 2,259 billion shillings. Also the next two years 2012 and 2013 saw the share of FDI's contribution to Uganda's GDP rising, 2,768 billion shillings and 3,110 billion shillings respectively. The above figure above is in Ugandan shillings and is not deflated, and the current running inflation in Uganda is 4.6 (BOU, April 2015).

According to Uganda hotel owners association, there are 247 registered hotels employing over 23,213 people (PI with Uganda Hotel Owners Association 27th April 2015). During the interview with the association's chairperson, it was pointed that there many hotels operating in the country but which are not registered with their association. The Association estimates the number to be much bigger than those registered in their association, and to be employing more than the number of employees in the registered hotels (PI with Uganda Hotel Owners Association 27th April 2015).

Quoting bank of Uganda, the ministry of Tourism, Wild life and Antiquities which is the line ministry to hotel industry, hotel sector will help has contributed to the country's employment opportunities levels, and forecasts the sector will help Uganda to economic development and inclusive growth, (Ministry of Tourism, wild life and antiquities, 2014). Quoting figures of bank of Uganda, ministry of Tourism Wild life and antiquities shows that in 2011, the flows of FDI into the Ugandan economy received a boost because of investments in Hotel industry alone, (accommodation, and food and beverage services) amounted to USD 141 million.

5.0 Findings on Chinese Hotels and Restaurants in Uganda

This chapter presents findings identified in relation to the research questions that I used during this research paper. This chapter has been organized in different chapters and represents broad clusters that follow different themes emerging from both primary data (Interviews conducted) and secondary data (literature).

5.1. Ownership of Chinese hotels and restaurants in Uganda

This part looked at who owns Chinese investments in Uganda's hotel sector, looking at if they are of state owned companies or individuals. The question also sought answers if Chinese government supports these investors in terms of capital or they borrow from banks, and if yes, where are banks the banks based in Uganda or China?

All the six Chinese hotels and restaurants' managers interviewed noted they were businesses of individuals or group of people and were not owned by state. The Managers of these hotels I interviewed noted that the business were owned by their individual bosses, three noted they were owned by a group of people from China, two said it was family investments while one said he owned it individually.

It was not possible to talk to the real owners of the business. I only talked to managers of the hotels and the information regarding who really owns the business, is only based on the response from the managers of the hotels I interviewed.

5.2 Source of capital

This question sought to know the source of capital to these Chinese investments in Uganda's hotel industry. Are they funded by Chinese government? , do they borrow from the banks? And which banks? Chinese or Ugandans. I interviewed 6 managers of Chinese hotels and resultants' these very questions, but 1 was not comfortable with answering the source of his capital, so he did not reply the question.

Of the 6 managers I interviewed, only 3 whose hotels are owned by a group of Chinese, without indicating how much it was, they said they had received financial assisted⁴ from Chinese government. This confirms Carmody's, (2011) findings in his book *The New Scramble for Africa* where he indicated that China in early 2000's launched their "Go global" strategy where Chinese governments offers tax incentives, financial help, loans and information to its investors, and companies, to invest overseas in Africa. 2 said their bosses had borrowed long term loans from their home (Chinese) banks and it's this money (Capital) that they were working with and one of the manager was not comfortable answering this question, he remained hesitant and said he would not answer it. All Chinese hotels managers I interviewed said they had never borrowed money from Ugandan commercial banks.

Another finding from my interviews was that, all the interviewed managers said their hotels had never borrowed money from Ugandan banks. I asked to know why they were not borrowing from Ugandan banks, but nobody could give me the reason. They all did not give answer and said it is their bosses who brings capital so they did not know any reason why their bosses were not borrowing from Ugandan banks.

The common finding from all the Chinese Hotel and restaurants managers I interviewed was that, following their proposals to start up hotel investments in Uganda, they were encouraged by their home government particularly the ministry of commerce to go on with their proposal. In particular, Chinese Economic and Commercial counselor's office (Chinese ministry of commerce representative) in Kampala they said helped them with visas and work permits.

The managers noted that, the office (Chinese Economic and Commercial counselor's office) in Uganda helps them with documents when they are seeking work permits and travel documents for their employees from China. The office also helps Chinese working in Uganda especially in having their working permits renewed and those who are arrested after finding them with expired work permits. This office (Chinese Economic and Commercial counselor's office) also helps Chinese entrepreneurs with information in regard to where they can find market in African countries, and information about African government policies and the investment priorities of African countries. Such information is also posted on offices' website and the Chinese

⁴ They said their home government had assisted them in obataing long term and interest free roan but on condition of employing Chinese in the business.

entrepreneurs' and investors are given access to this website. This finding I got from interviews also confirms what literature indicates that Chinese government helps its entrepreneurs' to go out where there is market and investments opportunities especially through its policy of "go global" or "go out" stagey (Carmody, 2011).

Another notable finding during this research paper, while interviewing managers of Chinese hotels in Uganda is that, four of six respondents noted that the Ugandan government offered them tax holiday, ranging from one year to two years. This finding confirms UNCTAD and UNDP (2007) report and van der Lugt et al (2011) that African governments have potential and can do more to attract more FDI to their countries. However, this is different with Ugandan investors in the same industry. The Ugandan hotel managers however shown concern that they are not treated as investors saying their business despite employing Ugandans, they have never been given tax holiday by government. The same concern was raised by Uganda hotel owners Association whose concern was that they employ more Ugandans than Chinese, pay taxes, but they don't gain from such government offers.

Following the above concern from Ugandan Hotel managers, and Uganda hotel owners association, I made a telephone interview⁵ with Uganda's minister of Trade, Industry and Cooperatives Amelia Kyambadde and asked why Ugandan entrepreneurs were not benefiting from government programs such as tax holiday which are meant to encourage investors in the country. From the interview, the minister noted that her ministry acknowledges that the policy in its current form is only favoring foreign investors, leaving many Ugandans who have opened up businesses that employ Ugandans. During the interview, the minister pointed out that government had intentions of changing the policy to have local investors gain from it, and she said, "We are already in the process of doing that, we also want to encourage our local investors because they employ many Ugandans, and are paying taxes..." (PI, Minister of Trade, industry and cooperatives, 20th May 2015).

