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**Somali entrepreneurs in South Africa:**

**Brisk activity under constant threat**

*In Sweden there are few Somali entrepreneurs, in South Africa they are many. In this article we present a short literature based introduction of Somali entrepreneurship in South Africa, which is brisk but exposed to constant threat in form of xenophobia and crime. We then dive into the Somali enclave in the city district of Mayfair in Johannesburg and interview half a dozen Somali entrepreneurs, who, even if they exhibit common experiences, interests and approaches, have very different educations, business strategies and plans for the future. We also amuse ourselves (and hopefully the reader) by characterizing these entrepreneurs and their reasoning by dint of concepts from the history of economic thought.*

In Sweden the number of Somali entrepreneurs is small, about 300. In South Africa they are many; in the province of Gauteng alone (where the major city Johannesburg and the main capital Pretoria are situated) probably a couple of thousand, and this even though the number of Somalia-born does not differ that much between the two countries (in Sweden about 60,000, in South Africa about 100,000). This remarkable difference between Somali business activity in South Africa and a number of other countries on the one side and Sweden and the rest of Scandinavia on the other recently caused the Swedish and Somali embassies in Pretoria to co-arrange a unique round table conversation with researchers, Somali entrepreneurs and representatives of the South African government.

In this article we, who participated in this conversation, will, after a few introductory literature-based observations on Somali entrepreneurship in South Africa, pass the word on to half a dozen Somali entrepreneurs in Johannesburg, who each one makes one think of different phenomena in the history of economic thought.

**Establishment**

Let us start out by illuminating the scene upon which Somali entrepreneurs in South Africa appear and firstly the environment in which our interviewees are active, the Mayfair district in Johannesburg – “Africa’s New York” in the Gauteng region.

After South Africa’s transition from apartheid to democracy in 1994, and the ensuing “white flight” from certain parts of Johannesburg, Somalis gradually moved into Mayfair, where there was a South-Asian Muslim presence (Grant & Thompson 2015, 181, 190; Thompson 2015, 4). Sadouni (2009, 241) speaks of a minaret in Mayfair as “the compass to Johannesburg” and that religion more than clan was to characterize their identity in the city where they created a community by establishing a mosque and Quoran schools.

The first wave of Somali refugees earned a reputation as hard-working and thrifty businessmen. A second wave arrived after Ethiopia’s invasion of Somalia in 2006. At the outset most of them worked as hawkers within the South African informal sector. Jinnah (2010, 97) gives the following picture of Mayfair: “The Somali dominated area in Mayfair is marked by Somali owned shops, restaurants, internet cafés, delivery services, a mosque and religious school and financial facilities. It is perhaps this tendency to self-sufficiency that has resulted in a perception that they are unwilling to integrate.”

Thompson (2015, 2) tells how the neighborhood has developed into an epicenter for the Somali diaspora with its “refugee capitalism”:

The tight-knit Somali ethnic enclave in the neighbourhood of Mayfair, Johannesburg, serves as a hub of social, financial and physical structures that facilitate the circulation of people, goods and money within Gauteng while also linking these movements to international circuits of the Somali ethnic economy.

Mayfair is described as “a hive of formal and informal trade networks and migration circuits that extends to a multitude of South African cities and townships as well to the rest of the continent and beyond” (Grant & Thompson 2015, 181), as “a vibrant ethnic enclave” attracting Somali investors from the US, UK, Netherlands, Norway and Sweden (Thompson 2015, 10, 12). Threats from the host society (to which we will soon return) at the same time make Somalis in the neighborhood “self-segregate to create a safe space” (Thompson 2015, 13).

