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Trade Dynamics in Used Clothing: The Case of Durban, South Africa

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TRADE DYNAMICS IN USED CLOTHING – THE CASE OF DURBAN, SOUTH AFRICA

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INTRODUCTION

Charities and private agents collect large volumes of used clothing from consumers in developed countries. Though the bulk of used clothing is sold back to consumers in charity shops, transformed into rags and other types of textiles, a certain amount of used garments is exported to developing countries. Globally trade in used clothing is small relative to the trade of new clothing; in value terms, exports of used clothing amount to about 0.6% of total trade in new clothing. However, 64.5% of used clothing exports are absorbed by developing countries. Though imports are spread across regions (according to UN Comtrade data), the share of sub-Saharan Africa (SSA) in total world imports of used clothing was of the order of 20% in the early 2000s, dropping to 12.7% in 2003.²

Trade in used clothing matters for some of the importing developing economies. First, trade in used clothing is, in some regions, substantial relative to the trade and production of new garments and to total trade (see Baden and Barber (2005) and PWC (2005b:50)). Second, the tariffs applied to used clothing imports yield important government revenues (see PWC (2005a) and PWC (2005b) for some West African estimates).³ Third, the used clothing industry impacts on the incomes of the poor. The availability of cheap used clothing allows the poor to stretch their meager incomes. The sector also provides employment opportunities (e.g. washing, ironing and mending of the used garments).

There has been a growing opposition to imports of used clothing. Used clothing is seen by some (charitable organizations and governments) as an obstacle to the establishment or development of a viable local textiles and clothing (T&C) industry. A recent analysis suggests that, since the 1980s when exports of used clothing started expanding, used clothing imports were critical in curbing employment and in dampening the importance of the clothing *and* textile sectors in Africa (Frazer, 2005). Essentially, imports of used clothing have been found to have played a major role in the displacement of new clothing production, though other factors have also been keys in the demise of the industry in SSA. Many policy makers are currently considering whether the trade in used clothing needs to be controlled, managed more tightly or abolished.

This paper seeks to document the channels and characteristics of the trade in used clothing in the coastal city of Durban in the province of KwaZulu-Natal (KZN). There are three important characteristics of the area under study. First, Durban has the largest (container) port in SSA. Second, KZN is a province bordering three other countries (Lesotho, Swaziland and Mozambique). Third, KZN has a large population and a high population density relative to other South African provinces. It also has a large number of poor people.

As will be shown in this paper, a certain amount of used clothing import is legal, though it is declining. In contrast, relatively large and growing volumes of used clothing are traded illegally, but openly, in the city. More specifically, large volumes of used clothing illegally originate from Maputo, Mozambique. We will show that trading activities in the

² There are few major importers in sub-Saharan Africa (SSA): Ghana, Benin, Tanzania, Kenya and Uganda each absorbed between 2% and 4% of world exports of used clothing and combined, 62% of SSA's imports of used clothing between 1999 and 2003.

³ The tariff level on used clothing averages 40% in West Africa.

used clothing sector are characterized by a growing dependence between South African and foreign suppliers (wholesalers and retailers) who live under precarious conditions in the city. Moreover, as barriers to entry into the sector erode, there is growing competition among sellers. As the rents to be made from being involved with the trade erode, sales efforts appear to be shifting to other areas, both in the province and beyond. We argue that, the South African trade regime applied to used clothing imports and which was initially designed to protect local industry, is currently ineffective. For policy makers a challenge will be one of paying attention to the vulnerability of those involved in the used clothing trade if the objective is one of preventing used clothing garments imports from finding their ways into the national markets. More broadly, the South African case is informative for those who seek to impose quotas on used clothing imports. Used clothing is being organised at a time when the T&C industry is facing tough challenges. This paper suggests that, given the growth of imports from China, and the fact that the products imported are at the low end of the clothing market, some used clothing segments appear to be currently competing with some imported new products.

This paper is structured as follows. Following a first small section which briefly sets out some key features of the South African economy we provide an overview of the current situation of the T&C sector. We then describe some main features of the current trade in used clothing. Attention shifts in a second part of the paper to the results of fieldwork. The methodology applied to the fieldwork is set out in Section 4. Section 5 reports the various dimensions associated with the trade. Section 6, a concluding section, returns to a general assessment of the policy framework.

1. THE SOUTH AFRICAN ECONOMY

Since the political transition in 1994, the emphasis of government policy in South Africa has been to foster economic growth and redistribution. The authorities followed a policy of integrating the country into the global economy, with fairly extensive reforms of the trade regime. Although macroeconomic policy has been fairly conservative, the authorities have used the fiscus to effect significant transfers to the poor and marginalised. The policy has been somewhat unsuccessful around one dimension: high, and growing, rates of unemployment.

Table 1 below shows the broad trends in the labour market in South Africa over the period 1997 to 2003. There has been a sustained growth in unemployment; employment in the formal economy has shown very limited growth over the period. One segment of the economy that appears to have generated employment is the informal economy. In this segment of the labour force⁴, employment increased from 965000 in October 1997 to 1.9 million in September 2003, more than doubling over a period of 6 years.⁵ Linked to these

⁴ Statistics South Africa defines someone working in the “informal sector” if s/he works in a firm that is unregistered (i.e. the enterprise definition is used).

⁵ For a number of reasons, this trend must, however, be treated with caution. First, two surveys, which are not directly comparable are used. Second, methods of data capture have changed over time. Devey *et al.* (2004) point to other problems with these estimates of informal employment. Besides inconsistencies in the data on informal employment, they show that Statistics South Africa has improved its capturing of informal employment so that at least part of the increasing trend in informal employment is simply better capture of the phenomenon. Notwithstanding these difficulties it is now widely accepted that informal employment has grown since 1994 and that, as the data shows, this growth has declined in recent years (see Devey *et al.*, 2004).

employment trends, poverty levels in South Africa are very high. According to one source, 48.5% of South Africans were living below the national poverty line in 2002.⁶ 23.8% and 10.5% had, respectively, less than US\$2 and US\$1 a day (Adelzadeh, 2003 reported in UNDP, 2003, p. 41, Table 2.2.0). Poverty has a race dimension: black people are eight times poorer than white people. Furthermore, many segments of the population such as sections of the immigrant and refugee population operate on the margins of the formal economy, eking out very low incomes (see Hunter and Skinner, 2002; Amisi, 2005). An additional feature that characterises the South African economy is a very high level of income inequality. Not only has inequality increased between 1995 and 2001, South Africa has one of the highest Gini coefficients in the world (UNDP, 2003).