⁵ This interview was done on 20th May, 2015, to get the response from the minister of Trade, Industry and Cooperatives in regard to concerns of Ugandan local investors not being extend incentives such as tax holidays as it is with foreign investors.

5.3 Employees

Having employment opportunities and people working is one way of ensuring social-economic development in communities. It should also be noted that employment opportunities is one of serious concern African governments Uganda inclusive are facing. It has been highlighted in different parts of literature that, Chinese companies have been accused of importing their labor force from China instead of employing people from countries where they invest (Chan, 2013; Barr, 2011; Carmody, 2011; Cheru & Obi, 2010; Davies, 2007; Tjønneland, 2006). This part therefore sought to see, who are the employees in Chinese owned firms and investments, are they Ugandans or Chinese? Which positions do they get employed work in?

5.4 Participation of Ugandan employees

The striking finding was that 79% of employees in Chinese hotels and restaurants are Ugandan and Chinese just 20%. Of the 6 Chinese hotels and restaurant I interviewed, I found that they had a total of 207 employees including 43 Chinese (This is a personal figure calculated from the number of respondents).

5.5 Ugandan employees in management.

From the interviews, the figure of Ugandan employees in Chinese hotels and restaurants in management is alarmingly very low. 83.3% of managers of Chinese hotels and restaurants in Uganda are Chinese with Ugandans taking 16.6%. Of the six Chinese hotels and restaurants managers I interviewed, only one was a Ugandan⁶ but working in an acting capacity, and despite having worked in the same hotel as assistant manager for five years, he did not have hopes of being promoted to the full position of the manager.

In other departs such as accounts (cashier), the percentage of Ugandans there is 0%. All the six managers I interviewed said their cashiers/accountants were Chinese. The reason was also that they had to always communicate with their bosses/ hotel owners on how they business was performing, and that since Ugandans were not able to speak Chinese, they found it worth to employ Chinese in such positions.

⁶ He was a Ugandan but was working in acting capacity. He used to work as an assistant, but when the same hotel opened another hotel in Kenya, the full manager was taken to Kenya to have the business first take off as this one takes care of the business in Kampala. He had been working in that hotel as assistant manager for 5 years, and in as acting manager for one month. I asked him if he had hopes of being manager since his bos

Another finding on employees is that there were many Ugandans employed in other departments but largely lower departments such sales, chefs, waiters, and hotel's legal representatives/ lawyers, these positions had many Ugandans.

The managers I interviewed gave reasons defending why there were fewer Ugandans than Chinese in managerial positions in their hotels. The main reason they said was that it was hard to employ Ugandans in managerial positions since they could not speak Chinese, yet they had to stay in touch with hotels-business owners whom are Chinese and based in China. This response made me to ask where the owners of the hotel were based, Uganda or China. Of the six managers I asked, four responded that their bosses were based in China, 1 said his boss was based in Kenya where he also owns a hotel and the sixth one said his boss was in Uganda where he co-owns a furniture shop. All the managers noted that working with their cashiers, they are required to make a weekly and monthly report on hotels performance to their employers/ business owners who are based in China.

Others said that the Ugandans lacked sufficient expertise and experience in managerial skills thereby not giving them such jobs. This finding is the same as UNCTAD and UNDP report that indicates how Chinese companies in Uganda find challenges in getting local skilled employees (UNCTAD and UNDP, 2007).

5.6 Impact of Chinese investments in Uganda's hotel industry

The sub theme bellow presents findings on impacts of Chinese investments in Uganda's economic development.

5.7 Employment opportunities

Being a labor intensive industry, the hotel sector is employing many Ugandans. In particular, Chinese hotels and restaurants offer employment opportunities to many Ugandans. As earlier indicated, of the six hotels managers I interviewed, 79.2% of their employees were Ugandans, Chinese taking the smallest share of 20.8%. Most of the employees in Chinese restaurants in Uganda are youth. This means that Chinese investments in Uganda's hotel industry are doing a significant role in providing employment opportunities to Uganda's huge number of unemployed youth (over 80% in 2009, WB). Although Ugandans are very few in managerial

positions, (16.6%), those employed in lower levels leaves the number of unemployed people at least reducing.

5.8 Revenue / taxes

Chinese hotels and restaurants in Uganda have pay contributes to economic growth by paying both direct and indirect taxes. The taxes paid later are used to develop the country by providing services in different sectors. In an interview with the Mayor of Kasese Municipality⁷, Kabyanga Geoffrey, he noted that Chinese hotels and restaurants contribute to the municipality's tax base, and market.

“Chinese investments in hotels in my area here, I'm very happy with them, their hotels pay taxes monthly to the municipality, ever since Kirembe mines resumed in hands of Chinese investor, they opened a Chinese restaurant there, they have employed our youth in their restaurants...most of the employees in their hotels, go there you will see it, they are our children born from here, ask farmers around who sell their produce to that restaurant, they are making money and have a ready market of their produce...” noted the mayor Kasese Municipality (PI, Mayor Kasese Municipality, 04th May 2015).

5.9 Innovations, Skills and knowledge spillover

This part explains findings in terms of innovations, skills and knowledge spillover in Chinese owned hotel in Kampala. The Information presented here relates only to innovations in Chinese owned hotels in Kampala – Uganda. Hence, results the findings here can be taken as a case study of the innovation activity of Chinese hotels and restaurants in Uganda and of the technology and knowledge transfer/spillover from their hotels.

It should be noted that, in services firms such as hotels and restaurants, innovations means the new forms of producing/ or delivering services, notable changes in goods or products that have been in existence and in their production, in the delivery processes as well as the changes in the organization of hotels or firms. While looking at the innovations introduced by Chinese hotels and restaurants, a number of innovations were noticed and categorized, they include product (see footnote 11), process (see footnote 10), delivery (see footnote 12),

⁷ There are two Chinese restaurants in Kasese Municipality, one has been there for many years according to the mayor during the interview, and another one started in 2014 when Kirembe Cooper mines work was announced to resume and contract awarded to Chinese investors.

organizational⁸ and market innovations⁹, and innovation as an activity (technological/non-technological innovations). Chinese hotels in Kampala also have improved in technology advancements which are also trained to their new employees. Such innovations include for example Software for reception, booking and history monitoring within the hotel, and Systems of customer relationship which are all manned from reception desk. These Employees on reception are equipped with the needed skills of this innovation. Other technology innovations are related to improvements in Dinning-rooms and bars, where Machinery to keep warm the food and beverage dispenser have been introduced.