**Business strategies**

Somalis in South Africa initiated their business activity as street vendors of clothes, shoes and durable groceries, they created networks to set up small shops (*spazas*) and wholesale businesses based on low mark-up on goods and high turnover (Mohamed 2015; Thompson 2015, 7). Their business networks are often clan-based according to several observers (Sadouni 2009, 240; Thompson 2015, 8). Thompson gives the following characteristic:

Somali’s work as middlemen connecting White- and Indian-owned wholeslaers in cities with customers in surrounding townships [---]Somalis report that their business strategies that facilitate business competitiveness involve low margin and high turnover, long hours of operations, breaking down goods into small quantities […], and extension of credit to impoverished customers. (Thompson 2015, 6-7)

In the report *Somalinomics* (Gastrow och Amit 2013, 6, 21-28, 35), Somali business strategies are summarized accordingly:

* Shareholding in multiple shops.
* Low mark-up on goods and high turnover.
* Location of shops in high pedestrian traffic areas.
* Shop rental from South African landlords.
* Shared transport of goods from wholesalers.
* Long opening hours.
* Great range of products and sale in small quantities.

**Local effects**

Somali business activity means a competition which native South African shop owners find it difficult to manage, but also benefits for the South African economy: it connects cities with townships and producers and wholesalers with retailers and customers and attracts foreign capital to the country (Grant & Thompson 2015; 192; Thompson 2015, 14).

*Somalinomics* (Gastrow & Amit 2013, 6-7; 29-38) summarizes the effects of Somali business activities on local interests in the following terms:

* Most Somalis rent shop premises from South African landlords.
* Spaza shops open up opportunities for small scale suppliers and manufacturers who lack capacity to supply larger supermarkets.
* Spaza shops are an important link between wholesalers and customers.
* Shops employ South Africans.
* South Africans get access to a broad supply at low prices during long opening hours.
* Somali businesses are a source of tax revenue.

Somali entrepreneurs thus offer many benefits to the South African economy but is nonetheless not looked upon favorably. A fact sheet from University of Stellenbosch cites a South African businessman: Somalis “are not part of the community … they are just here to do business and take out the money”. Thus, we have arrived at the big headache for Somali entrepreneurs in South Africa – xenophobia and crime.

**Xenophobia and crime**

Immigrants from countries like Angola, Nigeria and Somalia are not popular in South Africa. They are often considered to “steal jobs” and opportunities which “rightfully” belong to the local population (Grant & Thompson 2015, 183). Somalis are in a particularly vulnerable situation because of their business activities in townships; it is sometimes even said that the have gone “out of the frying pan into the fire” (Grant & Thompson 2015, 192). An investigation of 120 African immigrants, of which one third were Somalis, gave the following impression: “ Most comments contained, as a subtext, jealousy on the part of locals, because Somali entrepreneurs run such highly successful businesses.” (Kalitanyi & Visser 2010, 387) The permanent violence to which Somalis are exposed has been labelled “violent entrepreneurship”, based on economic competition against a backdrop of widespread criminality (Charman & Piper 2012, 82).

According to Somali leaders, 500 Somalis were killed in xenophobic attacks between 2001 and 2009 (Jinnah 2010, 97). An investigation covering 43 Somali shops in Gauteng’s townships revealed that each shop had on average experienced a robbery every third month (Thompson 2015, 9). Added to this are major xenophobic outbursts – particularly the riots of 2008 och 2015 – with murder and arson.

In cities like Johannesburg enclave formation serves as protection against xenophobic violence (Grant & Thompson 2015, 185). Since Somalis cannot expect much help from the police they have to rely on each other to protect their properties.

In South African government quarters one wishes, explained by among others the Small Business Development Minister Lindiwe Zulu 2015, that Somalis should share their “business secrets” with the indigenous population (University of Stellenbosch fact sheet).

Now, let us hear what a few Somali entrepreneurs in Mayfair, Johannesburg, have to say.

**Night watchman state**

Ibrahim Hared, 58, resides in an elegant office behind a huge warehouse filled with diapers and toilet paper. His parents were nomads. He attended primary school and served in the military for seven years, from the age of 18. Subsequently he started a business with his older brother, transporting goods between Mogadishu and other cities on contract with US and British oil, fruit and sugar companies. In 1991 he transferred this activity to Kenya (his brother migrated to Canada) and for many years pursued fuel transports to different countries with Kenya and Tanzania as bases. In Kenya he also had a restaurant in Bungorna and after that in Nairobi. When the UN started supplying refugees with food he had to close the restaurant and moved to Mozambique, where he, without any knowledge of Portuguese, opened a clearing central for goods and an internet café in Maputo.