Table 1. Labour Market Status of Workers in South Africa, 1997-2003

	1997	1998	1999	2000	2001	2002	2003
Formal	6,405,953	6,527,120	6,812,647	6,841,877	6,872,924	7,033,940	7,460,398
Commercial Agric.	495,530	726,249	804,034	666,940	665,941	810,998	831,893
Subsistence Agric.	163,422	202,290	286,856	964,837	358,983	520,259	350,384
Informal	965,669	1,077,017	1,573,986	1,933,675	1,873,136	1,702,415	1,899,114
Domestic	992,341	749,303	798,524	999,438	915,831	875,255	1,022,921
Unspecified	70,986	107,966	92,905	305,797	146,000	85,841	57,534
Unemployed	2,450,738	3,162,662	3,157,605	4,082,248	4,525,309	4,837,493	4,570,566
Not eco active	13,960,772	13,156,940	12,752,967	11,100,135	12,006,413	12,118,060	13,724,114
Total (age 15-65)	25,505,411	25,709,548	26,279,523	26,894,948	27,364,538	27,984,260	29,916,924

Source: own calculations from October Household Survey (for the 1997-1999 period) and Labour Force Surveys (for the period 2000-2003).

2. TEXTILES AND CLOTHING IN SOUTH AFRICA AND KWAZULU-NATAL - AN OVERVIEW

The South African T&C sector is complex. Production occurs along formal and informal lines (Bhorat, 1998a and Bhorat, 1998b; Fakude, 2000; Clofed, 2002; Skinner and Valodia, 2002 and Gibbon, 2002). The sector involves small, medium as large firms which are integrated into national, regional as well as international value chains (Dunne, 2000; Muradzikwa, 2002; Clofed, 2002 and Gibbon, 2002). Firm performances are defined along firm sizes, markets served, firms' nationality as well as location (House and Williams, 2000; Gibbon, 2002). Production in the province of KZN is, for historical reasons, particularly turned towards low value garments (Hart, 2002; Rogerson, 2002 and Barnes, 2005). In parallel, the T&C sector is an important economic sector for South Africa. "Poor employment growth" and the fact that about 12% of manufacturing employment was with the sector between 1993 and 2003 has influenced the South African government (through the Department of Trade and Industry - DTI SA) to specify that T&C is a "priority sector".

At this point in time, the T&C sector is facing important difficulties. Though these have spanned a long period of time, the industry is currently at a turning point (Flaherty, 2002; Robbins *et al.*, 2004 and Barnes, 2005). Though clothing still amounted to 8.7% of total manufacturing employment in 2004, (Statistics South Africa), formal job losses have recently accelerated sharply. According to Statistics South Africa data, the number of actual employees in wearing apparel declined, over the first 6 months of 2003, by 14.4%

⁶ That is R534 per month per adult equivalent for 1995. (The exchange rate between the Rand and the US\$ was 6.39 in 2005.).

compared to the first 6 months of 2002 and by 15.2% compared to the first 6 months of 2001. Though about 15,000 jobs would have been lost in 2003 and 2004 according to the data, the Southern African Clothing and Textile Workers Union (SACTWU) - the main trade union for the sector in South Africa - reports a higher figure of 20,000 in 2003 alone.

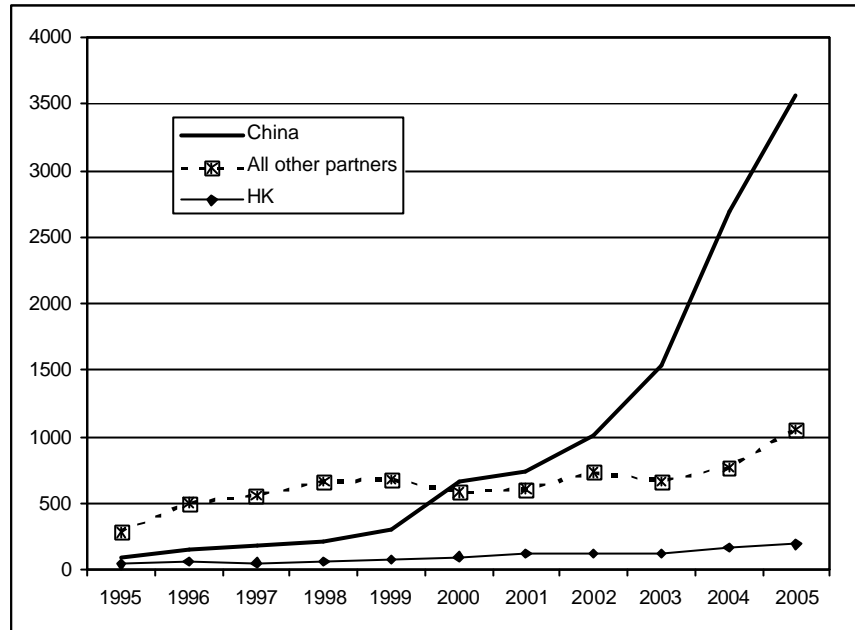
The current situation is the result of numerous internal and international factors. Besides price pressures resulting from a notable concentration of the retail sector (see Kesper, 1999 and Gibbon, 2002), the tariffs which apply to import have dropped rapidly (Appendix Table 1, p. 41). In parallel, the main export support measure to the sector, the duty credit certificate scheme (DCCS)⁷, has been progressively phased down. Yet, though tariffs have declined, the sector is still awarded comparatively high levels of effective protection. This, combined with tariffs increasing with processing stages, generates an anti-export bias (Kuhn and Jansen, 1997; WTO, 2003 and Cassim, Onyango, and Van Seventer, 2002). Exports prospects have been moreover affected by specific textile constraints which South Africa face under AGOA and, since the end of 2002, by a sharp appreciation of the Rand against the US\$ (Appendix Figure 1, p. 41). In Rand terms, apparel exports by South Africa in 2005, at one billion million Rand, were below their 2000 level. The shift has very recently been compounded by the conclusion of the Agreement on Textiles and Clothing and the resulting growth of volumes of clothing traded internationally and declining average prices of garments.⁸

For the retail chains which dominate national sales, competition has grown, particularly in the lower income segment. In parallel, imports of lower-end garments from Asian countries have increased (from China, India and Indonesia). Figure 1 illustrates the dramatic increase in imports of garments from China. The competitive pressures are associated with what appears to be a notable decline of the landed price of garments generally and from China (see Appendix Table 2, p. 41). These trends are further associated with market changes which have resulted from the rise, internationally, of “discount formula retailing” (see Gibbon, 2002) and the expansion of smaller shops (independent stores) serving poorer customers. Indeed, one feature of the South African economy has been a recent and sharp increase in retailing activities, with Durban being no exception in this regard (see South African Cities Network, 2004; Robbins and Hadingham, 2005).

