

# **The impact of the second-hand clothing trade on developing countries**

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# Executive Summary

## Context

The global trade in second-hand clothing (SHC) is worth more than \$1 billion each year. Supporters of the SHC industry point out that the trade creates employment in the receiving countries (transporting, cleaning, repairing, restyling, etc.). It also provides low-cost clothing for people living in poverty. At the same time, however, there are concerns that the trade may be undermining local textile and garment industries, and livelihoods in some developing countries.

This review was initiated to consider the evidence of the impact of the SHC trade on developing country producers and consumers. It focuses particularly on West Africa, as Oxfam International is active in promoting the livelihoods of cotton farmers in the region and consequently has an interest in the regional textile and clothing sectors.

## Methodology

The review draws upon three sources of information to explore the impact of SHC:

1. Existing literature on SHC, which provides country case studies of the impacts of SHC in Zimbabwe, Zambia, Kenya, Rwanda, Ghana, and Tunisia;
2. Industry studies of new textile and clothing production in West Africa, covering both the formal and informal sectors;
3. A detailed country case study of the SHC, and textile and clothing sectors in Senegal, which draws upon new research commissioned by Oxfam for this review.

## Findings

The SHC trade represents a small proportion of the total global trade in clothing (less than 0.5 per cent of total value), but for many sub-Saharan African countries it is a dominant feature of the clothing market (more than 30 per cent of the total value of imports, and much more than 50 per cent in volume terms). In most of these countries, SHC is declining as a share of total clothing imports, due to the increase in new imports from Asia, but nonetheless it remains highly significant.

The trade has clear consumer benefits. This is especially true in countries with low purchasing power, and for poorer consumers, though in many sub-Saharan African countries it seems that almost all socio-economic groups are choosing to buy SHC. For example, over 90 per cent of Ghanaians purchase SHC. Affordability is the key reason why people buy these goods. Fashion and consumer preferences also seem to be shifting away from traditional, 'African'-style to more 'Western'-style clothing.

The trade supports hundreds of thousands of livelihoods in developing countries. These include jobs in trading, distributing, repairing, restyling, and washing clothes. Oxfam's research in Senegal estimates that 24,000 people are active in the sector in that country. It is not possible to make exact comparisons with employment generated by domestic production,

but it is known that around 1,355 people work in formal sector textile/clothing industries in Senegal, and an estimated 62,000 in informal textile/clothing production.

SHC imports are likely to have played a role in undermining industrial textile/clothing production and employment in West Africa, which experienced a serious decline in the 1980s and 1990s. However, such imports have not been the only cause. Increasingly cheap imports from Asia are competing with local production, while supply-side constraints undermine the efficiency of the domestic industry. These constraints include unreliable and expensive infrastructure; the cost and availability of materials; outdated capital stock and lack of access to credit; and inadequate training and management skills.

In several West African countries it is not clear that, even in the absence of SHC, local textile/garment production and employment would recover, as new imports from East Asia are cheaper than locally produced goods and there are serious supply-side constraints. With the exception of Nigeria, formal employment in the sector has declined to very low levels in most countries. While initial data suggest a limited direct impact of SHC trade on informal sector production, as this is the largest informal employment sector in many West African countries — these impacts need to be closely analysed and monitored over the long term.

It is likely that SHC displaces exports from third countries, particularly from Asia. It is hard to estimate precisely, but if all SHC trade were replaced by new imports, rather than by production in destination countries, then the number of jobs created in exporting countries would be around 100,000. (This number is only an estimate, however, and it is likely that SHC would be replaced by at least some domestic production). This number does not take into account the number of jobs that would be lost in the importing countries due to the disappearance of the SHC trade.

Finally, the SHC trade in recipient countries is mainly informal and is poorly regulated. In some instances it has facilitated considerable customs fraud, as new clothing imports have been passed off as used clothing. This has led to reduced government revenue and, arguably, higher levels of imports and greater competition for domestic production, as new imports enter without the full tariff duty being paid.

## **Recommendations**

Northern NGOs active in the export sector:

- Are unlikely to significantly influence world price or supply either by exporting or not exporting (each comprises only a small proportion of global supply);
- Can make their trading practices more ethical by extending their involvement further along the supply chain. This may include one or more of:
  - A. Exporting to countries that best fulfill certain criteria:
    1. Low purchasing power
    2. Small proportion of population involved in textile/clothing production and/or no sign of decline in the sector
    3. Not likely to be used as a re-export base to vulnerable or protected markets
    4. Viability from a trading perspective

5. Existence of customs regulations and effective implementation;
  - B. Working with importers, processors, and traders in developing countries to extend benefits further down the supply chain (possibly in collaboration with local NGOs, credit unions, etc.);
  - C. Making SHC available to consumers in rural areas where they currently do not benefit from the trade;
  - D. Using the proceeds from SHC exports directly to support textile and clothing producers in the importing countries, whether through advocacy or support for livelihoods programming;
  - E. Observing scrupulously the customs requirements of recipient countries, to set a lead in the fight against customs fraud.
- Agencies concerned with the development of the textile and clothing sector in West Africa should consider advocating for one or more of the following:
  - A. Increased scope for regional protection, notably by creating exemptions or special tariff bands under the ECOWAS (Economic Community of West African States) Common External Tariff which would enable strategic support to key sub-sectors (as is currently being devised for some agricultural products) such as cotton T-shirts, yarn etc;
  - B. Greater regional integration, through stronger incentives for cross-border integration of the cotton-textiles industry;
  - C. Improved customs enforcement, including tightening controls on SHC regulation to reduce fraud;
  - D. The right of developing countries to have the flexibility to choose which tariffs they reduce within WTO Non-Agricultural Market Access negotiations, and by how much;
  - E. Support for increased organisation and networking among informal sector clothing and textiles producers, to improve their competitiveness in domestic and export markets;
  - F. Identification and promotion of promising export niches.

## Introduction

*The second-hand clothes sector has grown into an important economic factor which provides a living for more than a hundred thousand people [in Ghana and Tunisia]. Added to this is the fact that second-hand clothes enjoy a high degree of acceptance in both countries and among all social strata.*

TEXAID relief organisations partnership, Working Group on Second-Hand Clothing, 1997

*The [West Africa] region has comparative advantages which can be exploited but in order for that to happen there must be a real policy of promoting local transformation. West Africa only transforms 5 per cent of its production in cotton and permits its markets to be invaded by cheap clothes from Asia and second hand clothes from Europe. In this context, ROPPA wishes to be in solidarity with other elements of the cotton-textiles sector who are engaged in the struggle for a genuine “cotton economy” in the region.*

Réseau des Organisations Professionnelles de Paysannes d’Afrique de l’Ouest (ROPPA), 2003

The global trade in second-hand clothing (SHC) has grown ten-fold since 1990 to reach a value of around \$1 billion annually.<sup>1</sup> Supporters of the SHC industry point out that the trade creates employment in the receiving countries (in transporting, cleaning, repairing, restyling clothes, etc). It also provides low-cost clothing for people living in poverty. At the same time, however, there are concerns that the trade may be undermining local textiles and garment industries and livelihoods in some developing countries. Production, in sub-Saharan Africa in particular, has declined over the past two decades, with numerous firms reducing their output or going out of business altogether, and industrial production falling substantially. A number of parties have cited SHC imports as a causal factor in this decline.

Particular concern about SHC has been voiced in West Africa. The dumping of cotton on international markets already has a negative impact on 10–15 million small farmers in the region.<sup>2</sup> Linked to the issue of cotton dumping are questions about the sustainability of livelihoods in the cotton sector, and the region’s dependence on primary commodity exports. Currently, 95 per cent of cotton produced in West Africa is exported as raw fibre.<sup>3</sup> A major ambition of policy makers is to promote greater transformation of cotton fibre into finished and semi-finished products in the region, in order to stimulate employment and industry. An often-repeated remark of Mali’s president, Amadou Toumani Touré, is that Mali, whilst being the largest cotton producer in sub-Saharan Africa,<sup>4</sup> ‘does not produce a single T-shirt’.

Recent trends are not encouraging. Of around 41 textiles and clothing industries that existed in the West African Economic and Monetary Union (WAEMU) region in the mid-1990s, by 2004 only six companies were operating at full capacity, and only three of these had satisfactory levels of performance.<sup>5</sup> In Nigeria, the region’s largest producer of textiles, up to

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<sup>1</sup> Trade data from UN Commodity Trade Statistics Database. A figure of \$1.4 billion is also often cited but we have been unable to find a source for this.

<sup>2</sup> See Oxfam International (2002, 2004) for a full discussion of cotton dumping.

<sup>3</sup> Centre pour le Développement de l’Entreprise (CDE) (2003), p.53.

<sup>4</sup> Depending on the reference year, Mali surpasses Egypt as the largest producer in the whole of Africa.

<sup>5</sup> CDE, 2004.

80,000 jobs have been lost in the formal textile and clothing industry in the past ten years.<sup>6</sup> As these sectors have historically provided a first rung on the industrial ladder for developing countries, this has been a serious blow to prospects for industrialisation in West Africa. The possibility that SHC imports could be undermining local textile and clothing production is therefore of particular concern for the region.

This review was initiated to consider the evidence of the impact of the SHC trade on developing country producers and consumers, with a particular focus on West Africa. It should be noted that this paper does *not* go into detail on other questions pertinent to the industry (e.g. the financial viability of the trade in the UK, its environmental benefits, etc.), nor does it pass judgement on the choices made by consumers in developing countries.