In 2012, when the import market contracted and customs became tougher, Ibrahim moved to South Africa and started wholesale trade with diapers in Durban. In the autumn of 2015 he transferred this activity to Mayfair in Johannesburg. He bought a truck with advertisement for his company, Getway Services Agency, and soon people started calling.

Ibrahim says that being his own has two advantages: “You will get your own profit and your own confidence. The mistakes you make today you will never do again.” He believes in learning by doing and having patience. To succeed in business you have to get a good name with suppliers and customers and “have complete control over the internal as well as external side of your business”.

Ibrahim has never taken a loan but has expanded through accumulation of profits and credits from suppliers. Bank loans are too expensive and too circumscribed by conditions. “You have to grow at the right pace, so that you don’t have to borrow” The company has 14 employees, eight on permanent and seven on casual basis. The former are Somalis, the latter South Africans. When Ibrahim needs advice, he turns to consultant companies and pays for the information.

According to Ibrahim, the small business owners and not “the rich man” build a country. They are the ones producing, consuming and creating employment. However, governments show more interest in big companies. “What I expect from government is stable currency and security”, Ibrahim declares and thereby raises the expectations upon the “night watchman state” which Adam Smith expressed already in *The Wealth of Nations* in 1776. South Africa however suffers from a weak and fluctuating currency as well as widespread crime. Ibrahim tells how crime takes on the shape of syndicates who are like squids with tentacles consisting of different ethnic groups (Somalis not excluded).

Ibrahim has twelve children and his ambition is that they should all get a good education and thereafter join the company as partners. He wants to teach his sons the art of making business so that they can take over when he himself reduces his workload. He furthermore wants, just as the South African government wishes, to share “business secrets” with South Africans. “It is important to share ideas, knowledge and products with a network of indigenous small entrepreneurs in townships”, e.g. Soweto, where Somalis dare not establish businesses. “This would create a win-win situation for Somalis and indigenous entrepreneurs.”

**The auctioneer**

Abdirizak Ibrahim Ali, 48, is the son of a farmer with 19 children. All children got education and subsequently returned to work on the farm. The father also opened a grocery shop in the city in their home town. Abdirizak went to school and worked in the shop in the evenings after having done his homework. He eventually took a college degree in business management and development and worked in a bank and in government administration in Somalia. He fled the country in 1991 and for many years moved between Kenya, Djibouti and Uganda and pursued trade activities. During a period he had a clothing store with seed capital from a sibling in Sweden.

In 2007 Abdirizak arrived in South Africa and set up a grocery store and then another similar store complemented with electronic goods in Kimberley in the Northern Cape province. After four years he moved to Johannesburg, where he runs a company named Saney Barakat and two grocery stores.

On the motives behind entrepreneurship Abdirizak says this: “I want to have myself as employee, I don’t want to work for somebody else. I want to have the freedom to choose my own way. It should be either personal business or corporate business, not partnerships, which often run into problem after two or three years.”

Abdirizak works with phone and computer as tools as middleman between many wholesalers and many retailers and thus serves as a market mechanism for all kinds of goods. He reminds of the auctioneer in Léon Walras *Éléments d'économie politique pure* from 1874-77 who creates market equilibrium.

Abdirizak has a bank relation but seldom takes a loan, at least not with interest. He has a fellow countryman employed in the office (well protected behind bars) and three employees in the grocery stores. He does his own bookkeeping after bad experiences from using external accountants. He has passed a seven days MBA course and acquires the information he needs through the Internet and through friends in America.

His business has its ups and downs. He has to make ends meet and be able to support his father, 98 years old, and four brothers and sisters living in Somalia close to the border of Kenya. He works hard, from 5 am to 11 pm and describes the difference between working in South Africa and the U.S. respectively as “more crime and longer working hours”. He is not planning to go back to Somalia but could consider doing it if the country gets secure – and he would love to write a book on the economic history of Somalia.