Empirical data collected during this research study, (Interviews conducted) , indicate that all Chinese hotels and restaurants in Kampala – Uganda have carried out some innovation activity all meant to improve their services and therefore, can be considered as innovative, although they differ in the innovation intensity, measured by the number of innovations per hotel establishment. Innovations carried out are intern learnt by Uganda employees in Chinese hotels and restaurants, and hence, the said technological, and knowledge spillover.

What was clear is clear is that the number of innovations per hotel establishment was on average and many of these hotels and restaurants each had at least innovation activity.

Empirical data collected indicate that hotels tend to be more innovative as size increases as measured by the size of the hotel/restaurant.

In the Chinese hotels and restaurants, during data collection, it was evident that process-innovations¹⁰, be in the production-process¹¹ or in the delivery-process¹², are more common than product-innovations. They all exists n Chines owned hotels and restaurants.

All the managers of Chinese hotels and restaurants and their employees whom I interviewed¹³, the managers indicated how they had organized trainings for their employees. The

⁸ Organizational innovation: Means the novelties and improvements in the internal structure of hotel/firm, where process and activities are done, in the organization of work within the firm.

⁹ Market innovations mean the Entrance of firm in new markets.

¹⁰ Process innovation means improved forms of producing an existing service in the hotel.

¹¹ Product innovation refers to new and improved services offered by the hotel.

¹² Delivery processes means novelties or improvements in the distribution such as in delivery and commercialization of services.

managers and added that although it is expensive to keep the trainings, they could not do without it since they wanted to give their employees skills especially Ugandan employees whom they said most of them are employed without the much needed skills. This is a positive impact to the Ugandan workforce considering the theory of technological/knowledge spillovers theory which is guiding this research paper. The trainings offered were only in the field of hotel and hospitality. For example, one of the managers told me that chefs are trained on how to cook Chinese dishes, and other international dishes, while waiters trained to get skills on customer care and the same to those in sales. These trainings are done once a year, free to all the employees. The reason given for this was that they are expensive.

Employees expressed gratitude for this saying it helps them to get new skills, while others were happy that it adds on their CV. One of Ugandan chefs told me he had learnt to use many new Restaurant machines he had not seen before (PI, with Chinese Hotel employees, 16th May 2015).

Findings further indicate that the introduction of technological innovations in hotel establishments has required the actualization of training and qualification of employees. The actualization of employees' qualification is being carried out by the development of training courses, for example training in hospitality in Chinese perspectives and Chinese language at Makerere University both at China-Uganda friendship at Makerere University. Some of hotels and restaurants provide trainings to their employees by the hotel establishment or by external firms, or by the employment of new workers with the qualification and training needed. All this results into technology and knowledge spillover as a number of Ugandan employees acquire such skills as a result of the training.

During interviews with both employees and the managers of hotels, I found out that for Employees in Chinese owned hotels, the training was continuously done especially where new recruitment occurred. Correspondents noted that all Chinese hotels have provided in-house training courses for their employees to actualize their qualifications and knowledge while a few also provide courses through external firms including exchanging employees to work from the

¹³ During data collection, the managers of the Chinese hotels and restaurants I interviewed, they all said their hotels had trainings where they would give skills and refresher courses. The employees I interviewed also confirmed this and some were very happy that the trainings were adding them skills.

same hotel company in different locations especially in the region. Generally, training of employees in Chinese hotels was at least twice on annual basis and it was for all employees. On the other hand in Ugandan owned hotels, trainings were there but it was not scheduled that every year they had to go through trainings. Unlike Chinese owned hotels, Ugandan owned hotels trainings were largely offered to managers and a few other employees especially in marketing department.

Another employee said he previously had no knowledge about baking Chinese cakes. He says when the hotel opted to start serving cakes to their customers in morning and evening; he was trained and now makes the hotel's cakes. To this employee, working with Chinese hotel was an opportunity to open his entrepreneur skills. He told me he also started a small bakery at his home where he and his wife bake Chinese Sponge cakes and supply them to two super markets in Kampala. In this new business he started as a result of Chinese training, he says if he gets enough capital, he intends to enlarge it. He says these cakes have demand, and are not common in the city, and despite being a Ugandan, he is referred to as a Chinese because of the cake brands he produces. He said he wants to be self-employed before this year ends (PI, with Chinese Hotel employee, 16th May 2015). This finding directly reflects the views of the theory I employed – technological or knowledge spillovers as a result of trainings gained from trainings offered by foreign firms.

From findings, Chinese owned hotels in Uganda collaborate with other Chinese owned hotels in the region such as in Kenya, and other local firms (Chinese hotels in Uganda) in the introduction of innovations and for such reason all the establishments update workers' qualification with training activities. This suggests the possibility that the local economy may be benefited from this kind of arrangements via knowledge spillovers. This going by technology transfer model's view, it is important as knowledge is transferred even to local employees majority who are Ugandans.

Basing on this study's collected empirical data; there is transfer of managerial and organizational skills all for advantage of local employees. During interviews as earlier indicated, one of the managers of Chinese hotels - a Ugandan had gone through various trainings and consequently promoted to acting manager in a Chinese hotel.

5.10. Multiplier effect.

Hotel industry has both immediate and distant positive impacts to the economic growth of the country. Hotel industry as earlier noted offers employment opportunities to the nationals. This does not just stop at employees. During my interviews with 11 hotel employees in Chinese hotels and restaurants, I discovered that Chinese hotel's impact goes beyond employment opportunities.