⁷ The scheme, set up in 1993, enables certificates to be earned as a proportion of the value of exports (at about 25% and below for clothing depending on the firm’s export growth performance and level). However, numerous amendments of the requirements associated with the scheme over the years have dampened its importance to producers. The certificates earned under the Scheme could not be used by the clothing producers for the purpose of directly importing fabrics – the double transformation principle. Instead these were sold to domestic textile producers or retailers. In contrast, another provision - rebate 470.03 of the Customs Schedule Number 4 (Customs and Excise Act, 1964) - remains. This provision allows firms to import fabric and components duty free, as long as all the fabric and components are used to produce garments for export. It is rarely used.

⁸ To illustrate the combination of international price pressure and the Rand/US\$ appreciation, the Textiles Federation of South Africa reported the average garment price to have fallen from R21.43 (2US\$) in 2002 to R12.78 (1.6US\$) in January to June 2003. [Reported in Barnes (2005:4, footnote 4).]

Figure 1. South Africa's clothing imports – China and other partners (in million Rand)



Note: Clothing is HS61 and HS62.

Source: TIPS trade database.

Cheaper imports matter given the high proportion of poor people in South Africa. Moreover, whilst the poor black people devote a small proportion of their expenditure to clothing - 4.6% for black people compared to 3.4% for white people according to data from Case (1998) quoted in Burger *et al.* (2004) -, clothing is both expenditure and price elastic for that race group. Table 2 below reports various elasticities for blacks and whites. Though the data might be out of date, they nevertheless indicate that a drop in price would disproportionately increase the consumption from the poorest South African.

Table 2. Expenditure shares and elasticities for South African households by race (1993 estimates)

	Blacks			Whites		
	Share in expenditure	Expenditure elasticity	Price elasticity	Share in expenditure	Expenditure elasticity	Price elasticity
Clothing	4.6%	1.04	-1.28	3.4%	0.56	-0.95
N	6410	4801	4801	1337	838	838

Source: Case (1998) quoted in Burger *et al.* (2004:8), Table 1.

Though the industry has changed its focus over time in terms of the main areas in which the authorities need to interfere, illegal clothing imports have been persistently set out a problem area. As one key industry respondent comments:

“Whatever help one gets against imports counts. There is no nuanced position on the problem. The industry supports every measure designed to control and stop illegal imports.” [Key informant 1000]⁹

SACTWU and the trade union federation (the Congress of South African Trade Unions – COSATU) take a similar stance. This is, however, with the prime intent of curbing

⁹ Random numbers were assigned to key informants and respondents.

employment losses rather than to explicitly protect the domestic market. We turn attention next to the government's position on trade in used clothing in South Africa.

3. TRADE IN USED CLOTHING - BACKGROUND

In South Africa imports of used clothing are controlled. Specific import permits are allocated for imports and for the goods to be sold by shops. Charities and charitable organisations (that is non-governmental organisations, church-based organisations and faith-based organisations) are not allowed to import such goods.¹⁰ It is illegal to import used garments without first obtaining a permit. In this section, we set out the pattern of used clothing imports by South Africa and the current trade regime that applies to the sector. We then outline how used clothing trade is controlled by heavily drawing on personal communication with some key informants.

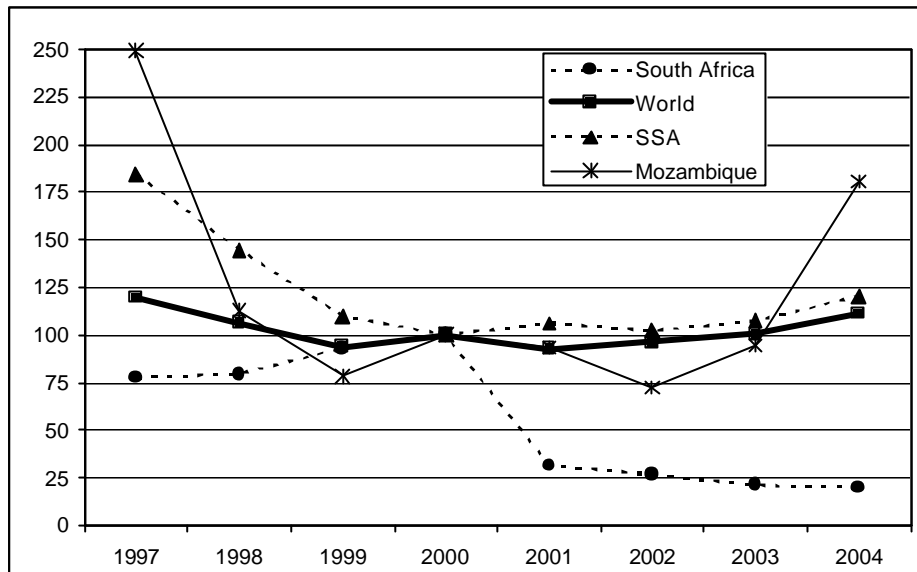
South Africa is a small international importer of used clothing. In value terms, it absorbed 0.4% of world imports of used clothing between 1999 and 2003. Relative to the value of imports by SSA, South Africa is also small. Whereas Ghana's share of SSA imports stood at 18.1% on average in that period, that of South Africa was 1.5%. Noting that, for historical reasons, SSA is more turned to the EU than to the US,¹¹ there have been changes over time in the amounts (and values) of used clothing exported by the major suppliers. Though this affects South Africa, South Africa's imports do not conform to the trends observed for the region.

US exports of used clothing to the world are characterized by a decline in the recent period: according to USITC data, exports fell by 1% per annum between 1997 and 2004. Though the decline hides fluctuations across the years, SSA's share in US exports dropped from 34.3% in 1997 to 22.3% in 2000. The share remained stable thereafter. For the US, South Africa is a small importer. South Africa absorbed 0.5% of all US exports of used clothing and 2.1% of the values destined to SSA over the 1997-2004 period. Though exports of used clothing to South Africa grew until 2000, they fell substantially subsequently (Figure 2). Compared to exports to SSA declining by 5.9%, the share of exports to South Africa fell by 17.7% per annum between 1997 and 2004. Exports to Mozambique, a country in which used clothing imports are legal, dropped by 4.5% per year. As such, the decline of exports to South Africa is driven by specific factors. Having said that, exports to Mozambique grew between 2003 and 2004 in such a way that the expansion exceeded the decline observed for South Africa (Appendix Table 3, p. 42).

¹⁰ According to Mkhize (2003), this aspect of the legislation was only changed in 2000.

¹¹ 26.4% of US exports of used clothing were to SSA between 1997 and 2004 compared 54% for EU(25) between 2000 and 2004.