### **The global context for the SHC trade**

The total global trade in textiles and clothing is worth more than \$200 billion each year. The SHC trade has grown ten-fold since 1990 but, at roughly \$1 billion per year, still represents less than 0.5 per cent of this total in value terms.<sup>7</sup> In volume terms the proportion is higher, since SHC sells at around 10–20 per cent of the price of new clothes, but it still comprises less than 5 per cent of the total global trade. However, this proportion varies considerably according to the receiving country.

Almost all countries are involved in the trade, either as exporters, processors and re-exporters, or importers, with some countries playing more than one role. Developing countries are the major consumers of second-hand clothing.

It should be noted that the SHC industry in *exporting* countries is considered by some commentators to be in difficulties.<sup>8</sup> This is largely attributed to the rise in cheap but lower-quality new clothing imported from Asia.

### **Where is SHC likely to have the greatest impact?**

While SHC makes up a small part of global trade in textiles and clothing, for some countries it plays a more important role than for others. As the tables below show, sub-Saharan Africa is particularly reliant on SHC imports. Here they constitute over a quarter of the value of all clothing imports (and a considerably larger proportion of the volume).

<b>Region</b>	<b>SHC as % of all imports (2003, by value)</b>
Eastern Europe & ex-USSR	4.7%
East Asia & Pacific	0.7%
Latin America & Caribbean	3.8%
Middle East & North Africa	2.2%
South Asia	15.0%
Sub-Saharan Africa	26.8%

<sup>6</sup> Bankole et al. (2004), p.27.

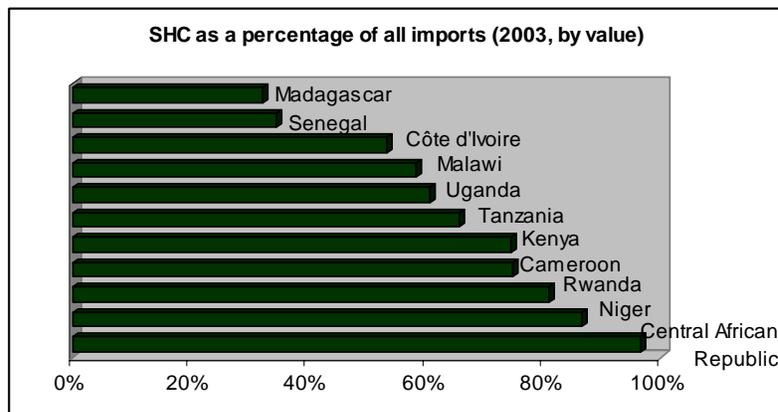
<sup>7</sup> Trade data from UN Commodity Trade Statistics Database.

<sup>8</sup> The UK Textile Recycling Association (TRA) notes that ‘five years ago we could have expected around 65 per cent of the clothing that we collect to be of good enough quality to be exported for re-use. We estimate that this figure has dropped to around 50 per cent in the UK.’ Textile Recycling Association (2005), p.3.

Region	Ratio of SHC imports to <i>all</i> new trade, imports and exports (2003, by value)
Eastern Europe & ex-USSR	1.1%
East Asia & Pacific	0.1%
Latin America & Caribbean	1.6%
Middle East & North Africa	0.6%
South Asia	0.6%
Sub-Saharan Africa	10.3%

Source: 2003 data from UN Comtrade

For several countries in this region, SHC comprises over 30 per cent of all clothing imports by value (and much more by volume):



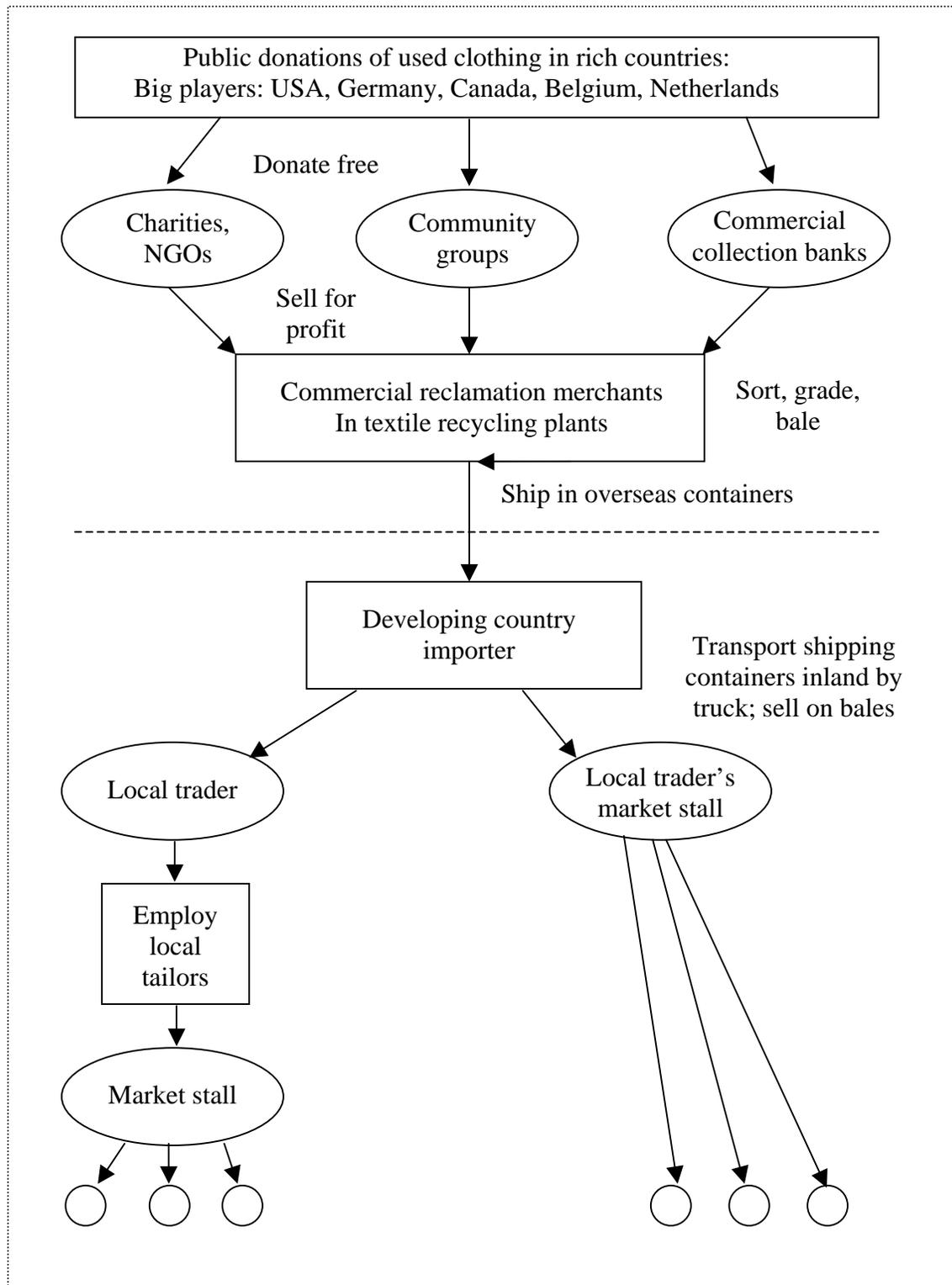
Source: 2003 data from UN Comtrade

Although the share of SHC in total sub-Saharan African imports of textiles and clothing has declined over the past five years (due to the rise in new imports from Asia), in many countries SHC remains the dominant import.

While this review touches briefly on the possibility that SHC trade is undermining export opportunities for countries in South Asia, Latin America, and Eastern Europe, it focuses primarily on the effect of SHC on domestic production in sub-Saharan Africa.

### The value chain for global SHC trade

A typical value chain for trade in SHC is shown below. Most charities involved in the business in the UK sell their (excess) donations to commercial reclamation merchants. Oxfam GB is the only major charity in the UK to have its own processing facility, Wastesaver, which is located in Huddersfield.



Source: Raworth (2004)

## **Analytical approach**

Assessing the impact of second-hand clothing on producers and consumers in developing countries is not easy. There are serious data limitations in developing countries, and multiple factors beyond SHC affect the global textile and clothing industry.<sup>9</sup> The review therefore draws on a number of sources of evidence:

### **1. Existing literature on SHC**

This section summarises empirical evidence from studies in Zimbabwe, Zambia, Kenya, Rwanda, Ghana, and Tunisia on the impacts of SHC imports on domestic employment and consumption.

### **2. Regional study: factors affecting the textile and clothing sector in West Africa**

This section puts SHC into a broader context of factors affecting regional textiles/clothing production. The focus is on West Africa, as this region has one of the highest ratios of used/new clothing imports, and also because of Oxfam's interest in cotton-related livelihoods in the region. Information is taken from industry studies commissioned by UNIDO (United Nations Industrial Development Organization), the World Bank, national industry associations, and Oxfam itself.

### **3. Country study: Senegal**

This section investigates the extent of employment and earnings in the SHC sector in Senegal, and discusses the links between imports and the domestic production of textiles and clothing.

Data were obtained through: (a) a review of existing literature on the formal and informal domestic textile and clothing sectors; (b) a field study, including a market survey, to estimate employment and earnings in the SHC sector in Senegal; (c) analysis of consumption data from household surveys; and (d) interviews with key informants. The field study used a sample of markets in three regions, Dakar, Kaolack, and Kolda, and extrapolated this to estimate total national employment in the sector. Interviews were conducted with five importers, 36 market administrators, and 345 traders.<sup>10</sup>

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<sup>9</sup> One major complication is that, while the rise in used and new clothing imports into many countries coincides with the decline of domestic industries, it is unclear which way the causal direction goes. Separating out the influence of the various factors would require detailed historical data on domestic production (including informal sector production) and trade policies for the developing countries in question. Such data is simply not available for many of the world's poorest countries.