Though on a very small scale, Chinese hotels business has promoted agriculture especially growing of greens and vegetables that is used in the hotel. In an interview with the manager of Fang Fang hotel he pointed out that one of ladies who used to work there as a chef, she later quit the work and specialized in supplying the hotel with vegetable, and fruits (PI with manager of the hotel, 15th May 2015). Agriculture being a back born of Uganda's economy, the contribution of any sector towards support of the sector (agriculture cannot be underestimated. Hotel industry also supports agriculture sector because the foods and beverages served in all hotels are largely locally produced (PI with a former employee of a Chinese hotel, 17th May, 2015).

Further, looking at the multiplier effect of Uganda's hotel industry towards agriculture, with intention of understanding the impact of this to the ladies life, through snowballing I contacted the former employee of Chinese hotel, now a supplier of fruits and greens to the same hotel. From interview, the impacts are positive. While working as a chef, she was earning a monthly pay of Ugandan shillings 3000,000, (\$100) from where she paid her house rent, medical bills, and other expenses. *"I now earn between 700,000/ - 800,000/ (\$234 -\$268) per month from selling them vegetables, and fruits"*, yet I work at my own pace¹⁴, I don't work a lot as it was when I was a still working as a chef there, the respondent revealed. During interview further asked her if she was supplying Chines hotel only and she said yes. She says their prices are stable. *"Other hotels want to reduce the price according to a season, but Chines hotels price is stable irrespective of the season"* (PI with former Chinese hotel employee). She added. She told me she grows fruits and vegetables at her ancestral home village in Wakiso district where she

¹⁴ Nalubwama says she was over working in the hotel, from 5:00am until late 11:00pm. We were working a lot yet getting just 300,000 per month. That was exploitation.

employed a gardener who looks after them and she goes there every evening to collect the next days' delivery. During the interview, she highlighted that she has bought a plot of land in the city and she is constructing a three bed roomed house, "*Soon I will stop paying rent. I will be a landlord of my-own*", that money which I earn remember is not taxed, "*Hotel yo Muchina eyo ewangale*" she said in Luganda meaning "May that Chinese hotel long live", said the former employee of the Chinese hotel. She says she takes care of her elderly parents, as a single mother, she pays school fees of her five years old child from that money and she again reminds me how she bought a plot and is building (PI with a former employee of a Chinese hotel, 17th May, 2015).

Another finding related to multiplier effect is personal development among the employees. One of the employees told me how he has been working in the hotel for the last five years. He said he got the job after completing a diploma course in Hotel management. He now boasts of having bought a plot of land and he is constructing a home. He also told me that he contributes school fees for his siblings (PI, with Chinese Hotel employee, 16th May 2015). The impact of hotel industry through its wide multiplier effect goes to other services such as, telephone services¹⁵ among others.

Another impact on the transport sector. The manager of Shangrila manager notes that before their hotel was set up, there was no boda boda¹⁶ and special-car¹⁷ stage. He says just opposite the hotel now there is a permanent stage where special car drivers always come and wait for transport passengers from the hotel there. This is a multiplier effect that came to existence because in the area there is a Chinese hotel there (PI, with Chinese Manager, Shangrila hotel 16th May 2015).

It was highlighted by legislators in parliament that Some Chinese firms import many Chinese to come and do the jobs they said should be done by the locals. They¹⁸ indicated that

¹⁵ All hotels I interviewed have telephone services in their rooms. Again the interview was done on via phone calls an evidence that telephone companies gains from the industry as they load airtimes and pay internet series provided by the telephone companies.

¹⁶ Bodaboda this is a type of means of transport where by mort cycles are used to transport passengers

¹⁷ Special car is a means of transport where by drivers come to the stage and wait for travelers.

¹⁸ I had a telephone interview with a member of parliament and a Member of Parliament's workers committee. Another interview was via Skype done with another MP who is also a workers committee member in parliament. The interviews were held on 14th and 15th May 2015 respectively.

Ugandan laws were not stringent¹⁹ to counteract such incidences, leaving many Ugandans unemployed, as Chinese take their would be jobs. (PI, with two members of parliament who are members on Parliament's Workers committee, 23rd April 2015 and 4th May, 2015). However, the Members of parliament noted that though Chinese import some of their employees, they noted that Chinese Hotel industry has helped to reduce unemployment in Uganda by offering some employment opportunities to the citizens.

There is also an issue of Chinese entering the country and join labor market without necessary documents such as work permit. The Members of parliament raised the concern that some Chinese enter the country and start working without visas or employment permit, there by contributing to unemployment levels of Ugandans (PI, with two members of parliament who are members on Parliament's Workers committee, 23rd April 2015 and 4th May, 2015). Despite several emails requesting for response from internal affairs ministry which is concerned with the country's borders and immigration department, concerning these concerns raised by both members of parliament and workers union about Chinese influx in Uganda's workforce, my emails were not replied²⁰.

The workers Union representatives in two separate telephone interviews expressed concern and actually one noted he was disappointed that although Chinese were employing Ugandans, they were not happy that some exploited them by paying them less compared to their education standards and that others would report²¹ cases of over working beyond their agreed time without paying them extra. (PI, with Workers union 1st May, 2015)²². They also indicated that employees had no employees' benefits such as health insurance, and compensation at work. This actually confirmed²³ with my findings from employees themselves, who said that they had no favorable working conditions and no compensation even when they get injured at work. This

¹⁹ The workers Union expressed concern that many Chinese use chance of weak boarder laws and enter the country without work permits and then join the labor force.

²⁰ I wrote five emails to ministry of internal affairs requesting for their response but there was no reply. I also called (4 times) their official phone, and the one who would receive calls would say they would reply me, but this did not happen.

²¹ The employees would report such incidences in their union during annual workers meetings

²² The interviews with Workers union leaders were all phone interviews, and were done on the same day, but on different time appointment.

²³ While interviewing employees, they said employees benefits were only given to those in senior positions and that those at lower levels had no such benefits not even compensation to one in case of an injury while at work.

finding also confirms secondary sources that employees in Chinese firms and companies are exploited and work under unfavorable and tough conditions (Chan, 2013; Elden, 2011).