**The entrepeneur**

Bashi Bashir, 50, comes from a family of traders; his father and grandfather imported coal to Somalia. He studied accountancy, management and journalism and proceeded at college in Uganda for three years. At the same time he imported clothes and electronics from Dubai and exported livestock, skin and hides. He moved to Uganda in 1991 and to South Africa in 1996, where he started out as hawker in the informal sector and studied business psychology and business development at University of Johannesburg and business management at University of the Witwatersrand. He continues to attend workshops to keep a jour and expects to take his MBA shortly.

Bashi describes the motives behind his entrepreneurship in the following vein: “I am from a business family and it is the only option in South Africa. I want to be free from other people’s rules, plans and time-tables. It’s not easy, but it’s the only way I can live.”

Bashi plays a prominent role in the Somali community in Johannesburg. One important task is to ensure that Somali youth feels at home in the community at the same time as their way towards higher education is facilitated with scholarships and elimination of barriers. “They must forget what happens back home [in Somalia] and invest in a future in this country.”

Bashi has pursued different business activities in South Africa: groceries, clothing, catering. Right now, wholesale (with a partner) of diapers and other children’s articles is what counts; he is thus in the same trade as Ibrahim Hared, with whom we have already been acquainted. He claims to never have been interested in ethnic entrepreneurship, mainstream is what counts. He portrays himself as an entrepreneur, always on the move, looking for market trends and prepared to go to a new niche when the old one is getting full. In his attitude, he reminds of the entrepreneur described by Joseph Schumpeter in *Theorie der wirtschaftlichen Entwicklung* in 1911, the man looking for new combinations. He gathers information on what happens along the “frontier” partly through the local community, partly through workshops och seminars at the universities.

Bashi employs ten people, six South Africans and four Somalis. His capital is self-generated. He has never taken a loan. “When you wish to grow you bring in a sleeping partner.” To rent premises in central Johannesburg is expensive and cumbersome but pretty easy in Mayfair, where he has both warehouse and front store. His statement on competition is short and simple: “No competition, no business. It all depends upon how you deal with your competitors and on the skills you bring to the market.” Nor does regulation and taxes seem to bother him. A bookkeeper takes care of bookkeeping and tax returns and “business people must pay taxes so that the government system works”.

Not even crime seems to bother Bashi much, at least not as long as he has his basis in Mayfair. His thoughts about the future revolve around different alternatives: technology and communications alternatively oil and gas. Or perhaps an institute for business education? He is not thinking about leaving South Africa: “This is my home, my children are born here. But business people are of course always mobile.”

Let us conclude Bashi’s story by listening to his advice on how to avoid youth getting radicalized and joining terrorist organizations. Recently media reported that about 80 young people from South Africa had joined the ISIS (Daily Nation 2015). According to Bashi’s knowledge, no Somali youth were part of this group. Radicalization of youth can be avoided, says Bashi, by an economically vital community with leaders and role models working with young people, helping them to get into studies and work. Young people must have a role to play in the community, otherwise they may be isolated and frustrated, and the community must feel that it belongs to the country – “this is our country, the country of our children”. Belonging and hope for the future built upon economic and social activity is the best cure for the identity problems which may cause young people choose the destructive road of terrorism.

**Perfect competition**

There are many female Somali entrepreneurs in South Africa, but they are seldom as successful as men. They often sell clothing and hygiene products in small shops. The condition with many sellers and buyers, homogenous goods and inability to affect the market price is called perfect competition, a concept developed by, among others, Antoine Cournot, Stanley Jevons, John Bates Clark and Frank Knight. Let us get acquainted with two female entrepreneurs in their 40s of this kind who both have shops in Amal Shopping Centre, the only Somali shopping centre – or “epicenter” – in Johannesburg. This centre opened in 2005 and has some 50 shops plus offices.

A woman who we may call A sells clothes and perfume in one of the shops. She comes from a family which had export-import business and a shop in Somalia. She went to primary school there, left the country in 1991 and lived for six years in Nairobi. In 1997 she migrated to South Africa; the reason was that she became furious when her husband took a second wife.