A further complication is that the global industry is currently in major upheaval. In January 2005 the Agreement on Textiles and Clothing, which had governed apparel and textile imports to the USA and EU through a system of quotas, came to an end. Developing countries that had enjoyed protected access to Northern markets were faced with competition from the world's most efficient garment-producing countries. For the most vulnerable exporters, which in sub-Saharan Africa include Lesotho, Mauritius, and Madagascar, the phase-out of quotas is likely to have a much greater impact on production trends than SHC.

<sup>10</sup> It should be noted that the Senegal study was limited by the paucity of available data. Published data on the informal clothing production sector are from 1992, although an as yet unpublished survey was conducted in 2004. Moreover, these data do not include income or production accounts that might enable an estimate of production, incomes, and value addition in the sector. Household survey data from 1994–95 and 2001 did not specify used clothing as a separate category. Existing data on the imports of SHC are considered by many to

The review of the evidence concludes with a brief discussion of displaced export opportunities in third countries, and the possible impact of this on employment.

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significantly underestimate the scale of imports, due to fraud. Finally, no quantitative data exist on the extent to which consumers are willing to substitute between different types of clothing.

# 1. Existing literature

## Impact on consumers

The second-hand clothing trade is indisputably beneficial for consumers in developing countries, who gain access to far cheaper clothes than they would obtain from domestic production or from imports of new garments. A number of studies undertaken in Africa explore the consumption side. Several of these studies are a few years old: given the growth in the SHC trade over this period, the current impact on consumers is likely to be even greater.

### Who consumes SHC?<sup>11</sup>

- Over one-third of all people in sub-Saharan Africa (Hansen, 1995, p.134).
- 95 per cent of Ghanaians, roughly the same in both urban and rural areas (Swiss Academy for Development (SAD), 1997, p.6).
- 60 per cent of Tunisians each year, with virtually all socio-economic groups represented (SAD, 1997, p.12).
- In Zimbabwe, a heterogeneous group including low-, middle-, and high-income earners engaged in a variety of different occupations (Field, 2000, p.231).
- 80 per cent of Zambians (a 1993 study cited in Hansen, 1995, p.134).
- In Rwanda, all socio-economic groups, but particularly the rural poor (Haggblade, 1990, p.516).

### How significant is SHC in clothing consumption?

- SHC represents approximately 60 per cent of all clothing purchases in Ghana (SAD, 1997, p.6).
- Amongst Tunisians who buy SHC, nearly half of them meet a very high proportion (80–100 per cent) of their clothing needs with SHC (SAD, 1997, p.12).
- SHC represents 45 per cent of total clothing expenditure for the poorest quintile in Rwanda and 20 per cent for the richest quintile (Haggblade, 1990, p.516).
- Most consumers in Zimbabwe purchase a combination of new clothing from retail outlets and SHC from street markets (Field, 2000, p.232).

### Why do people buy SHC?

- The most frequently cited reason in Zimbabwe is affordability, which is of particular importance during harsh economic periods (Field, 2000, p.233). This is also true in Kenya where, for example, a used man's shirt may cost eight times less than a new one (Field, 2004, p.5).

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<sup>11</sup> Note that people who buy SHC may also buy new clothing.

- In Tunisia, religious and social traditions demand that new clothes are worn on certain occasions. These are relatively expensive, possibly explaining why there is a high demand for cheap SHC for other occasions (SAD, 1997, p.13).
- In Zimbabwe and Kenya, buying inexpensive SHC for informal, casual occasions allows people to purchase a few expensive new garments for formal, special occasions (Field, 2000 and 2004, p.234 and p.5 respectively).
- SHC from Europe may be of higher quality than new imports from Asia (SAD, 1997, p.6). However, in Zimbabwe few people cited the quality of garments as an important criterion (Field, 2000, p.236).

With the growth of SHC consumption, fashion in many countries seems to be shifting away from traditional, 'African' clothing to more 'Western' -style clothing. Today's imports of SHC may make tomorrow's domestic production less likely, even if domestic production should become economically competitive.<sup>12</sup>

### **Impact on employment**

Unsurprisingly, the impact of the SHC trade is less clear-cut on employment in developing countries than it is on consumption. On one hand, the increase in SHC imports is often held responsible for the decline of domestic textile and/or clothing production. On the other, the SHC trade generates employment as people repair and distribute clothing.

### **Impact on domestic production**

Industry organisations and individual businesses frequently cite increased SHC imports as destructive to local livelihoods. For example, Neil Kearney, General Secretary of the International Textile, Garment and Leather Workers' Federation, says that '*unable to compete, local industries are collapsing, leaving hundreds of thousands of workers jobless*', (ITGLWF, 2003). A representative of the Edgars Group, Zimbabwe's largest new clothes retailing group, expresses a common sentiment: '*People are buying clothes from second-hand markets, so obviously it has got to be affecting us. We just don't see the transfer, we don't see the effect full on us. ...If second-hand clothes weren't there, then they probably would have used that money at Edgars — we are losing out.*' (cited in Field, 2000, p.250).

While players in the market frequently blame SHC for the decline in their fortunes, the authors of studies on the sector are somewhat more circumspect in their conclusions. Hansen (1995, 1999, and 2000) and Field (2000) suggest that the decline of textile and clothing companies in Zimbabwe and Zambia has been primarily due to structural adjustment policies (SAPs). Field notes that in Zimbabwe, '*Once manufacturers had primarily blamed the SHC trade for de-industrialising their industry, they finally conceded that the trade was not the most important negative factor operating to their detriment... The problems of the textile and clothing industry essentially lie with the macro-economic impact of ESAP, combined with a devastating drought*' (p.301).

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<sup>12</sup> Anthropologist Karen Hansen does note, however (1994, 1995, and 2000), that used clothing imports should not be seen solely as 'Western', since local adaptations and social interpretations of used clothing make it part of local culture.

Further, she states that: *'As a result of these additional negative impacting factors [tight fiscal policies, the drought in 1992, non-renewal of the preferential trade agreement with South Africa, the pace of trade liberalisation, and the tariff structure] the majority of the sub-sector's support organisations agreed that even in the absence of the SHC trade they would not expect the viability of the textile and clothing sector to improve significantly'* (p.286). Of course it should be noted that SAPs and SHC imports are linked. The growth in SHC imports over recent years has clearly been due, in part, to decisions to reduce tariff barriers on imports.

One possibility, alluded to in the previous section, is that second-hand clothing may in some circumstances complement rather than replace domestic production. Field notes that in Zimbabwe's informal sector, *'The majority of tailors and garment makers had a neutral view on competition from the second-hand clothing trade. ... They did not regard "competition" between tailored garments and second-hand clothes as an important issue because they were not producing equivalent competing goods'* (p.241). The SAD (1997) report also states that *'second-hand and traditional clothes are two distinct markets'* (p.10). Of course, the extent to which this is true in each country depends on the nature of local production and the degree to which informal clothing production and tailoring, and ready-made clothing markets, are distinct in terms of types of product and consumer income groups.

## **Employment in the SHC sector**

Studies indicate that significant employment is generated by this sector in terms of handling, cleaning, repairing, re-styling, and distributing SHC. The SAD (1997) study found that approximately 150,000 Ghanaians work in the SHC sector (p.6). Several developing countries have industries based on the sorting, processing, and re-exporting of second-hand clothing, with many Eastern European countries entering the market recently.

Employment in the SHC trade is diverse. Hansen (1994) stated that in Zambia, *'Traders are young and old, women and men, with different educational and employment histories and from many ethnic groups'* (cited in Wicks and Bigsten, p.14). She also noted that women slightly outnumber men as traders, a fact on which Field agreed in relation to Zimbabwe's street markets. Earnings tend to be relatively high in the sector. Haggblade (1990) noted that in Rwanda, *'Budgets obtained from both tailors and used clothing retailers indicate that self-employment earnings in used clothing retailing exceed those in tailoring by 10 to 50 per cent'* (p.515). Field (2000) agreed: *'The majority of second-hand clothes traders appeared to earn a relatively high income... All the data suggest that operators' net incomes tend to be significantly above the average in urban Zimbabwe'* (p.222).

It should be noted, however, that employment in the informal SHC sector, unlike the formal sector, is not accompanied by social or legal protection. There may also be concerns about the long-term sustainability of livelihoods in the SHC trade, given that the quality of used clothing is declining in the countries of export. Research from Kenya suggests that up to a quarter of clothing in imported SHC bales may now be unsaleable.<sup>13</sup>

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<sup>13</sup> Simone Field, comment at Dakar workshop, Oxfam GB West Africa (2005)

### **Weighing up jobs destroyed and jobs created**

None of the empirical studies attempted to quantify how many job losses SHC is responsible for, mainly because it is only one of many factors affecting the textile and clothing industry. This makes it hard to come to a 'net' conclusion about whether the trade is good or bad for employment.<sup>14</sup>

The closest any of the studies gets to this is that of Haggblade (1990), who compared the number of jobs associated with \$10,000 of clothing expenditure in Rwanda in each of three categories: (i) local tailoring; (ii) new imports; (iii) SHC imports. His finding was that for every \$10,000 of consumer expenditure on used clothing there were 4.8 full-time workers employed in the local used clothing industry, while the same expenditure on tailoring was associated with 5.4 workers and on imported garments with a mere 0.2 workers. To the extent that SHC displaced new imports, it was thus beneficial in employment terms, though where it displaced local tailoring it was marginally negative (p.514).