5.10.1 Chinese causing unemployment in the process

There were concerns raised by a hotel manager and proprietor in Mbararara Municipality whose concern was that a new Chinese restaurant in the area led to the collapse of some of Restaurants owned by Ugandans and employing Ugandans in the area that had specialized in offering Chinese dishes. He maintained²⁴ that this Restaurant could not go on with Chinese dishes since there was a new restaurant opened and operated by Chinese and was specializing in Chinese dish only this resulted into closure of the other restaurants that were dealing in the same since they could not survive and manage competition of a Chinese restaurant that had opened, (PI, with a Ugandan proprietor of a hotel and also its manager) The closure of this Ugandan restaurant but offering Chinese dishes resulted into laying off their employees since they could not keep them not while paying them following the closure of the restaurant.

Some of Chinese employees in Uganda's hotel industry entered or stayed in the country by giving false reasons. During my interviews with some of employees of Chinese hotels, one respondent when I asked him how he came to Uganda, he responded he came to Uganda to work with a road's construction company that had been awarded a tender in South Western Uganda, and after the contract, this Chinese did not go back home but instead his friend introduced him to a hotel manager, where he was employed. This finding confirms with concern of the workers union who expressed concern that some Chinese were in Uganda working illegally since their work permits had either expired or some came as tourists and refused to go back. But when I asked the hotel manager, he maintained that all their employees had valid documents, adding that many of their employees who are Chinese directly came from China to work in his hotel and before they enter the country, he ensures that they have work permit.

²⁴ This was found during my interview with one of the owners of big hotels in Mbarara. Through snow bailing, he gave me another contact of another hotel that had also laid off its Ugandan employees who had been employed there to particularly help in preparing Chinese dishes. The reason he gave was he stopped the business because he had lost customers who had opted to go to the new Chinese Restaurant that had opened in the area. People had

Another finding is that government has also realized that hotel industry is contributing to the country's economic development and has come up with measures meant to strengthen and ensure the industry's performance remains good. While interviewing Uganda Tourism Board, they are committed to ensuring that the industry is supported to expand and bring more development opportunities. Among other ways of ensuring the better performance and growth of sector is grading hotels and restaurants in the country. This is already in progress with the ministry coming up with statutory instruments 2013 NO. 01 referred to as The Uganda Tourism (Classification of Accommodation Facilities and Restaurants) Regulations, 2013. This UTB noted was among measures put up to ensure the expanding and growing of the Hotel industry. Currently, few hotels are ranked in Uganda, with only 3 Chinese graded (Shangrila hotel-3 star, and fang fang hotel 3 stars, shangai hotel and shanghai hotel 3 stars).

5.10.2 Fake investors?

Another striking finding was the type of business some Chinese are involved in. Having received it as a concern from Workers union that some Chinese investors are not fit to be investors depending on the type of business they are doing, such as phone vending in a sub rented very small room to the workers Union representatives, this disqualifies them from being investors. "Actually they are doing jobs that should be done by the very poor and local Ugandans. How can an investor deal in selling less than twenty phones in his stock in a sub rented shop or kiosk?" asked one of the Workers union respondents. I asked Uganda investment authority this question and how do these people enter the country if they don't have requirements of an investor, and their response was that some of these Chinese who enter the country claiming to be investors, some are helped by the already working and employed Chinese, who offer provide them with papers that they have business to do in Uganda, but UIA also referred me to Uganda's immigrations board. In an interview with the Public relations officer, he told me that they are aware of many Chinese who are in the country illegally and in workforce, but said immigration department is doing a number of operations where they arrest, detain and deport them. Many of them enter the country as tourists, but default after expiry of their visa, they don't go back. He added, "In December 2014, we carried out an operation, arrested over 45 Chinese with several other aliens from Asia, of these 15 Chinese were deported and 30 managed to renew their work permits". He added that some of Chinese in Uganda are not only without valid

documents, but some are engaged in illegal business, but we are working on that. He mentioned that they at times receive information of Chinese who involved in dubious activities such as sell of counterfeit products. (See photo in appendix of Chinese lady and man²⁵ arrested differently selling fake phones in Uganda)

5.10.3 Statutory instruments 2014 No. 48

Under the above mentioned statutory instruments 2014 No. 48, under section 2, regulation 1, it states that;

- (1) The Board shall carry out detailed inspection of an accommodation facility or restaurant for the purpose of classification. Inspection for purpose of grading.
- (2) Notwithstanding sub regulation (1), where, during the annual inspection, the condition of a facility is found to have deteriorated, the Board may cause a re - classification exercise to be conducted on that facility.

Referring to sub regulation 1 above, sub regulation 2 indicates that, “Where, during the annual inspection,...” This section means the inspection for the purpose of grading hotels and restaurants shall be done on an annual basis, but from my findings, ever since the statutory instrument 2014. No 48 was made²⁶, Uganda tourism board which is assigned to ensure inspection and grading of hotels and restaurants is done, they have only done it once, (2014) and their results are not yet announced and they are planning to do the next inspection in the next financial year (PI with UTB, 21st May 2015). This means that UTB has missed one year of inspection.

²⁵ This man Chinese man was arrested selling counterfeit phones, and with thousands of trademarks of Mobile phone brands such as Nokia, Sum sang, and HTC. The link is provided in the reference, while the woman’s photo is in appendix.

²⁶ This statutory act was made in 2013 under No 01 and was later revised in 2014 under No. 48. But since its inception in 2013, only one inspection has been done, and it was done in 2014, but the results are even not yet out.

6.0 Analysis

The following analysis part links with findings corresponding with research questions starting with question one that explains the actors in Chinese investments in Uganda's Hotel industry, and where do they get money/capital then the next part deals analyzes the second question's findings of who are the employees in different levels in Chinese hotels and restaurants in Uganda. This part ends with the analysis of findings of the third question that looked at impacts of Chinese investments in Uganda.

6.1. Actors in Chinese hotels in Uganda

This part looked at who owns Chinese investments in Uganda's hotel industry, are they state owned? Or owned by individuals

The ownership of Chinese investments in Uganda's hotel industry is in hands of Chinese individuals and or a group of entrepreneurs. These businesses are for people and therefore are not controlled by Chinese government.