Figure 2. USA used clothing exports to the world, SSA, Mozambique and South Africa, 1997 to 2004 (value of export indices, 2000=100)



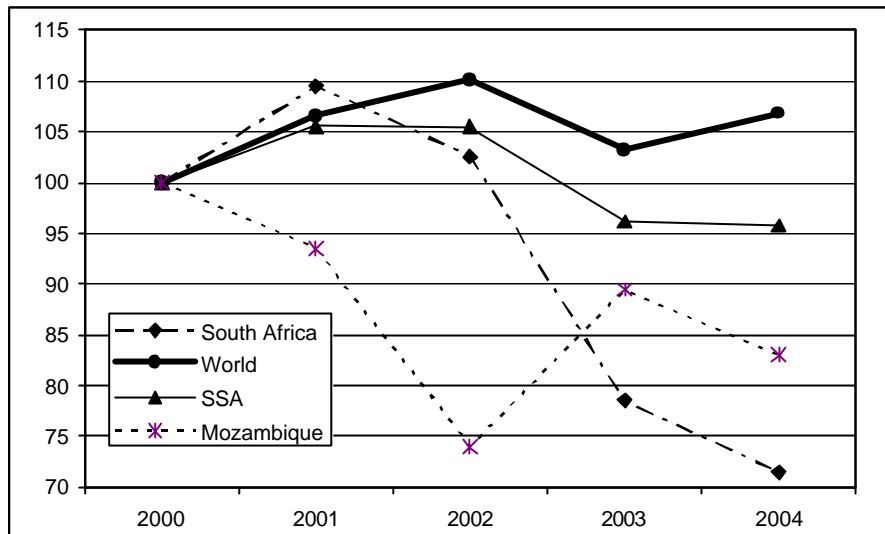
Note: Used clothing is HS 6309000000.

Source: Own calculations. Original data from USITC website database.

EU(25)'s exports of used clothing to the world increased in value and in volume terms from 2000 to 2004. According to Comext data, used clothing exports increased by 1.7% and 5.3% per annum in value and volume terms respectively (Figure 3). Though some African countries figure amongst the main recipients of EU used clothing exports, SSA has been displaced by the EU. The EU's share of exports to SSA fell from 57% in 2000 to 51% in 2004. As a partner, South Africa only absorbed 1.5% of all EU exports. Eurostat data suggest fluctuations over time: in value terms, EU(15) exports to South Africa grew by 20.5% from 1995 to 2001. They then dropped to 11.6% per year. The decline is across the main EU Member States though exports to South Africa are primarily from three countries: Netherlands, Germany and the UK.¹² As for the economies which border South Africa, these received less than half the total of used clothing destined for South Africa (between 41% and 44%). Mozambique is, in this regard, the main neighbouring recipient. It secured between 2000 and 2005 38.5% in value and 45% in volumes of what South Africa received. Furthermore, EU exports to Mozambique grew rapidly after 2002 (Figure 3).

¹² Netherlands, Germany and the UK amounted to 46%, 14% and 11% exports respectively of EU exports to South Africa between 1995 and 2004.

Figure 3. EU(25) used clothing exports to the world, SSA, Mozambique and South Africa, 2000 to 2004 (value of export indices, 2000=100)

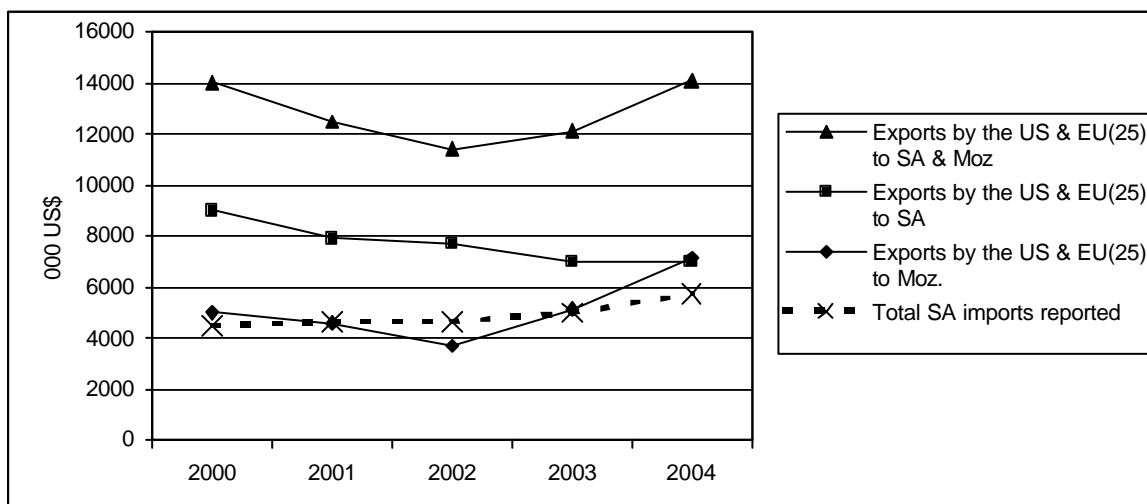


Notes: Used clothing is HS6309. Based on data initially in Euros.

Source: Own calculations. Original data from Comext website database.

Switching attention to South Africa's *import* data, UN Comtrade data suggest that used clothing (defined as HS 630900) originates primarily from the EU. Also, largely in line with the aforementioned datasets, South Africa's clothing imports from the EU and the US decreased. Yet, imports as reported by South Africa appear to have been relatively stable between 2000 and 2004 (Figure 4), reflecting imports of used clothing from other partners, namely Canada and Australia. In volume terms, imports grew (see Appendix Table 3, p. 41). Figure 4 also shows some increased of exports, in value, by the EU and the US to Mozambique. The pattern of South Africa's imports of used clothing is also driven by changes to the trade regime which applies to these goods. We now turn attention to detailing these.

Figure 4. South Africa's import of used clothing - 2000 to 2004 (000US\$)



Source: Own calculations. Original data from Comext, USITC and UN Comtrade.

South Africa's used clothing imports span two main product categories: worn overcoats, raincoats, anoraks etc. (excluding windjackets and windcheaters) and other worn clothing

items.¹³ According to UN Comtrade data, the latter dominates, amounting to 70% of all used clothing imports in 2003. The tariff primarily applied to used clothes is 60%, if they originate from SADC and either 60% or 25 Rand per kilo for other markets, whichever gives the highest value, when the good originates from non-SADC markets. Since used garments have a low value for their weight the specific tariff formula is typically applied.

Table 3. South Africa's tariff and duties on various used clothing goods

HS code	Description	Unit	General Tariff	EU Tariff
63090013	Worn clothing, car-coats, raincoats, anoraks, ski- jackets, duffle-coats, mantles, parkas and similar	KG	60% or 2500c/kg	60% or 2500c/kg
63090017	Other worn clothing	KG	60% or 2500c/kg	60% or 2500c/kg
63090025	Worn travelling rags and blankets	KG	50c/no	50c/no
63090045	Worn headgear	KG	35c/no	35c/no
63090090	Other	KG	20%	20%

Source: SARS.