A comparison of value addition in these three sub-sectors suggested that used clothing was the most beneficial, generating \$702 per \$1,000 of final sales, compared with \$504 in tailoring and \$640 for imported garments (p.514–15).<sup>15</sup>

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<sup>14</sup> Though where the total number of jobs lost can be estimated, this provides an upper bound (assuming that the industry would not have grown in the absence of SHC).

<sup>15</sup> Employment losses may be more limited in Rwanda than elsewhere because there is little formal industry. The high value added for SHC also derives in part from high tariffs (70 per cent) on SHC.

## 2. Regional study: West Africa

### Production and employment trends

In the immediate post-independence period, most West African states pursued an industrialisation strategy of import substitution. This typically took the form of controlling cotton prices and imposing licensing and/or high tariffs on imported textiles and clothing.<sup>16</sup> The strategy was successful in promoting the creation of domestic industries, and in the early 1980s WAEMU<sup>17</sup> countries counted 41 textile companies between them.<sup>18</sup> Nigeria, the region's largest industrial producer, saw textile production grow steadily through the 1960s under import substitution, and experienced an average sectoral growth of 12.5 per cent each year during the economic boom of the 1970s.<sup>19</sup>

Despite the growth of their domestic industries under import substitution, most West African countries changed their trade policies in the mid-1980s. This policy shift was due to worsening balances of payments and the fact that, contrary to the intention of protection arguments for 'infant' industries, protected firms were becoming less rather than more efficient. For example, capacity utilisation in Ghana fell from 60 per cent in 1970 to just 10 per cent for textiles and 20 per cent for garment factories by the early 1980s.<sup>20</sup> Structural Adjustment Programmes overseen by the World Bank and IMF were based on the principle that exposure to global competition would expose firms that were unable to compete. It did — and in many West African countries this meant most of them.<sup>21</sup>

The table below lists the production units, which were still active, and those that were closed by 2003, showing that around half had ceased to operate by this time. By 2004 there were only six companies operating at full capacity in WAEMU countries and only three of these with satisfactory levels of performance.<sup>22</sup>

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<sup>16</sup> Bankole et al (2004) p.39; Gherzi Institute (2004).

<sup>17</sup> WAEMU = Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.

<sup>18</sup> CDE (2004), p.2.

<sup>19</sup> Bankole (2004), p.25-6.

<sup>20</sup> Association for Ghanaian Industries (AGI) (2002), p.8.

<sup>21</sup> Many of the reasons for the lack of competitiveness still pertain today and are summarised in the 'Challenges for the regional industry' section below.

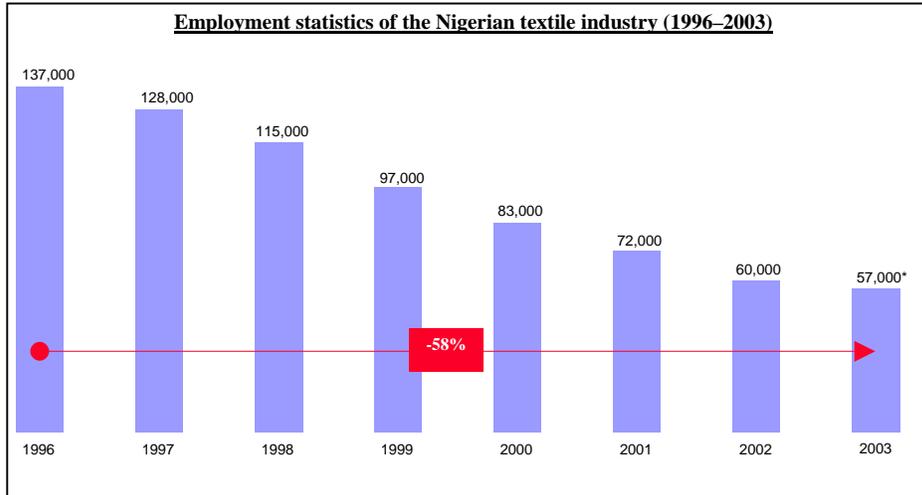
<sup>22</sup> CDE (2004) p.2.

### Status of formal sector textile/clothing companies active in WAEMU since 1960

Country	Still active in 2003	Closed at 2003
Benin	Sobetex (founded 1968), Ibetex (1971)/Sitex (1997)	Afritex (1995), Lion D'Or (1996), Cotexcom (1997)
Burkina Faso	Filsah (1999)	Faso-Fani (1970)
Côte d'Ivoire	ERG-FTG (1943), Utexi (1971), Challenger (1973), Cotivo (1973)/Cotivo-FTG, Uniwax (1976), Texicodi (1995)	Icоди (1965), Sotexi (1967), Socitas (1968), Mice Mivet (1972), Solinci (1973), Cotivet (1982)
Mali	Comatex (1967)	Itema (1970)
Niger	Sonitextil (1968) <sup>23</sup> /Enitex (1997)	
Senegal	Srg-Icotaf (1951), CCV (1952), Sotiba (1952), Sosefil (1961), <sup>24</sup> Sotexka (1988), NSTS (1992), FTT (1996), Cosetex (2001)	TMS (1962), Mabose (1966), Sct (1968), Islima (1973), Chahine Textiles (1995)
Togo		ITT (1964), Cotonfil-Lomotex (1995), Novatex, Togotex (1980)

Source: CDE (2003) p.10-11; additional information from Ibrahima Deme, textiles consultant, Senegal.

Textile employment in Nigeria fell by more than half between 1996 and 2003, coinciding with trade liberalisation in 1998 that took place later than in many other countries in the region.<sup>25</sup> Ghana's textile and clothing industry, though it responded relatively well to structural adjustment, is reported to have declined significantly over the past decade.<sup>26</sup>



Source: Gherzi (2003), p.24

The informal artisanal sector is said to be a major employer in the region, though reliable statistics are scarce. Igué states that the textile sector is the biggest employer in West Africa after agriculture, employing 65–70 per cent of artisans in Mali, 50 per cent in Burkina Faso

<sup>23</sup> Closed in 2004.

<sup>24</sup> Sosefil and CCV in Senegal have now merged to form one company (Ibrahim Deme, textiles consultant, personal communication).

<sup>25</sup> Bankole et al. (2004), p.27.

<sup>26</sup> AGI (2002), p.10-11.

and 30–40 per cent in Ghana.<sup>27</sup> In Senegal, the clothing and tailoring sector is the largest informal sector activity, comprising a total of 23,135 small enterprises. A further 4,946 small enterprises are involved in textile related crafts, such as embroidery, weaving, dyeing and spinning. The informal clothing and weaving sector provides an estimated total of 61,818 jobs.<sup>28</sup>

### **Challenges for the regional industry<sup>29</sup>**

The reasons for the difficulties in the region's industrial textile and clothing sector are multi-faceted. A number of factors appear to be common across the region, however:

- **Unreliable and expensive infrastructure.** Nigeria has experienced unending hikes in fuel prices, erratic power supply, lack of water supply, and poor road networks and road condition, all of which have imposed high private costs on producers. Electricity supply in many countries is liable to cut out for hours at a time, forcing private producers to maintain their own generators, with heightened costs. At US 8 cents per kilowatt/hour (national grid) and 14 cents (private diesel generators), power in Nigeria is expensive compared with competitor countries such as South Africa (5 cents), China (6 cents), or Pakistan (6.6 cents).<sup>30</sup> Since energy accounts for around 30 per cent of textile production costs, this is a serious concern.
- **Cost and availability of raw materials (for textile producers).** Nigeria's cotton production has declined in quantity and quality in 22 of the past 27 years.<sup>31</sup> Policies such as the abolition of the Nigerian Agricultural and Co-operative Bank have undermined domestic cotton production. For the rest of the region, in principle, the availability of competitively priced, high-quality cotton remains a comparative advantage.<sup>32</sup> However, in view of constantly changing market demand, and the adoption of universal cotton standards, there is a need for ongoing quality development. Also, recent unfavourable exchange rate movements have reduced the cost competitiveness of cotton in the FCFA monetary zone.
- **Cost and availability of fabrics (for clothing producers).** Senegalese and Ghanaian clothing producers generally describe sourcing options as unsatisfactory. Local textile firms often fail to deliver on time, leading to delays in shipments and losses of export contracts. As a consequence, many clothing firms prefer to import their fabrics. Though imports may be more reliable or of better quality, the added time to import materials constitutes a cost for producers.

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<sup>27</sup> Igué (2003) p.9.

<sup>28</sup> Unpublished data from the 2004 informal sector survey, Ministry of Industry, Senegal. The number of clothing enterprises has increased from 15,355 in 1992 while the number of textile craft enterprises is roughly the same (Republique du Senegal, 1992). The number of jobs has been estimated roughly on the basis of 2.2 per enterprise, using the ratio from the 1992 survey. This would need to be verified against actual data once the 2004 survey results become available.

<sup>29</sup> These observations are based on more detailed case studies of the Senegalese, Ghanaian, and Nigerian industries, which were presented in report form to participants in the Dakar workshop.

<sup>30</sup> Gherzi Institute (2003), p.31.

<sup>31</sup> Bankole et al. (2004), p.4.

<sup>32</sup> Cotton from the Francophone countries of West Africa is widely acknowledged to be of high quality.