Most of Chinese investors in Uganda's hotel industry are working as groups of Chinese people, families and very few hotel businesses are owned by just an individual. This means that their work cannot be influenced by government directly since the business is owned by individuals and groups of people and families.

6.2 Source of income

The analysis here looks at the source of capital. Is it from Chinese government? Do they get loans from banks? And if yes are they Ugandan based banks?

From findings of this study, Chinese government helps some of its entrepreneurs with financial help when they are starting up investments in foreign countries. Chinese government gives them incentives such as long term interest free loans but such Chinese entrepreneurs are also expected intern to create employment opportunities to Chinese.

From this study, I found out that Some of Chinese investors look for capital themselves without government's help. Of the six Chinese hotel managers I interviewed confirmed how their bosses had borrowed from their home banks to get capital for the business. Even the other manager who did not like to reveal source of the capital for his business, though he did not mention the exact source when I asked him he said he liked being independent suggesting

because he liked to be independent in his business, probably he does not have receive government's help financially.

Another point not to ignore is the fact that most of Chinese entrepreneurs with investments in Uganda don't get capital/money with in the country; it means there is a high possibility that even all their profits are repatriated back to China. This is because none of the Chinese hotel managers said their bosses had borrowed capital from Ugandan banks. This in the long run dose not contribute to economic development since money is syphoned back to another country.

Chinese government is not only contributing to Chinese increased of Chinese government owned or related companies to invest in African countries but also encourages Chinese private investors to invest in Africa. Many of Chinese private investors are encouraged by their government to do invest in Africa. Chinese government often gives them information on availability of markets in Africa, investment policies in African countries and at times even bargain for their tax holidays. Chinese government through its Embassy and ministry of Commerce's representative often was hailed by Chinese Hotel managers that they help them while seeking for Work permits of their employees, extending them when they get expired and that at times the office gets involved whenever Chinese workers in Uganda are arrested for not being with necessary travel documents. The same office encourages Chinese to invest in foreign countries as they constantly update Chinese investors and entrepreneurs about opportunities available by updating their website that is freely accessed by all Chinese entrepreneurs. This confirmed was confirmed by respondents during my interviews with Chinese managers, and aloes corresponds with other scholars thoughts and analysis highlighted in secondary data/ literature revue that China encourages their people to invest outside where there is market as it pursues its strategy of go-global strategy which was hatched in early 2000s (Carmody, 2011)

African governments Ugandan in particular offers good deals or incentives to Chinese investors who have shown interests to invest in Uganda. This is done by extending tax holidays to such investors. This encourages foreign investors to bring their business in Uganda since they have tax holidays for 1 – 2 years. As earlier indicated, 4 out of 6 Chinese hotel and resultant managers I interviewed responded that they had been given a tax holiday by Uganda's government and that this had encouraged them to do their business. This also confirms other

scholars and literature views that African governments have potential to attract more foreign direct Investments into their countries by offering them different incentives (van der Lugt et al, 2011; UNCTAD and UNDP report, 2007). Though it is clear that at the start of business there is less or no profits made considering the high paying off or amortization rates of capital invested in business/projects, though the given corporate tax holiday may not result into a visible defacto advantages, through interviews, it was noticed that it gives a breakthrough to the investors since it saves them from picking from their pockets to pay taxes at the beginning of business since they are have tax holiday.

The Ugandan government while offering incentives to Chinese investors has not been very clear on terms and conditions. This explains why the Chinese would only employ Ugandans in lower positions, and fails to give them employment benefits. Such would have been discussed and agreed upon by the government officials before incentives such as tax holiday is given to foreign investors.

On the other hand as Ugandan government is promoting foreign investors at the extent of local investors. During data collection, Ugandan hotel managers and Uganda Hotel Owners Association expressed concern that unlike their Chinese counterparts in the same business, Ugandan investors had not been offered tax holidays by Ugandan authorities. This according to Ugandan entrepreneurs and the Uganda hotel owners association was discouraging them from the business urging that it meant there is no leveled competition ground despite them helping to create employment opportunities to Ugandans and other multiplier opportunities that come with their business. However there was signs that the Ugandan government is aware of this and according to the Trade, industry and cooperatives, steps were being followed to ensure that in the near future Ugandan entrepreneurs can as well benefit from such incentives by government.

6.3. Positions held by Ugandans in Chinese investments in Uganda

This part analyzes the type of jobs Ugandans are employed to do in Chinese owned investments (in Hotel industry) in Uganda.

Though the number of Ugandans employed in Chinese owned hotels and restaurants in Uganda is high (79.%) as indicated earlier in the findings, the positions they hold are the least!

Many of Ugandans employed there are Cleaners, cooks/chefs, cleaners, and waiters. For example in managerial positions, only 16.% of employees in Chinese hotels and restaurants are Ugandans and as earlier indicated in findings are, the remaining 83.% are all Chinese. Even the few in managerial positions are not working in full positions but acting capacity.

In departments such as accounts (Cashiers), the employees there are strictly Chinese. Of all the six Chinese managers I interviewed, none of their hotels had a Ugandan cashier, all were Chinese and the reason was that they wanted because Cashiers are always in touch with business owners who are Chinese; they had to be knowing the language and hence reserving cashiers positions to only Chinese. The same reason was given as to why only managers were Chinese.

Related to the above, cash display or knowing how Chinese business are performing in Uganda remains Chinese secrets since such information may not be easily accessed especially that those in key position (such as Managers and cashiers) of knowing how much profits the hotel/business has accumulated are all Chinese who may keep the facts a secret if their bosses requires them to do so.

Again the owners of the business save one who is based in Kenya, the other five managers responded that their bosses are based in China. This may simply mean that much of the profits made are not even spent in Uganda, since the money is wired back to the business owners who are based in China.

6.4 Impact of Chinese investments in Uganda

This part analyses both positive and negative impacts of Chinese investments in Uganda but with more emphasis on hotel industry. The analysis looks at both direct impacts and indirect such as multiplier effect.

Chinese investments in Uganda have contributed greatly to employment opportunities in the country. Though many are not in managerial positions, Chinese investments cannot be underestimated as far as employing Ugandans is concerned. As earlier indicated in findings, 79.% of employees in Chinese hotels and restaurants were Ugandans and Chinese just 20.8%.