The importation of all second-hand goods, including used clothing in governed by the International Trade Administration Act (Act 71 of 2002). This legislation provides that:

all second-hand or used goods, including waste and scrap of whatever nature, shall not be imported into the Republic of South Africa except by virtue of an import permit issued in terms of section 6 of the said International Trade Administration Act, 2002, and in which such goods are specifically described.

The International Trade Administration Commission (ITAC), which replaced the Board on Tariffs and Trade (BTT) in 2003, administers the issuing of permits for the importation of used clothing.¹⁴

The current trade regime has its origin in the early 1990s, when welfare organisations were freely allowed to import used clothing under a rebate scheme, provided that the garments were for free distribution and not for resale. Importers were, nevertheless, allowed to sell a portion of the imports to cover the costs of distributing the clothing. Since, according to one key informant, many welfare and religious organizations abused this practice and sold large amounts of used clothing in the domestic market, the (then) BTT intervened. The intervention took the form of the tightening up of the main provisions associated with the imports of used clothing. Thus, in 1994, the BTT increased the duty on used clothing to its current level and maintained the rebate scheme for free distribution, but no longer allowed the free distribution allowance. A rebate permit is, since then, required to import the goods and no import permit is given unless a rebate permit is first granted. The permits allowed imports to be controlled.

The BTT also further disaggregated the tariff headings to provide a separate heading for used overcoats. The introduction of separate tariff heading categories that distinguished products arose following submissions by importers and the acceptance by various parties

¹³ HS 63090013 concerns worn overcoats, car-coats etc., HS 63090017 other worn clothing, HS 63090025 worn traveling rugs and blankets, HS 63090045 worn headgear. HS 63090090 is a residual category.

¹⁴ ITAC is an independent regulator of international trade. It administers the tariff regime and deals with related issues for South Africa and the Southern African Customs Union region (SACU) through the International Trade Administration Act of 2002. At the regional level, used clothing fall under article 9 and 10 of the SADC protocol as an exclusion. Also, South Africa has no trade liberalisation commitment in worn clothing and other worn articles with the EU under the Trade, Development and Co-operation Agreement.

that these products did not compete with new South African clothing manufactures, i.e. heavy coats are not manufactured in South Africa. Coat imports are allowed a 30% partial rebate.

In 1999, the BTT re-investigated the industry. After strong views were expressed by both the trade unions and the employers, the BTT reconfirmed the effective ban on imports of used clothing for resale (except for used overcoats) and further tightened up the practice of imports not for resale. Import permits are granted to charitable organisations only under special circumstances (such as a natural disaster). The provisions for importation of used coats became more restrictive because it was felt that the definitions used were open to abuse and that shorter coats were being imported.¹⁵ Volumes of used clothing imported *became controlled* and subject to scrutiny. This process was, according to documentation from the 2000 Clothing and Textiles Sector Summit supported, temporarily, by an inspection of 20% of the T&C import shipments - the normal rate of inspection was 10%.

At the beginning of 2000, the BTT decided to further limit the volumes of imported coats. This was done by cutting the volumes of allowed imports by 20%. As such quotas effectively apply to used coat imports. All coat importers were then given the same quota as for 1999 and commitments were made to decrease the quota progressively, by 20% each year, effectively halting imports of clothing (for sale) by 2005. The shift triggered a response by the coat importers who took the BTT to court. An out-of-court settlement was reached whereby the BTT allowed importers to import the same quantities as for 1999.

ITAC, is looking into coat imports again. Whilst it is considering whether new importers should be allowed to apply, it is not clear, however, whether the total quota is to be increased. At the end of 2005, ITAC asked importers (through the Government Gazette) to provide it with certain information which would enable it to consider how this will work.

As should be clear, a series of items fall under the heading of used clothing. Coats are a major product category, but other used clothes are imported by South Africa. These fall under two rebate items. One group of used clothing consists of used clothes for industrial use (rebate 311.1X). These, which are not classified as rags because of their appearance, are specifically transformed and cut into rags. A second group of used clothes are imported for the specific purpose of fibre recovery (under rebate 311.02).¹⁶

The current trade regime is the result of a series of interests having been taken into account. Though attention was paid to a particular group of importers, the displacement of domestic production has generated a tightly controlled trade regime applied to used clothing. Coat importers have to apply on a yearly basis for their permit and, when an import permit is not fully utilised, the importer is asked to explain the situation. The shops are visited by Customs – who hold the list of those with the licenses, to ensure that the regulations are being followed. In other words, checks centre on the volumes, origin and

¹⁵ The BTT tightened up the definitions to products such as parkas, car coats, ski jackets and specifically excluded the importation of windcheaters. The definitions were changed from the fabric content to more clearly defining the use and applications of the coats.

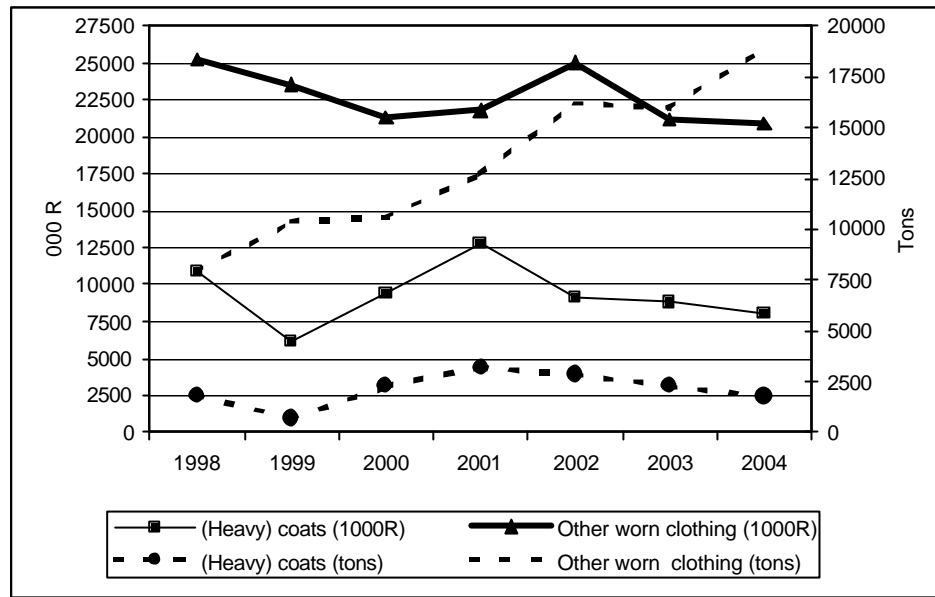
¹⁶ The legislation allows a rebate facility for the import of rags. According to one key informant there are few rag importers in South Africa – these are about twenty and their imports are fairly well controlled.

types of garment sold to the final consumers. When illegal garments are found, a fine is imposed and the goods are confiscated.