Life in South Africa became a struggle for survival. A was alone with several children and could not speak English but kept herself floating and even managed to save money since her brothers in the U.S transferred 400 dollars a month. In 2002, she started door sales of perfumes with two other women. Four years later the partnership expired. By then A had saved half a million rand. With this money she started a jewelry shop and the future seemed bright. One year later her hopes were crushed when a burglar during the night stole all jewelry as well as her cash money. A was convinced that a security guard had instigated the crime but nobody was arrested. “How could they be arrested, they were natives.” When se aired her suspicions, she was attacked with knife by an employee, a South African woman. “When I was brought to hospital, they treated me as if I was the criminal.”

“There is no justice here”, concludes a bitter A. Nowadays she is rather passive, just attempting to earn enough money to pay for rent and school fees for her children. She can no longer count on assistance from her brothers in the U.S. She is thinking about moving to Saudi Arabia or returning to Somalia.

A woman, who we will name B, has a similar shop in the Somali shopping mall. She is married without children of her own but with two “dependent” kids who her mother looks after when she works in the shop. Her parents ran business activities in Somalia. Her father traded with life-stock and her mother had a grocery store. She herself went to primary school. For several years, the family had to move around to escape violence. In 1997 B arrived with another family in South Africa and Cape Town. She knew no English and could not count on help from other Somalis for more than a few months. She had to support herself, felt lonely, sad and worried. She started out by selling shoes and opened a boardinghouse. This was very challenging, and for health reasons she sold it after a while and moved to Johannesburg, where she in 2005 started a shop with a partner and with money from the sale of the boardinghouse. The assortment was the usual: traditional Somali clothes, shoes, perfume.

On the question how it is possible to operate a shop with the same assortment as numerous other shops B says that her aim is not to make a lot of money but to be able to survive and that is an advantage to be located in the shopping mall which is a magnet for Somalis. Also, a bookkeeper is available at the centre and there are opportunities to confer with other Somali entrepreneurs.

B wants to expand her business and move on from the ethnic niche to the mainstream. However, this is no easy task. Along major business streets rents are too high. The only opening for expansion exists in townships, where premises are cheap but where the risk for robbery is imminent. B has owned shares in grocery stores in townships but they were exposed to robberies during daytime and then “the only option is to try to save one’s life”. There is no confidence in the police. “When our shops were plundered, the police asked the owners to step out so that the robbers could operate without being disturbed.” In Mayfair existence is more secure. If anyone attempts a robbery other Somalis come to the rescue. But every night when B leaves her shop she wonders if it will have been exposed to burglary by the next morning.

**Satisficing**

Tayo Cash “N” Carry is a wholesale company, established in 2014, with four partners. We meet with three of them: director Hassan Mohamed Ali, with secondary school from the old country, twelve years in Kenya and previous experience from “cash and carry”; Aboni “Sharmake” Mohamed, bookkeeper, with exam in financial management and banking employment in his references; and Sharif Mohamed Wehliye, responsible for customer relations, with education in Islamic studies and previous business experience from clothing and grocery trade. The three came to South Africa in 2005, 2009 and 2003 respectively. Hassan and Sharmake are friends since childhood, raised in the same village. Except for the four active partners there are a few sleeping partners. The motive for starting this business is explained short and simple: There was a need and we had the experience.

The activity is located at two warehouses; the one is 1,350 square meters, the other 800 square meters. In the first one there are high ceilings – about eight meters – and all kinds of groceries are stacked on shelves. In the other there are cold rooms for dairy products and freezer rooms for meat products. Transports to the warehouse are performed with five trucks. Customers fetch their goods themselves. The company was started with capital based on savings and supplier credits. The suppliers consist of 30 – 40 local grocery producers, the customers of about 500 grocery stores. The company has 20 permanent and 30 casual employees.

Bureaucracy? “Our lawyers and bookkeepers see to it that we fulfil all legal requirements and pay taxes”, according to Hassan. “The regulatory system is quite simple as long as you follow the rules.” Competition? “Not so bad, we are part of it and we can go ahead”, says Sharmake. Plans for the future? “To expand and open several similar businesses in South Africa and other parts of the world”, says Sharmake with an almost modest countenance.