In terms of revenue collections to the government which is important for economic development, Chinese investments in Uganda contribute greatly to the GDP of the country

through paying taxes. Tax impact is not only felt at national level but also in local governments such as on municipality levels where Chinese investments are located. For example in Kasese Municipality, the mayor there underscored the contributions of the Chinese investments in hotel industry there stressing that they were contributing to the municipality's revenue by paying taxes.

Chinese investments in Uganda have contributed to development of skills and acquisition of knowledge especially among their employed Ugandans. Most of the employees are offered trainings which subsequently add to their skills and knowledge in different fields. Some have gained entrepreneur skills and consequently started their side business such as one of the employees who got skills on baking Chinese sponge cakes and later started the business as a result of skills he gained from Chinese hotel where he is working.

6.5 Multiplier effect

Hotel industry has both immediate and distant positive impacts to the economic growth of the country. Hotel industry as earlier noted offers employment opportunities to the nationals. This does not just stop at employees. During my interviews with 11 hotel employees in Chinese hotels and restaurants, I discovered that Chinese hotel's impact goes beyond employment opportunities and within mind considering the view presented by Solow's theory; capital formation theory and spillovers theory, one can conclude that Chinese FDI's in the country have contributed to economic growth of Uganda's economy.

Chinese investments in Uganda's hotel industry has promoted agriculture sector. Though this is on a small scale, it cannot be underestimated. These hotels as earlier indicated in findings, they buy Ugandan food that is prepared in their hotels and restaurants. Looking at an example of Nalubwama Flavia who used to earn just 300,000 Ugandan shillings (about \$100) and now earning about 700,000 - 800,000 shillings monthly (about \$234- \$268) from selling her agricultural selling her greens and vegetables to Fang Fang hotel is an example of how Chinese investments in Uganda's hotel industry have impacted on Ugandans lives through agriculture. The findings on Nalubwama Flavia do not only stop on benefits from agriculture but also the support she extends to support her family, her elderly parents, paying school fees of her child as a single mother and even managing to buy herself a plot of land where she is currently constructing a house are not only signs and impacts of personal development, but also positive

impacts on others who are benefiting from the sells she make from Chinese hotel. Again in this far, she also has employed one person who is working on her garden of fruits and vegetables. In other words the Chinese hotel she supplies her fruits and vegetables in the long run has positive impacts that goes beyond herself as an individual. The impact of multiplier effect helping individuals to develop as a result of Chinese hotel goes beyond one person and indeed has contributed also to social-economic lives of many Ugandans. For example transport sector like boda boda riders who started a stage near the Chinese hotel, special car hire stage, all near Shangrila Hotel started after this hotel started operating there, and the two employees in Chinese hotels who said are now constructing their own homes having managed to buy plots of lands from their salary earnings as a result of getting jobs in Chinese hotels.

From findings, it was highlighted that Chinese investments in Uganda has also contributed to influx of more Chinese who are imported or who come to work in Uganda. Some come to the country as tourists with visitors/ tourists visas and hide and stay after the expiry of their visas, some consequently get jobs as they keep trying to get valid documents especially work permits. Though the number may not be very big, there is concern from members of parliament, workers union who say such are contributing to unemployment levels in the country as they do jobs that Ugandans would be doing. Though the immigrations department says they are trying to end this challenge by carrying out operations where they arrest and deport Chinese, who are in the country illegally, the challenge is still real considering the way members of parliament and workers union were showing concern about it. Actually the members of parliament blamed ministry of internal affairs which is over all of the countries borders including immigrations department. However efforts to get the response from the ministry remained futile as they failed to respond to my emails on several occasions requesting for their response and even when I called²⁷ the ministry's office phone number, the receiver kept saying they would reply me but in vain.

Though not mentioned frequently by employees in Chinese hotels, there are some incidences of where employees working in Chinese hotels faced exploitation at work such as working beyond the agreed time without extra pay for over time, no employment benefits such as

²⁷ I called the ministry of Internal affairs twice on 21st May 2015, and again twice on 22nd may 2015 and the one who received the call would say they will reply my emails, but no response came still. I also tried to reach them on the ministry's official twitter handle four times, but still no response.

health insurance, or compensation in case of injury while at work. Such was also a concern raised by workers union representatives. This considering what other scholars like as mentioned in literature review, confirms the views that some Chinese firms in Africa exploit their employees (Chan, 2013; Elden, 2011).

Chinese investments in Uganda's hotel industry much as it has contributed to employment opportunities, tax revenue and other positive impacts, on the other hand it has resulted into closure of some locally owned investments in the same industry. As earlier indicated in findings, some locally owned restaurants that had opened and were offering Chinese dishes closed down as they could not manage Chinese opened hotels and restaurants.

This came with other negative impacts such as loss of jobs to employees who were working in such closed restaurants.

Through ministry of Wild life, tourism and antiquities, Ugandan government has designed strategies and initiated policies to develop hotel industry. For example the statutory instruments 2013 NO. 01 came up partly to stream line the industry and ensure its development. The same statutory explains how hotels in country will be inspected on a yearly basis purposely to grade them, and among the reason is to ensure better and organized hotel industry in Uganda.

7.0 Conclusion

This research paper has identified, analyzed and critically looked at innovation activities of Chinese hotels and restaurants Uganda. Through analyzing some of innovations carried by Chinese hotels and restaurants, I was able to explore the intensity and the type of technologies that Chinese hotels and restaurants through FDI transfer to their subsidiaries located in developing countries like Uganda. Studying the intensity of innovations in Chinese hotels in Uganda is a crucial subject as it helps to ascertain the consequences of tourism development lead by FDI in the developing world.

This research study's conclusion looks at Literature review looking at China – economic relations in Africa, Foreign direct investment contribution to economic development and hotel industry with more focus in Uganda.

The study contends that China-Africa economic relations have been on since 1990s. The relation have been described as steadily gaining momentum with the world's most populous nation - China investing billions of million dollars in different African countries in sectors such as infrastructure, mining, oil refinery and production, aid, long term and low interest loans, tourism industry and trade all contributing to economic development of African countries, and indeed many African countries see China as a development partner and ally.