Notwithstanding the fact that the trade regime was designed with the industry in mind, the industry does not fully support the current scheme (see Clofed, 2002:33). SACTWU and COSATU have, similarly to the industry, regularly denounced the impact of illegal clothing on jobs. Already in 1998, COSATU, in its Labour Audit Summit asserted that 30,000 jobs were lost because of illegal imports. In 2003, when government again sought feedback on the proposal to allow imports of (used) clothing for distribution to the poor, the union stressed the problems for customs with the adoption of an intermediate regime. It thus recommended that no imports of used clothing be allowed, “(even under the most stringent conditions)” [SACTWU (2003:4)]. The argument had two dimensions. First, used clothing is, for the poor, a substitute for new clothing. Second, imports of used clothes generate incentives for people to become involved in the used clothing trade and thus start having a stake in it. Another effect identified by the union was with the impact imports would have on segments of the informal sector involved in the production of new clothing. SACTWU’s position reflects its principal concern with poorly paid formal sector workers. The union’s main argument for rejecting used clothing imports is simply that it displaces employment in the clothing sector. The impact that used clothing imports have had on the T&C sector in countries neighbouring South Africa is also used in the argument.

The trade regime which applies to used clothing has shaped the type of goods imported by South Africa. Though government perceived that demand for warm used garments would be limited given the South African climate, calculations from SARS trade data show that (heavy) coats still amounted to 13.6% of the total volume of used clothing imported by South Africa between 1998 and 2004. The share is 28.9% in value terms, a proportion that is similar to that of the UN Comtrade data reported above. Figure 5 reports the import trends in volumes and in value terms in the recent past. The changes for coats reflect the impact of the legislation as well as, as will be discussed subsequently, declines in domestic demand for heavy coats from the shops/legal sources.

Figure 5. South Africa's imports of worn clothing and other worn articles values (at 2000 constant prices) and volumes



Source: Own calculations. Original data from SARS. Deflator from the Reserve Bank of South Africa (series KBP5031J).

Notes: SARS data are provided, in their initial format at the HS 9 digit level. As only postcodes are provided, these were reallocated to broad regions manually. That is maps of province boundaries and South Africa post office area classifications were used by the authors for that purpose. Trade is registered as the goods are requested by companies or agents. In other words, the area from which the request for import originates does not have to coincide with the area in which the good is sold. Since imports of 'worn travelling rugs and blankets', 'worn headgear' and other worn items are small, they are not reported here.

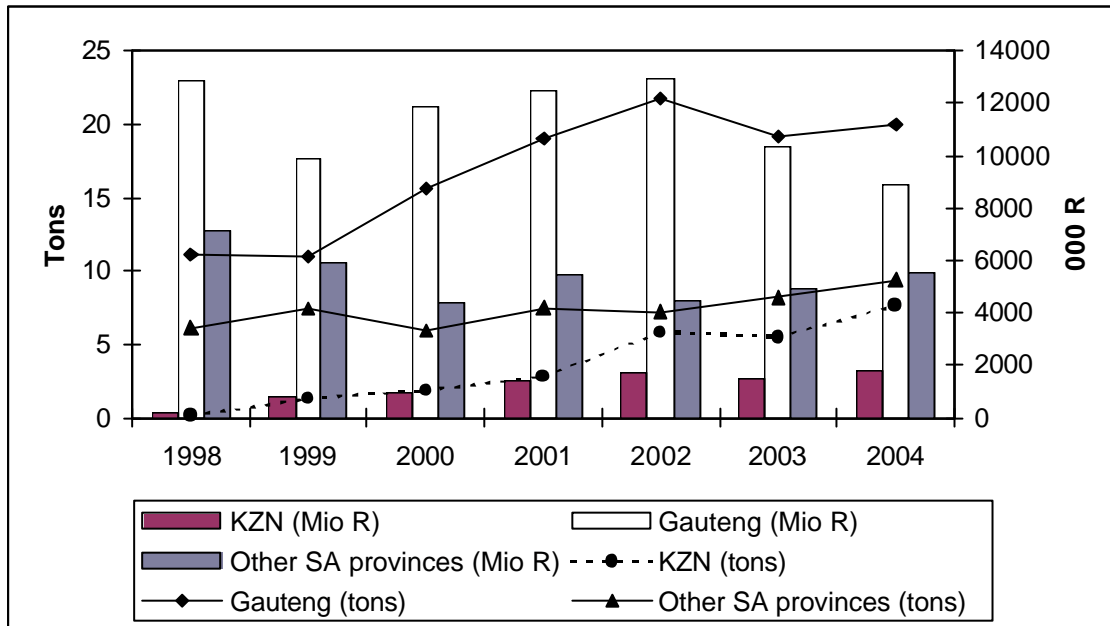
In terms of the various South African regions, calculations from SARS postcode data reveal that, in fact, KZN is a small importer. In value terms and over the 1998-2004 period, KZN, only came fourth in its total share in coat imports – after Gauteng, the central provinces (data for the Free State and North West provinces have been aggregated) and the Eastern Cape province. This is possibly because of its milder climate than other parts of South Africa. For other worn clothing it came in second position. Combining the two data series confirms that Gauteng is, in value terms, the province which dominates South Africa's imports of used clothing. However, imports by Gauteng declined after 2002. The Eastern Cape came in second position followed by the central region and KZN. Between 1998 and 2004, KZN absorbed 6.7% of all South African imports of used clothing compared to a share of 63.1% for Gauteng. Yet, its share in total imports increased throughout the period: in 1998, only 1% of the country's imports in value terms were to KZN.

The provincial pattern of imports, in volume terms, is very distinct from that identified from value data. This time, KZN is the second most important importing region in South Africa. Between 1998 and 2004, KZN absorbed 12.9% of all used clothing imported by South Africa, compared to 60.4% for Gauteng and 16.6% for the Eastern Cape. However, KZN's share grew from 0.6% in 1998 to 6.6% in 1999 and then to 20.6% in 2004. KZN experienced the fastest growth in terms of volumes of used clothing imported – this was at

42.5% per annum between 1999 and 2004. For South Africa the growth was of 13.4% per annum.

Figure 6 reports the changes in value and volume terms for the main South African provinces. It can be seen that, generally, KZN is a newcomer in its absorption of used clothing imports for which the government issues permits. What is the situation in regard to illegal trade? This question is object of the second part of the paper.