- **Competition from imports.** Trade liberalisation in all countries in the region has increased imports of new clothing from Asia and used clothing from the USA and the EU. Given their low purchasing power, many consumers are attracted by the cheap prices of these imports (e.g. in Nigeria, Chinese textiles sell for 25 per cent less than domestically produced textiles). This reduces demand for domestically produced goods.
- **Widespread customs fraud.** Concern is expressed in all countries about failures to adequately implement customs duties. CDE (2003) estimates that up to half of the region's imports are fraudulent.<sup>33</sup> Nigeria's import ban on textile and clothing products is routinely avoided, while smuggling and counterfeiting are reported in Senegal and Ghana. One particular problem is that imports of new clothing are sometimes passed off as SHC at customs, causing a substantial under-declaration of the value of containers, and consequent underpaying of tariff duties. This makes the new imports cheaper on the domestic market than they would be if national tariff policies were applied properly, thus increasing the competition for local producers.
- **Outdated capital stock and lack of access to credit.** Capital stock in textile factories often dates back to the 1960s. Interest rates across the region are in the range of 30–40 per cent. Lack of access to credit and high interest rates are particular constraints for small firms. This is due both to the inexperience of banks in lending to small enterprises and to their uncertainty that loans can be serviced or recuperated.
- **Failure to take advantage of trade preferences.** Few countries in West Africa have achieved certification for the USA's African Growth and Opportunity Act (AGOA) preferences. Though penetrating the US market presents many challenges in terms of access to information and, on the supply side, capacity to meet order requirements in terms of quantity and quality, exports are not helped by bureaucratic customs clearance procedures. In Senegal, customs clearance can take up to a week, in comparison with typical clearance periods of half a day in Asia.
- **Other factors cited by entrepreneurs and potential investors.** These include poor management, low productivity, and high labour costs. In protected industries, managers may be appointed on the basis of their political connections rather than their expertise. Wages and social insurance costs are said to be high compared with the region's labour productivity, and labour law is insufficiently flexible.<sup>34</sup>

## Prospects for regional production

Political will exists for the development of the sector regionally. Regional institutions (WAEMU and Banque Oueest Africaine de Développement) have since 2002, in consultation with stakeholders in the cotton/textiles sector, developed a vision of increased transformation of cotton, from 5 per cent currently to 25 per cent by 2010, along with the creation of 50,000 manufacturing jobs in the sector.<sup>35</sup> When interviewed this year, however, the principal author of the WAEMU strategy was considerably more pessimistic, particularly with regard to

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<sup>33</sup> CDE (2003), p.15.

<sup>34</sup> This, along with customs delays, was one reason cited by Mauritian investors for not pursuing a plan to develop production capacity in Senegal (Gherzi Institute, 2004).

<sup>35</sup> CDE (2004) p.3.

external constraints.<sup>36</sup> Nevertheless, commitment to increasing local transformation and value added in the cotton/textiles sector remains a focus not only for WAEMU but also for ECOWAS and NEPAD (New Partnership for Africa's Development).

In developing countries in Asia and Latin America, textile and garment producers have typically followed an export-oriented strategy. This has also been the case for a number of sub-Saharan African countries, including Mauritius, Madagascar, and Lesotho. In West Africa, Nigeria and Ghana already export to global markets. Beyond these countries, however, the prospects for export-focused industrial production in West Africa seem dim. No WAEMU countries have taken significant advantage of trade preferences offered under AGOA. Meanwhile, the end of the Multi-Fibre Arrangement (MFA) is strongly expected to cause consolidation of global textile and clothing production, making it improbable that new countries will succeed in entering the global supply chain.

The alternative possibility is production for a protected domestic or regional market. Protection at a national level has had a bad reputation since earlier import-substitution strategies led to highly uncompetitive industries. The recent experience in Nigeria is equally unencouraging. A study commissioned for Oxfam notes that *'What would have been the direct impact (positive) of the current government embargo on imported textile is extremely limited by lack of enabling environment in and out of the textile industry in Nigeria and the principal culprit is infrastructure problem'*.<sup>37</sup>

Regional protection may be more viable, but serious supply-side constraints exist. In particular, poor transport and communications infrastructure undermines the regional market.<sup>38</sup> A study of Ghanaian manufacturers found only 12 per cent were interested in producing for export to the ECOWAS region, as *'full economic integration in the sub-region has not been achieved and therefore makes passage of goods across the frontiers of countries very cumbersome and difficult, particularly at the frontiers of the Francophone countries'*.<sup>39</sup> A recent ban on textiles imports imposed by Nigeria has also created difficulties for the exports of neighbouring countries. For regional protection to benefit domestic industries, it would have to be accompanied by a strong drive to improve regional infrastructure and integration.

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<sup>36</sup> Senghor (2005).

<sup>37</sup> Bankole et al. (2004) p.34-5.

<sup>38</sup> Senghor (2005).

<sup>39</sup> AGI (2002).

### 3. Country study: Senegal

#### Textiles and clothing production in Senegal

Senegal produces annually around 20,000 tonnes of cotton fibre, a small and declining proportion of which is transformed locally into textiles and clothing products.<sup>40</sup> Textiles production has been the focus of industrial development since independence, with relatively less attention paid to clothing production, which is mainly concentrated in the informal sector. Locally produced thread, yarn, and cloth are used by a large informal tailoring sector to make clothing, and by local artisans to make woven cloth and craft goods. Tailors use imported cloth to make both African- and European-style clothing. There is also some industrial activity in printing and finishing imported cloth and T-shirts.

The formal textiles and clothing industry in Senegal is currently in a state of severe decline, verging on complete disappearance. A number of policy initiatives undertaken since 2001 to halt this decline do not seem thus far to have made a significant impact on the trend.<sup>41</sup> Only one or two companies are operating at full capacity. Employment in the formal textiles and clothing industry fell from a peak of 6,500 workers in the late 1970s to about 5,000 in the mid-1980s and 1,355 in 2004.<sup>42</sup> The sector now only represents 3.6 per cent of Senegal's manufacturing activity. Only one industrial clothing unit remains, which is operating in a 'protected' market for work clothes and uniforms. All indicators for the sector — employment, productivity, and value added — are in decline.<sup>43</sup>

The informal textiles and clothing sector appears much more dynamic. It transforms local produce (cotton fibre), and is identified as one of the sectors contributing most to value added, with an estimated potential value of FCFA 60bn (ILO, 1998). In many regions of the country it is regarded as one of the most competitive niches.<sup>44</sup> According to a survey made in the early 1990s, tailoring and clothes making is the largest single informal production sector in Senegal (31 per cent of total informal production and 20 per cent of the informal sector overall).<sup>45</sup> At this time, 32,700 people were engaged in informal tailoring and a further 10,509 in informal textiles production, making an overall total of 43,209.<sup>46</sup> A more recent study by the ILO (International Labour Organization, 1998) found that 35 per cent of informal sector workers were involved textiles and clothing. In 2004, there were 23,135 clothes making and tailoring enterprises and 4,964 textiles craft enterprises, making a total of 28,099 small firms employing an estimated 61,818 people. While the number of clothes making and tailoring

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<sup>40</sup> At its peak, local industry transformed 6,000 tonnes of this cotton fibre, but in 2005 the volume had fallen to less than 1,000 tonnes (Moustapha Diop, commercial director, Sodefitex, personal communication). Gherzi Institute (2004) estimates local industrial production at 1,000 tonnes of yarn, 960,000 square metres of woven cloth and 13.5m square metres of printed cloth.

<sup>41</sup> These include the export development strategy (STRADEX) in 2001; the Integrated Framework, which set up an inter-ministerial committee on textiles; and a new orientation of industrial policy in 2001, which led to a plan of action on textiles and clothing.

<sup>42</sup> Consistent time series data on formal employment are hard to find. These data are compiled from Golub and Mbaye (2002, p.37), and Deme (2005).

<sup>43</sup> Gherzi Institute (2004).

<sup>44</sup> ILO (1998) p17-32.

<sup>45</sup> République du Senegal (1992).

<sup>46</sup> Ibid.

firms has increased significantly, crafts based textiles firms have remained stable in number.<sup>47</sup>

This study, however, also identified a number of weaknesses in the sector: a lack of basic literacy, as well as a lack of technical and managerial training among enterprises; a lack of information, and credit, to enable the acquisition of modernised equipment; and a lack of basic knowledge of industrial production processes. Recently, an initiative has been launched to encourage the clustering of informal tailoring enterprises in order to share information, access inputs and finance, and to network with other industry actors. Financing and basic infrastructure — such as shelters for artisanal weavers, especially during the rainy season — remain problems facing the sector.<sup>48</sup> Nevertheless, an unpublished government survey of employment in the informal sector in 2004 suggested that informal sector textiles and clothing employment may have increased significantly since 1992, from approximately 43,000 to 62,000.<sup>49</sup>

### **Significance of used clothing imports in Senegal**

Used clothing has become a highly visible phenomenon in the informal markets of the capital Dakar and other large regional towns. The principal countries of origin of these imports are the United States, Italy, France, Turkey, Belgium, and Germany, followed by Canada and Chile (see table in Annex A). The UK features in the 2003 and 2004 figures as a very small exporter to Senegal. A surprising diversity of countries export second-hand clothes in small quantities to Senegal, including a number of Gulf states, Taiwan, and other African countries including Tunisia, Togo, Mauritius, and South Africa (some of these may be re-exports). Official re-export figures *from* Senegal are very low, but these may not fully reflect re-exports across Senegal's land borders.

According to customs data for 2000–04, between 6,000 and 8,000 tonnes of used clothing are imported into Senegal annually. Recent years, however, show the declining relative significance of the SHC trade in Senegal in terms of its share of overall textile and clothing imports — from 61 per cent in 1996 to 35 per cent in 2003 — and also in absolute levels of importation<sup>50</sup> and the average value of imports. The quality and regularity of imports may be declining.<sup>51</sup> However, based on a small sample (22 out of 30 market administrators interviewed), the perception in the retail marketplace is that the SHC trade in Senegal is growing.