From literature review, though there are concerns such as China's "Silent policy" on good governance in African countries, many scholars credit the relation for contributing to some African countries economic development through aid, and infrastructure development.

Going by presented literature review, this study found a number of academicians pointing that China's relation in Africa has resulted into more Chinese investments in Africa thereby increasing FDI inflows in Africa.

Looking at the technological and knowledge spillover theory, the study found out that Chinese hotels have contributed towards knowledge transfers to Ugandans especially those employed in the sector. **Though** not to a larger extent, as capital formation theory and Solow's neoclassical framework assumption suggests that growth of FDI leads to eventual increase of capital stock in the host country and hence additional capital in the host country which is vital for economic development, this research paper underscores this view.

In Uganda's hotel industry, Chinese investments have created enormous impact towards the country's economic development. Impacts such as employment opportunities, revenue collections, skills and knowledge such as improving Ugandans entrepreneur skills all have been identified and attribute to Chinese FDI in Uganda's hotel industry. This study further concludes that, Chinese hotels consistently offer training opportunities to their employees. The trainings offered contributed to development of new skills and knowledge among the employees. All employees in Chinese hotels said they receive trainings annually and many underscored the importance of such trainings in regard to gaining new skills and knowledge. Though the study found out that locally owned hotels organize trainings for their employees, this was not consistent, and instead the managers in such hotels often had trainings than employees in other lower departs. Going by Knowledge spillovers/technological theory, such impacts plays a significant role in terms of economic growth especially in regard to frame work of endogenous growth theory which also underscores the importance of knowledge accumulation as a key factor when it comes to economic development especially in the long-run. Among mentioned positive impacts included through its multiplier effect, the investments in the industry have resulted into promotion of agriculture, new innovations in hotels and restaurants and improved people's personal development initiatives.

Chinese owned hotels in Uganda collaborate with other Chinese owned hotels in the region such as in Kenya, and other local firms (Chinese hotels in Uganda) in the introduction of innovations and for such reason all the establishments update workers' qualification with training activities. This suggests the possibility that the local economy may be benefited from this kind of arrangements via knowledge spillovers. This going by technology transfer model's view, it is important as knowledge is transferred even to local employees majority who are Ugandans.

Empirical evidence shows that Innovation is a widely extended phenomenon in hotel establishments of especially in Chinese owned Hotels and restaurants. This can be attribute to the hotels need to win and attract the competitive local market, by offering the best services through various innovations. The trainings offered that provides skills to employees to ensure new innovations is also important to note here.

From empirical data collected, the conclusion is that innovation activities carried out by Chinese hotels and restaurants in Uganda has necessitated the actualization of employees'

qualification and training. The said actualization has been offered through Chinese owned hotels and restaurants managements organizing in-house training courses and at times through external firms that are hired to provide such trainings while a few other hotels they do it by employing new workers with the knowledge and training needed. As earlier noted in literature, various research papers indicated that labour mobility is the most important channel of technology transfer. The findings and conclusion backs this assumption given training is generalized.

The conclusion discussed above suggests and confirms that foreign direct investments in hotel sector's innovative activities in developing countries like Uganda presents a high potential for promoting domestic development. In this regard, the more intense the innovation, the more organized the knowledge transferred to their subsidiaries, and the more the labour training and workers' mobility and/or the bigger the collaboration with domestic firms to create or introduce innovations, the greater the spillovers to domestic firms will be. Here the hosting country can play a vital role and may facilitate the benefit in practical terms increasing the country's ability to absorb technologies rather than bringing foreign hotel chains investing in other sectors such as education and strengthening the linkages between local and foreign managers.

Another conclusion is that Ugandan government incentives to investors currently focuses at foreign investors. Tax holiday allowed to Chinese investors in hotel sector was raised and is thought to be one of the reasons for their continuity. **Though** it is clear that at the start of business there is less or no profits made considering the high paying off or amortization rates of capital invested in business/projects, and aware that the given corporate tax holiday may not result into a visible defacto advantages, it was noticed that it gives a breakthrough to the investors since it saves them from picking from their pockets to pay taxes at the beginning of business since they are have tax holiday.

There is lack of clear and well stipulated, and implementation of laws guiding investors. Despite the ministry of tourism, wildlife and antiquities underscoring the contribution of hotel industry towards economic development, the ministry has no policy guiding the industry and is only working with the ministry's statutory act of 2013 which is also not followed!

It should however be noted that, not only China-Africa economic relations resulted into positive impacts. In different parts of literature, that China's relation with African countries is

not a mere development cooperation. It has been noted that intentions China's real intentions are in Africa are the Continent's rich raw materials such as Oil, timber which China needs much to feed its growing industries. Other parts of literature argue that China is looking for market to sell its products, while others point at the countries growing population that China is looking for where to settle its citizens.

In Uganda's perspective, taking into consideration of the above views, Chinese investments in the country have come with other negative impacts. Among them include the collapse of Ugandan local firms as a result of failing to cope up with Chinese strong firms, influx of Chinese in the country (Uganda) where unemployment is also high, and reported claims of exploitation by Chinese employers.

To sum it all, the study concludes that Chinese investments in Uganda's hotel industry have contributed to economic development of the country, and the investments have potential to bring more positive impacts. The study has revealed the actors in Chinese investments in Uganda's hotel industry, source of their money/capital, it has pointed out at who are the employees in Chinese hotels and the positions they are employed in, and it has also looked impacts of Chinese investments to Uganda's economy underlining their positive impacts and contribution towards the country's economic development.

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Appendix 1

Table 1. Interviews/ Key informants

Interviews	Numbers
Government officials (2 ministers)	2
Members of parliament	2
District chairperson	2
Representatives of workers union	2
Intellectuals	2
Uganda investments authority	1
Uganda tourism board	1
Uganda hotel owners association	1
Media	4
Hotel managers	12
Municipality mayor	1
Traders association	1
Hotel employees	11
Uganda immigrations board	1

Source: own table.

Appendix 2 (a)



Source : New Vision.

Appendix 2 (b)



Source: New Vision