Figure 6. Imports of worn clothing and other worn articles by various South African provinces (values at 2000 constant prices and volumes)



Source: *Ibid.*

4. RESEARCH METHODOLOGY AND PROFILE OF THE PARTICIPANTS

This paper uses primary and secondary information. The primary information, gathered through fieldwork provides some key insights into the trade of used clothing. Fieldwork was necessary to fill the current information gap in regards to the trade of used clothing. The main work on the sector to date is that of Mkhize (2003). In her fieldwork concerning sellers in the central business districts of Durban and Pinetown and in the township of Clermont, Mkhize finds that the sector is dominated by female traders who are single. Though she identifies other characteristics of the vendors, the profile of the traders identified for this research is distinct from that of Mkhize (2003), as she focused on South African sellers. In this section, we first describe the process of gathering information. We then set out the main characteristics of the final customers and of the sellers. This section serves as a background to a more detailed presentation of the way in which trade in used clothing is organised, which is the subject of Section 5.

The information gathered for Durban was obtained through semi-structured in-depth interviews with sellers and consumers. This particular structure was chosen given the focus of the research on the identification of trading dynamics. Furthermore, a preliminary set of interviews revealed that an exclusively quantitative approach failed to capture important information on the diversity of the respondents' circumstances. As such, collecting "stories" became the main aspect of the interviews.

Three survey guides (reproduced in Annex 1) structured the interviews. Questions were directed towards three main types of respondents: shop managers, informal sellers (intermediaries, wholesalers and retailers) and final customers. The guides were refined following three main observation scans and communications with key informants. Though face-to-face interviews rather than focus group discussions were conducted, in two cases the information was collected from groups rather than from individuals. As dedicated trading areas were observed in the city (around large shops and commuter areas), interviews were conducted in such areas. Though activities were less visible in marginal areas or settlement boundaries, vendors of used clothing were also found to be located there and interviewed. Finally, a certain amount of activity was detected in markets in small cities outside Durban. Since these act as nodes for the sale of used clothing into the rural areas we felt that it would be important to gather information from such areas. Appendix Table 4, p. 50, reports the location of the various interviews and areas of operation of the sellers. The interviews were conducted at specific times and days. With attention paid to the activities of the buyers, the fieldworkers carried the bulk of their interviews late in the afternoon and during daytime at the weekend.¹⁷ The fieldwork started in October 2005 and ended in March 2006. The number of interviews was determined by the resources and capacity available as well as the depth of information being sought.

A number of difficulties emerged with the fieldwork and the information gathered. First, the informal and illegal nature of the activities at hand mean that no sampling frame is available and that some effort had to be with regularly verifying key data. In turn, however, this dimension translates into the fact that the findings cannot be generalized for Durban, let alone South Africa. Second, the South African context caused the fieldwork to be difficult. On the one hand, difficulties lay with the broader context of legality and the implications (in terms of access to welfare grants, to the employment legislation, etc.), for some of the respondents, of being possibly in breach of various pieces of legislation¹⁸ Information in terms of revenues earned from the informal activities or in terms of the level of income available in a consumer household was also hard to obtain. Specifically, female consumers were reluctant to discuss the wages or salaries of their partner. Changes over time were poorly articulated by the interviewees in spite of repeated attempts to gather this information. Further difficulties were specific to the nature of the activities. Issues of trust caused fieldwork disruptions and long periods of preparation were at times required to secure interviews, particularly when information had to be gathered from middlemen and large 'retailers'. Concerns were regularly expressed about the implications of the project.¹⁹ Mkhize (2003) had similar problems with the shops. In particular she was

¹⁷ Security concerns prevented interviews from being conducted in the evening and in specific parts of the city.

¹⁸ Some of the feedback from the assistants on responses they have had on the fieldwork process was as follows: "the people are not keen to talk as many sellers receive a pension grant. They are afraid that if I get this information the government will stop their grant."; "informal sellers in rural areas are afraid to talk because they do not have licenses to sell clothes. In the shops it is difficult to talk to people, even outside. The employees were willing to talk to me but their employer threatened them. The employees want to tell their stories about working conditions."

¹⁹ These are some of the positions of some of the interviewees towards those involved in the fieldwork: "I hope that this information will never push the South African and Mozambican government to destroy our business"; "behind each trader that you see here are those that you do not see. There are lots of people relying on this business. If it is destroyed then so many people will suffer forever."

unable to identify the origin of bulk supplies. This was because she was not able to approach the foreign sellers.

Given the lack of background information on the role of some of the most important actors and the extent to which these were directly involved with imports, the selection of those to interview was made in a relatively informal manner. Whereas the final customers and some of the intermediaries were selected randomly, referral was also used once a level of trust had been established with the respondents.²⁰ Whilst the snowballing technique prioritised the identification of foreign traders (following the identification of their role in the former research of Mkhize (2003) but a failure by her to approach these), the other main respondents were selected on the basis of their knowledge, their influence and functions.

A few main points characterise the final consumers of used clothing: they have relatively low income, and are most often relatively young women who buy garments for themselves and their (young) children. Comparatively few purchases were explicitly reported to be made for adult males or for members of the extended family.

In terms of their basic socio-economic characteristics, sixteen of the eighteen final customers interviewed were women. Though seventeen customers currently live in the greater Durban Metropolitan area, thirteen were born in urban or peri-urban parts of KZN.²¹ Three customers were born abroad (in Congo, Zimbabwe and Malawi). Though the customers' age varied between 20 and 45, the average was 31 years for the group. The customers started buying used garments in Durban in 2000-2001. Thirteen of the interviewees had children (two children being the median and one the mode figures) but only five reported having a partner.²² Four customers defined themselves as unemployed and one was a student. Seven were employed (two buyers worked in a factory, one was a domestic worker, one was a security guard and another was a sales assistant in a small shop), five generated an income from miscellaneous informal activities.

The number of used garment pieces bought by the customers and the amount spent on used clothing varied across the respondents. The total amount spent varied from R10 to R300 per month, at an average of R18 spent per used garment.²³ The garments bought displayed impulse buying, typically in the childrenswear segment: only two customers were looking for specific garments. Used clothes for children dominated the purchases (thirteen mentions out of thirty mentions of garments bought, that is nearly half the cases). Dresses, T-shirts and trousers were the items usually bought. Used clothing was bought from either local or from foreign sellers with no group dominating over the other.²⁴

²⁰ More generally, however, cultural affinities and language commonalities were important in the interviews.

²¹ A customer was from the Eastern Cape and another was from the Northwest province.

²² In four cases, this was due to the death of the husband.

²³ The amount of used clothing pieces reported as being bought on a monthly basis does not fully overlap with the monthly expenditure. Relative to the expenditure on used clothing, the number of pieces bought would be underestimated.

²⁴ Six customers bought primarily from foreign sellers, six primarily from South African sellers. Four customers did not differentiate between the two groups but one bought solely from foreigners.