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<sup>47</sup> Based on unpublished data from 2004 informal sector survey conducted by the Ministry of Industry. Employment figures are estimated on a ratio of 2.2 per enterprise (derived from 1992 survey) and need to be verified against actual data once results are published.

<sup>48</sup> Gorgui Diop, Tailors' Association of Senegal, personal communication.

<sup>49</sup> Republique du Senegal, 1992 and unpublished informal sector survey data, Ministry of Industry, 2004.

<sup>50</sup> This may reflect reclassification of new clothing previously classified as used, however, with a tightening up of customs procedures.

<sup>51</sup> This is reported by importers. Between 1999 and 2003, the per kilo value of used clothing imports decreased from FCFA 500 to FCFA 430 (Ibrahim Deme, textiles consultant, based on customs data).

## Value of SHC imports and proportion of total clothing imports, Senegal, 1996–2003

Year	SHC imports, \$	New imports, \$	Total imports, \$	% of SHC in total
1996	8,617,314	5,419,164	14,036,478	61
1997	6,458,435	4,357,528	10,815,963	60
1998	6,326,092	6,695,823	13,021,915	49
1999	6,353,561	6,194,736	12,548,297	51
2000	4,773,976	5,246,377	10,020,353	48
2001	4,627,369	6,589,725	11,217,094	41
2002	4,422,467	6,762,553	11,185,020	40
2003	4,919,423	9,302,546	14,221,969	35

Source: compiled from UN Trade data

Official data are said by informed industry sources to underestimate actual SHC imports by as much as 100 per cent, due to fraud and other malpractices (under-declaration etc.), which may explain the discrepancy.<sup>52</sup> As such, it is difficult to detect which trends reflect real shifts in imports, and which reflect changes in customs practices or enforcement procedures.

### Consumption trends

Consumers in Senegal spend a total of approximately FCFA 126bn (\$252m) per year on clothing and shoes, of which FCFA 102bn (82 per cent, or \$204m) is spent specifically on clothing.<sup>53</sup> This includes new clothing, used clothing, cloth bought for tailoring, and tailoring services.

A 1996 household survey in Dakar found that the average monthly amount spent on clothing and shoes was FCFA 2,400, or 10 per cent of income.<sup>54</sup> In this survey, clothing was the second most important non-food item in household expenditure, after lodging and before transport. Interestingly, the proportion of expenditure dedicated to clothing does not vary greatly across income groups. This may indicate the importance of clothing in terms of social status, even in lower-income groups.

While a common perception of second-hand clothing is that it serves mainly poorer consumers, it is clear from our market survey in Senegal that there is great variability both in the quality of products and in the final consumers. Products on the SHC retail market include everything from socks to swimsuits to jackets to household linen. Second-hand items with ‘designer’ or other desirable labels are carefully picked off and some are sold in clothing boutiques in the city centre, at a price premium, after careful repair, cleaning, and ironing.

Consumers cut across income groups and social categories and include university students, housewives, and government employees. Having said this, better-off households devote a

<sup>52</sup> Increasingly, lines between SHC imports and new and end-of-line goods, as well as counterfeit items, have become blurred, showing the lack of control over and inadequate regulation of this market. Fraud is also commonplace with SHC imports: other goods are passed off as SHC and there is fraudulent declaration of the weights of bales (which are currently not standardised), as well as evasion of import duty and corruption. (Oxfam GB West Africa, June 2005).

<sup>53</sup> République du Sénégal (2004) p.178.

<sup>54</sup> République du Sénégal (1997b).

higher proportion of their clothing expenditure to tailored clothing than do poor households. Tailored clothing makes up 43 per cent of clothing expenditure among poor households and 58 per cent among middle-income households.<sup>55</sup>

Household consumption data show a decline in the relative proportion of clothing expenditure going on tailoring services and cloth compared with ready-made clothes — including both new and used categories — from 60 per cent of the total in 1995 to 53 per cent in 2001.<sup>56</sup> This suggests that there is a trend of substitution away from locally made tailored clothing to ready-made imports (both new and used).<sup>57</sup>

In keeping with this trend, consumer attitudes towards SHC have changed markedly over recent years. Initially SHC were stigmatised and considered to be only for the very poor; now this value judgement is slowly being eradicated. In Senegal almost all social groups wear SHC, particularly amongst the younger generation, although there are still some exceptions amongst the older generation. Nevertheless, traditional clothing still has a very important status in West Africa in general (more so than in East and Southern Africa) and is worn on religious or special occasions.<sup>58</sup>

## **Economic and social consequences of used clothing imports in Senegal**

Perceptions of the SHC trade vary in Senegal. Consumers, traders, and market organisers clearly see many economic and social benefits in the trade. To date, however, there has been little systematic analysis of the relative costs and benefits.

### **Job creation in the SHC distribution network**

Second-hand clothing is sold in fixed markets, weekly markets, and even — for a small proportion of high-quality or designer goods that are siphoned off — in boutiques. While certain fixed markets are dominant in the SHC trade — notably Colobane in Dakar, which is the main wholesale point — SHC retailing has become a dominant feature of weekly markets in the capital and in other regions, organised at commune level.

An estimated total of 8,456 trading entrepreneurs work in the SHC sector in Senegal. They employ a further 15,724 people directly, either full-time or near full-time.<sup>59</sup> This gives a total figure of 24,180 people active in the sector on a full-time equivalent basis.<sup>60</sup> Men run two-thirds of these trading enterprises and 60 per cent of their employees are male. The vast majority of these informal sector enterprises and jobs (75 per cent) are concentrated in the region of Dakar.

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<sup>55</sup> Unpublished survey data from the Senegalese Household Survey of 2001 (Enquete Senegalaise aupres des menages II - ESAM II).

<sup>56</sup> Based on a preliminary analysis of unpublished data from the 'Enquête Sénégalaise Auprès des Ménages' I and II (1994, 2001). Raw data supplied by Matar Gueye of the Direction des Prévisions et des Statistiques, Ministère de l'Economie et des Finances, Republic of Senegal. Further analysis would be needed to assess whether, allowing for inflation, there is an absolute decline in expenditure on tailoring in the same period.

<sup>57</sup> Available survey data do not specify expenditure on second-hand clothing.

<sup>58</sup> Oxfam GB West Africa (2005).

<sup>59</sup> Including the estimated 50 importers and their 1,150 employees (although many of these are not full-time) would take this up to approximately 17,000 and 25,380 in total.

<sup>60</sup> Oxfam GB West Africa commissioned a survey of employment and incomes in the SHC sector in Senegal (Ndiaye, 2005), the key results of which are summarised in Annex B.

Approximately 50 importers of used clothing bring in 300–500 tonnes each per month, using casual labour of 1,150 persons to unload, sort, and repack clothes into smaller bales for onward sale to wholesalers. Wholesalers and semi-wholesalers, estimated at 123 in number, and mainly concentrated around the market of Colobane in Dakar, sell bales to retailers, who may then sell them on in bales or by the piece. Retailers open bales at fixed points early in the morning. Most retailers (estimated to number 3,436) have stands in weekly markets and at other fixed sales points, and many specialise in specific products (e.g. men’s jeans, ladies’ underwear, ladies’ dresses). Itinerant traders and street peddlers (estimated to number 4,908) purchase by the piece and circulate around fixed and weekly markets in Dakar and the regions.

Incomes in the sector are hard to measure, but range between FCFA 15,000 and FCFA 50,000 per month for itinerant traders, FCFA 40–60,000 for retailers, and FCFA 100–120,000 for wholesalers.<sup>61</sup>

### **Effect on local textile/clothing production**

Up to 1986, policy towards the textile sector in Senegal was essentially protectionist, with more support in policy terms for textiles than for clothing (e.g. via reduced tariff lines on imports required for textiles production, such as grey cloth and dyes). Subsequently, there was a liberalisation of imports and moves towards encouraging greater competitiveness, but this has not had positive outcomes for local industry - in part, due to increased and poorly regulated competition from imports.

SHC imports were not permitted in Senegal before 1980.<sup>62</sup> That year the government introduced a series of measures to enable imports, including quotas, reference values for imports, and compulsory sanitary treatment of clothing following entry, but these were never really enforced. In spite of these measures, government sometimes granted import licenses outside of agreed quotas, and an element of corruption existed around the practice.<sup>63</sup>

Unregulated and uncontrolled imports including of SHC are cited by several sources as a factor contributing to the decline of Senegal’s textile and clothing industry.<sup>64</sup> The complete collapse of the knitted garments industry, for example, is attributed directly to competition from cheap and fraudulent imports, including T-shirts, vests, and other ‘light clothing.’

SHC imports are also identified in the 1998 ILO study as a problem affecting the informal clothing and textiles sector: ‘*The sector is subject to savage competition from imported products under the umbrella of used clothing*’.<sup>65</sup> The study stated that Asian clothes made at much lower costs were beginning to flood the market. It recommended government action to

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<sup>61</sup> FCFA 1,000 = £1.04 or €1.52 (August 2005). Incomes are more than normally difficult to assess due to non-standard prices and high price variability, depending on the quality of items, as well as a high level of variation in the volume of trade of individual operators.

<sup>62</sup> Their entry into Senegal came about when a wealthy Senegalese businessman, living in Zaire and trading in SHC there, but fearing xenophobic reactions against foreign traders in Zaire under Mobutu, diverted a large shipment to Dakar. At this point the government introduced a special decree to permit SHC imports (Ibrahim Deme, textiles consultant, personal communication).