The major problem for Tayo Cash “N” Carry is crime. Ten security guys are employed and every month 50,000 rand are invested in updating of alarms and surveillance cameras. All in management have alarm buttons in their keyrings which activate external security people. Cash handling is avoided. Customers deposit money in a bank, receive a receipt, and with the help of it redeem their goods. Even though, the cashier in the warehouse is entrenched behind a barred opening in a wall of sheet metal.

Let us end this visit among Somali business people in South Africa by listening to Sharif Mohamed Wehliye’s explanation as to why entrepreneurship among Somalis in Sweden is so weak. He has siblings in Sweden and has through one of his brothers acquired some information.

Here are Sharif´s explanations: There are many rules and therefore much capital is needed to start a business. The government is primarily interested in supporting big companies. It is hard to find business premises. Social benefits mean that people do not have to work to support themselves. The economic gap between immigrants and natives makes it difficult to expand a business from an ethnic group to the mainstream (whereas in South Africa immigrants and many natives are on the same economic and social level). It takes a lot of education to be able to work in Sweden. Government always directs people to what to learn and what to do.

There is undeniably much substance in Sharif’s explanations and his statement is an example of the information on different countries which circulates in immigrant’s global networks. Which theory fragment should we attach on Sharifs back? Why not Herbert Simon’s bounded rationality, which means that even if an actor cannot access perfect information and therefore cannot make optimal decisions, he can still get enough information to make satisfying decisions. In Sharif’s case he as well as his brother in Sweden had capital to invest. Sharif wished to send capital to his brother to invest in Sweden but was told that this was impossible. So instead the transaction was reversed: the money went from Sweden to South Africa. It seems as if Sharif and his brother had enough information to make a wise decision.

**Summary and conclusions**

The Mayfair district in Johannesburg is a junction in the business activity of the Somali diaspora, a junction which connects producers and wholesalers with retailers and consumers, city with township, Somalis in the world with Somalis in South Africa. Somali entrepreneurs play an important role in the South African economy. The threatening environment amplifies their need to stick together and contributes to the image of a group not keen on integrating in society.

The Somali entrepreneurs in Mayfair we interviewed in most cases stem from families involved in businesses. Their educations vary from religious, primary and secondary school to college and university. They have usually pursued different business activities before their arrival to South Africa. The interviewee’s motives for entrepreneurship revolve around independence, learning and self-confidence and – of course – self-sufficiency. Their strategies for information gathering and learning varies: contacts in the local environment, friends abroad, Internet, advice from consultancy firms, university seminars Their plans for the future are very disparate: share “business secrets” with South Africans, write the economic history of Somalia, launch an institute for business education, expand to other countries or just get enough money to pay the rent.

Even if the literature on Somali entrepreneurship in South Africa has carved out some pregnant characteristics, the entrepreneurs are, as we have seen, individuals with very different educations, strategies and plans for the future. What they have in common, except for religion, culture and language, is foremost the “mentality” which characterizes entrepreneurs in general – to invoke one more economist, Alfred Marshall – the will to be the smith of one’s own fortune. What they expect from government is the maintenance of law and order and a stable currency.

Sweden and South Africa offer radically different environments for entrepreneurship. But if we anyway wish to draw some lesson from the stories told by Somali entrepreneurs in South Africa, it is mainly about this – the will to be independent, the freedom to choose one’s own way. Resolute advice from officials on what is possible and not, lengthy courses on entrepreneurship, meticulous scrutiny of business plans in all its glory, however, for the extraneous entrepreneur all these well-intentioned actions can be perceived rather as control stations which reduce the urge to head into the road towards entrepreneurship. In South Africa and many other countries it is possible to start out from scratch in a more or less informal sector and through learning by doing assimilate business routines and find one’s niche. In Sweden this road is closed and can hardly be opened. However, we should at least be aware that a far-reaching need for control has a price. On the other hand, Sweden offers security and a stable currency.

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