<sup>63</sup> Deme (2005)

<sup>64</sup> Gherzi Institute (2004).

<sup>65</sup> ILO (1998) p.20.

*'control the second-hand clothing trade'*, in particular its 'perverse effects' on local markets.<sup>66</sup>

In the absence of compelling evidence, and with a lack of clarity on the direction of causality, the available evidence suggests some tentative conclusions:

- Second-hand imports, the dominant clothing import in Senegal in the mid-1990s, were a contributing factor in the competitive pressures on the industry that followed market liberalisation in the mid-1980s. They are likely to have exerted some negative influence in the 1980s and 1990s on industrial clothing production, contributing to around 3,500 job losses in the formal sector since the mid-1980s. However, this sub-sector would also have been affected by new imports as well as by internal constraints.
- The widespread fraud associated with this mainly informal and unregulated trading sector undoubtedly played a part in the decline of the local industry. Fraud can manifest itself through goods passing through customs 'unofficially' (undeclared) or by goods being falsely declared in order to reduce the duties payable. For SHC imports, industry experts consider that fraud is quite widespread, with undeclared imports accounting for up to half of the total. At the same time, because SHC has a low import value, the practice of declaring new clothing as used in order to reduce the declared value on which duties are paid is also common. These practices have declined somewhat with the tightening up of customs procedures.
- With the possible exception of imported household linen, the current impacts of SHC imports on local industrial production are indirect and marginal because:
  - Industrial clothing production is now limited to a specific market segment with which imports do not compete;
  - New clothing imports now constitute a much larger share of total clothing imports;
  - To the extent that any impact is felt on industrial textiles production, this would be through changes in demand for local textiles in the tailoring sector.

For the industrial textiles sector, the ongoing influence of SHC (and even new clothing) imports is likely to be marginal compared with the direct competition to the remaining textiles operators represented by imports of cheap Asian textiles and yarns. Imports of printed 'African' textiles and cotton yarns from Asia are probably the main threat to the local industry, combined with a range of other supply-side problems.

The key 'unknown' is the extent to which second-hand (and new) clothing imports may be displacing local production activity in the informal clothes production and tailoring sector. This is a particularly important issue given that this sector may employ as many as 62,000 people countrywide.<sup>67</sup> In the stakeholder workshop held in Senegal, a representative of tailors in the country stated that generalist tailors had been virtually wiped out by imports of Western (new and second-hand) clothing, but that tailors specialising in African dress have survived.<sup>68</sup>

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<sup>66</sup> ILO (1998) p.29.

<sup>67</sup> République du Sénégal (1992).

<sup>68</sup> Oxfam GB West Africa (2005).

One school of thought is that (a) the range of products does not overlap to any significant degree and/or (b) that tailored clothing is essentially a 'middle-class' expenditure, while second-hand clothing supplies a low-income consumer market. As such, imports of SHC (and even new) clothing would not be having a great impact on this rather separate market. Another view is that both low- and high-income consumers purchase from both markets, and that long-term consumer tastes may be changing to substitute imported 'Western' (and therefore high status, even if second-hand) clothes for traditional African dress, especially among younger, male consumers.

Our tentative conclusion is that market segmentation is not complete and that SHC imports may have had, and continue to have, a small but significant displacing impact on employment in local informal sector clothing production.<sup>69</sup> To the extent that this is the case, some marginal impact may also be felt on local textiles industries, which depend on these tailors for their demand.

Any such employment losses, however, are balanced by the creation of new 'employment' in the second-hand clothing trade itself. In terms of jobs per sales of clothing, SHC is estimated to generate 1.2 jobs per FCFA 1m of sales, while informal clothing production is estimated to generate 1.1 jobs per FCFA 1m of sales, suggesting a neutral overall outcome.<sup>70</sup> Moreover, as the informal tailoring sector appears to have grown significantly in terms of employment over the 1990s in Senegal, any negative employment impacts that may have been experienced have clearly been offset by other trends.

### **The impact of SHC on third country exporters**

The country case study above considered the impacts of SHC imports on employment and incomes in a recipient country. It is also conceivable, however, that in the absence of SHC, consumption needs would be met through increased imports of new clothing. The possibility of such a global impact (i.e. the possibility that the SHC trade is displacing export opportunities for developing countries such as Bangladesh or India) is also of concern to Oxfam, given its global focus on livelihoods.

Making various assumptions about how the SHC trade would be replaced, we can arrive at a rough figure for how many jobs might be being displaced. We do not claim that this is the true figure, but *if* SHC is displacing exports from South Asia, etc., this is likely to be the employment effect.<sup>71</sup>

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<sup>69</sup> This is thought particularly to be the case for tailors who produce individual clothing items such as shirts, trousers, skirts, etc. rather than traditional African clothing.

<sup>70</sup> Adapting the method proposed by Haggblade (1990), this is a very approximate calculation based on clothing expenditure data from a 2001 household survey, with expenditure on ready-made clothing apportioned into new and used according to the proportion of 'used' clothing in the value of total clothing imports. A total figure for expenditure on informal sector clothing production is aggregated from expenditures on cloth and tailoring services. The expenditure figure is then used as the denominator for each sector and as the numerator for the latest estimate of the number of jobs in the tailoring and SHC trade sectors respectively. Note that the figure for total employment in informal tailoring and textile artisan jobs (61,818) is extrapolated on the basis of 2.2 per enterprise for a total of 28,099 enterprises surveyed in 2001. This figure should be verified once full survey data becomes available.

<sup>71</sup> It has been pointed out to us that SHC sales in Northern countries could also be considered as displacing new imports from developing countries.

Note that:

- \$1m worth of clothing exports generates around 150 jobs in the average developing country. (Bangladesh is at the high end of the spectrum with 400 jobs, China is likely to be at the low end).<sup>72</sup>
- Developing countries supply 71 per cent of the total global clothing trade.<sup>73</sup>

Thus, if the SHC industry were to be replaced entirely by new trade, and developing countries continued to contribute the same proportion of new production as they do at present, an approximate figure for the number of jobs that would be gained in developing countries would be 100,000.<sup>74</sup> (Note that this does not take account of the numbers of people currently employed in the SHC chain in importing countries, who would be displaced by the removal of SHC).

This figure is of course dependent on a number of assumptions. A low estimate might be 70,000 (for example if there were fewer jobs per dollar of trade in future due to labour-efficient production in China replacing production in Bangladesh); a high estimate might be 500,000 (for example if the value of SHC trade is higher than reported by UN statistics, or if developing countries filled more than 71 per cent of the gap left by SHC).

It is impossible to put a precise figure on this effect, but a rough estimate of the jobs displaced would be around 100,000, with the actual number likely to be somewhere in the range 70,000–500,000.

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<sup>72</sup> Employment data from AccountAbility (2005), p.17; export levels from WTO (2004). Of this 71 per cent total, 57 per cent comes from China. The next biggest exporter is Turkey, with 7 per cent of total clothing exports.

<sup>73</sup> WTO (2004).

<sup>74</sup> Export jobs gained in developing countries = (current value of SHC trade in \$) \* (proportion of new exports that would be supplied by developing countries) \* (developing country jobs/\$) = \$1bn \* 71 per cent \* (150/1,000,000) = 106,000.

# Conclusions

## The SHC trade:

- Is a dominant feature of the clothing market in many sub-Saharan African countries (though it is gradually declining as a share of total African imports as cheap new imports are on the rise).
- Has clear consumer benefits. This is especially true in countries with low purchasing power, and for poorer consumers, though in many sub-Saharan African countries it seems that almost all socio-economic groups are choosing to buy SHC, and consumption patterns generally have shifted away from locally tailored goods to imported goods (either SHC or new).
- Supports the livelihoods of hundreds of thousands of people in developing countries who work in trading, distribution, repairing, restyling, washing, etc.
- Is thought to be a factor in undermining local textile/clothing production, and employment, along with other factors such as new imports, supply-side constraints, etc.
- Probably displaces new exports from third countries, especially in Asia. It is hard to say how many, but if all SHC goods were replaced by new imports (rather than being replaced by production in the destination country), then this would generate around 100,000 jobs in exporting countries;
- Is mainly informal, poorly regulated, and in some instances has facilitated considerable customs fraud as new clothing imports are passed off as used clothing.

In several West African countries it is not clear that, even in the absence of SHC, local textile/garment production would recover, as new imports from East Asia are cheaper than locally produced goods and there are serious supply-side constraints (expensive inputs, high interest rates, etc.). SHC may have contributed to the demise of the industry but its absence might not bring the industry back.

Potential SHC impacts on informal tailoring — one of the largest informal employment sectors in many West African countries — appear to be limited or neutral – at least in the case of Senegal. But given the importance of this sector, trends need to be closely monitored in each specific context in order to assess whether SHC trade is contributing over time to significant long-term displacement of employment.

## Recommendations

### Northern NGOs active in the export sector:

- Are unlikely to influence world prices of supply significantly either by exporting or not exporting (each comprises only a small proportion of global supply);
- Can make their trading practices more ethical by extending their involvement further along the supply chain. This may include one or more of:
  - A. Exporting to countries that best fulfil certain criteria:
    1. Low purchasing power
    2. Small proportion of population involved in textile/clothing production and/or no sign of decline in the sector
    3. Not likely to be used as a re-export base to vulnerable or protected markets
    4. Viability from a trading perspective
    5. Existence of customs regulations and effective implementation;
  - B. Working with importers, processors, and traders in developing countries to extend benefits further down the supply chain (possibly in collaboration with local NGOs, credit unions, etc.);
  - C. Making SHC available to consumers in rural areas where they currently do not benefit from the trade;
  - D. Using the proceeds from SHC exports directly to benefit textile and clothing producers in the importing countries, whether through advocacy or support for livelihoods programming;
  - E. Observing scrupulously the customs requirements of recipient countries, to set a lead in the fight against customs fraud.

Agencies concerned with the development of the textiles and clothing sector in West Africa should consider advocating for one or more of the following:

- A. Increased scope for regional protection, notably by creating exemptions or special tariff bands under the ECOWAS Common External Tariff (as is currently being devised for some agricultural products) to enable strategic support to key sub-sectors (e.g cotton T-shirts; yarn...);
- B. Greater regional integration, through creating stronger incentives for cross-border integration of the cotton-textiles industry;
- C. The right of developing countries to have the flexibility to choose which tariffs they reduce within WTO Non-Agricultural Market Access negotiations, and by how much;
- D. Improved customs enforcement, including tightening controls on SHC regulation to reduce fraud;

- E. Support for increased organisation and networking of informal sector clothing and textiles producers, to improve their competitiveness in domestic and export markets;
- F. Identification and promotion of promising export niches.

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### **Data sources**

Market Access Map tariff database, <http://www.macmap.org>

Senegal Ministry of Industry, <http://www.obs-industrie.sn>

UN Commodity Trade Statistics Database, <http://unstats.un.org/unsd/comtrade/>

## Annex A

### Second-hand clothing imports into Senegal, value and volume, 2000–2004, by country of origin

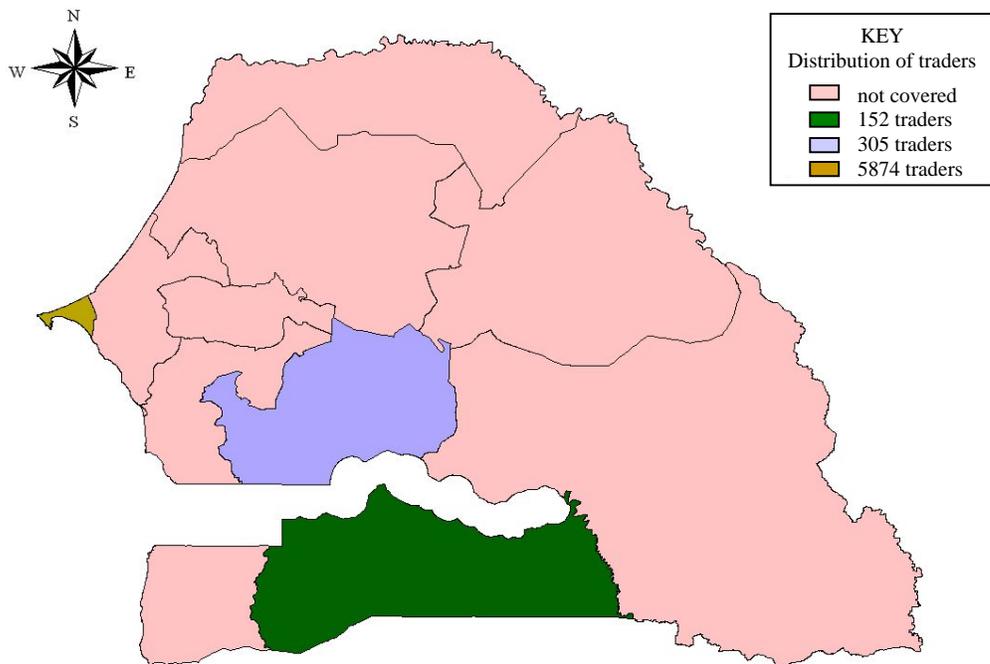
Country	Value in FCFA	Net weight (kg)								
	2000		2001		2002		2003		2004	
Algeria			1,690,141	5,150						
Australia							17,347,731	57,766		
Belgium	345,343,707	818,144	401,712,182	1,029,218	315,240,020	976,431	327,383,794	869,620	149,787,801	327,072
Bulgaria									6,000,000	11,961
Canada	73,135,280	165,778			89,787,638	229,992	108,745,290	229,827	83,287,853	153,769
Chile									42,977,586	78,585
France	953,678,588	1,925,325	497,132,387	976,169	369,703,420	810,578	281,085,406	615,862	291,885,168	638,696
Germany	5,936,031	13,113	13,575,257	37,582	78,859,622	230,143	127,855,289	368,800	122,360,093	290,928
Greece					97,521	360				
Italy	763,395,065	1,838,326	1,024,609,852	2,554,730	920,251,338	2,170,855	631,833,694	1,491,698	583,778,215	1,700,942
Lebanon							8,331,546	18,140		
Madagascar							4,757,699	8,643		
Mauritius									1,822,055	3,582
Netherlands	37,501	498	27,287,154	52,697						
Portugal			3,237,630	7,720	3,845,540	11,989	4,657,087	7,520	9,217,607	16,531
Qatar							1,566,001	3,915	1,671,546	5,083
Republic of China			3,305,743	8,920	6,244,388	12,972	2,854,519	6,484	10,710,721	22,226
South Africa									68,925	45
Saudi Arabia	223,715	1,239	862,454	2,585					500,001	850
Spain	10,476,236	25,814	29,569,871	55,416	43,276,196	77,244	17,650,169	49,884	7,459,209	14,804
Sweden					2,873,352	7,105	314,727	513	2,226,851	8,400
Switzerland	31,914,339	56,145	1,379,492	3,371					3,260,106	7,000
Togo					8,125,300	20,540	16,209,000	41,500		
Tunisia	2,533,587	6,750	44,069,220	87,730	8,958,980	18,180	19,678,646	40,506	11,853,590	32,225
Turkey							24,406,876	82,263	217,580,301	526,625
UAE	4,085,904	4,376	6,402,614	9,790	11,344,069	32,374	11,831,589	34,670	6,796,151	13,568
UK							10,585,850	28,011	13,002,029	24,100
United States	1,209,512,606	2,063,443	1,331,217,353	2,442,921	1,210,646,707	2,616,982	1,245,419,148	2,680,725	1,129,023,900	2,228,720
Other					1 619 550	4 250				
<b>Total</b>	<b>3,400,272,559</b>	<b>6,918,951</b>	<b>3,386,051,350</b>	<b>7,273,999</b>	<b>3,070,873,641</b>	<b>7,219,995</b>	<b>2,862,514,061</b>	<b>6,636,347</b>	<b>2,695,269,708</b>	<b>6,105,712</b>

## Annex B

### Senegal's SHC trade: Summary of survey results

A survey commissioned by Oxfam GB in West Africa (Ndiaye, 2005) identified 6,331 commercial traders of second-hand clothing active in the 36 fixed and weekly markets surveyed in three 'reference' regions of Senegal (see figure below). This constitutes approximately 17 per cent of total traders counted in these markets. The proportion of SHC traders in markets varies by region, from 20 per cent in Dakar to 6 per cent in Kaolack and 7 per cent in Kolda.

**Figure: Geographical distribution of traders in the study zones in Senegal**



Based on this survey, an estimation was carried out of the total number of persons employed in the SHC trade in Senegal, with the results summarised in the table below. The estimated total number of traders is 8,456 and direct employees 15,724.

**Table: Estimate of overall employment in the SHC sector in Senegal**

Region/classification	Number of markets	Estimated number of traders		Estimated number of employees			
Zone 1 (Dakar)	24	5,874	M	3,807	12,289	M	7,250
			F	2,067		F	5,838
Zone 2 (Kaolack + 6 regions <sup>75</sup> )	50	2,135	M	1,386	2,452	M	1,673
			F	749		F	779
Zone 3 (Kolda + 2 regions <sup>76</sup> )	17	456	M	351	983	M	713
			F	105		F	271
<b>Total</b>	<b>91</b>	<b>8,456</b>	<b>M</b>	<b>5,544</b>	<b>15,724</b>	<b>M</b>	<b>9,636</b>
			<b>F</b>	<b>2,941</b>		<b>F</b>	<b>6,088</b>
Percentage M/F			M	65%		M	61%
			F	35%		F	39%

The survey found the following key characteristics of traders in the SHC sector:

The majority of traders interviewed (95 per cent) worked full-time (i.e. five days per week or more) and roughly the same percentage stated that the SHC trade was their sole source of income.

For each commercial trader, an estimated two additional jobs are also created.

A number of associated market occupations — tailors involved in repairs, those involved in washing and ironing, those involved in dyeing, and others — provide services to these enterprises.

Geographically, the vast majority of trading jobs (over 92 per cent) are concentrated in the Dakar region, with 5 per cent in Kaolack and 3 per cent in Kolda regions. This heavily skewed distribution is probably explained by the fact that all importers are located in Dakar, and also by the concentration of both population and market infrastructures in the capital and surrounding districts.

In terms of gender balance, 65 per cent of the SHC traders surveyed were male and 35 per cent were female. This is rather more of a male bias than among overall traders surveyed, where the proportion is 59 per cent men to 41 per cent women. For direct employment created by traders, the proportion of women is estimated at 38 per cent, and for direct employment created by importers, the proportion of women is estimated at 43 per cent. At higher levels of the value chain (wholesalers, importers) women are weakly represented, if at all.

<sup>75</sup> Kaolack, Thies, Saint Louis, Louga, Tambacounda, Djourbel, and Ziguinchor.

<sup>76</sup> Kolda, Matam, and Fatick.