The majority of respondents appear to be relatively poor. Whilst poverty is perceived subjectively, three indicators confirmed that the majority of the customers had limited financial resources. First, though most respondents stated that their main reason for buying used garments was with their prices, seven explicitly stated that “poverty” brought them to look for these particular items. A lack of choice was expressed by another respondent (respondent 25) who disliked buying used clothing: “It is risky, you do not know what disease people had before!” Second, seven of the respondents who told the researchers that they had children stated that they receive a child support grant (CSG), a means tested grant obtained for young children.²⁵ Third, whereas eight respondents reported renting her living space, four described living in a shack and another in a mud house. Others were living with family members. In terms of income – though reported by few, this was R350 per month in one case (with R200 being remitted every month to the family) and between R1000 and R1999 in three cases. The student was given a monthly allowance of R800. In contrast, two respondents earned R2000 or above a month.

Clothing amounted to about a third of the monthly expenditure although there were great variations in the shares across respondents. This figure is high relative to data from the 1995 October Household Survey and Income and Expenditure Survey, where the shares of expenditures in clothing are between 5% and 7% of total expenditure (Elsenburg, 2003:13). The fact that many customers appear to have limited resources does not exclude relatively high spending on new garments: expenditure on new clothing average R157 per month, compared to R111 per month on used clothing. New clothes are bought infrequently however with purchases taking place at specific occasions (the Christmas period and school start being mentioned by seven respondents) and during sales (by the retailers – Truworth, Edgars, Jet, Foshini, Mr Price). In particular, respondents specified their expenditure on new clothing over a three-month period. In general used clothing purchases were reported to be more frequent than new clothing purchases in twelve cases in a total of eighteen mentions of frequencies. Factory shop purchases were only reported by one respondent.

The interest in used clothing being cheap should not overshadow the importance of quality. Customers select their purchases carefully. First fabric quality (defined in terms of durability) was referred to as being considered in the selection of a garment. This was mentioned as important in nine of a total of 22 cases. In second position, customers reported looking at the fabric type (defined as print pattern, colour and thickness) and the shape of the garment (six mentions). Third – possibly reflecting the age group and a well developed retail scene in South Africa - customers spoke about looking for labels and/or brand names. The recognition of a familiar label or brand was seen as a proxy for quality by five sellers and key informants. Cleanliness mattered explicitly for three respondents. Though the generally poor appearance of the garments was the issue at hand, the problem for one respondent overlapped with both the gender and nationality of the sellers:

“Some of the foreigners sell dirty and un-ironed clothes. They just try to sell. They do not worry about the conditions of the clothing. It is not like the local women. They make sure that the clothing is ironed and that it looks very presentable.” [Respondent 25]

²⁵ The CSG is only given to children under the age of 14. The income has to be less of R800 per month if the ‘household’ is urban and has a formal dwelling. It has to be less than R1100 if the ‘household’ is in a rural area or is in an informal settlement. The grant is only available to South African citizens.

Customers were ambiguous as to whether used clothing were comparable to new garments. The pattern of purchases is complex. For one respondent, socio-economic status and images were critical in defining the two main types of consumers:

“[Whether people buy new clothes] ... depends on whether they can afford the prices of the new clothing or whether they have credit facilities. The used clothing markets are good for the poor communities because the prices are low. ... [But] some customers do not want to be seen by their friends or other people buying used clothing; it lowers their social standing. It sends a message that they are struggling financially.” [Respondent 20]

In such line, another consumer commented:

“... [to start with], I would say [to my family] that the used clothes were for us to use at home, not for social visits. Gradually, I began to love my used clothing. No one could tell that they were used clothing. But it is hard to convince my son! I do buy the clothes for my children on my own. I tried once to bring them along, but they refused because they said they would be spotted by their school-mates selecting clothing on the street. ... Before, when we went to the retailers, they would boast about the new clothing.” [Respondent 24]

Though such comments are infrequent, it might be the case that some amount of cultural and social stigma remains which explains why used clothing was not bought by the customers for the more extended family. The urban and peri-urban background of the customers might further influence the views expressed, according to one respondent:

“I don’t like to buy used clothes for my parents and relatives who live in the farm because I feel uncomfortable with offering to other people what I do not like myself. I feel bad and ashamed.” [Respondent 17]

More generally, used garments do not filter from Durban into other parts of KZN via the consumers. This contrasts sharply with comments made by the sellers as will be discussed in Section 5.

Various similar other statements made in the course of the fieldwork suggest that there is imperfect substitution between used and new clothing at their prevailing prices and that there are a series of market segments. One difference relates to income levels. Another one reflects readiness by the consumer to be seen wearing used clothing. A third group is defined in terms of the purchase of clothes for children.

As only two customers reported that some used clothing was better than new clothing, there might, furthermore, be differences between the approach of individuals to used clothing in South Africa compared to that of other African countries that have a longer history of used garment trading. Whilst this might have some implications for the substitutability argument, it does not mean that used clothing is a worse product than new clothing. Only one consumer reported this to be the case. In other words, it is possible that used clothes are different goods in their consumption characteristics from new clothes. Four consumers reported that used clothing was, nevertheless, better than “Chinese” clothing. Unsurprisingly, however, consumers had difficulties in setting out what they mean by “Chinese” garments. That is, they fail to recognise that clothes made in China might be sold by retailers which consumers consider as “South African retailers”. The consumers were also generally not able to specify whether new clothes were cheaper in 2005 than in 2004. Ten customers gave their opinion of the changes, but only two reported that prices had declined. Perhaps changes in style confuse the consumers. For instance, respondent 34 stated:

“I have not yet compared how the prices have changed. The items you get each time you go to buy are different and their styles and quality is also different. It would be easy [for the purpose of comparisons] if they were selling the same items all the time.”

The sellers approached in the course of the fieldwork vary widely in their socio-economic status as well as in the factors which brought them to the used clothing trade. A few stylised facts emerged around the sellers of used-clothing. These are discussed next, together with a background on the overlap between the nationality of the sellers and the origin of the garments which are traded.

In terms of nationality, nearly half of those involved in used-clothing trading were foreigners. Though a great diversity of nationalities was observed during the observation scans (Senegalese, Rwandan, Burundians, Congolese and Nigerians), those primarily approached for the interviews were Congolese. These amount to about 72% of the foreign respondents, the others being Senegalese and traders from Lesotho.²⁶

A second point to note about the interviews is that fifteen sellers were females (see Appendix Table 5, p. 50), that is about 68% of the respondents. There are sharp differences in gender across nationalities insofar as eleven of the fifteen female sellers were South African. This is typical of the service sector and of informal activities in South Africa: women dominate because the buyers of goods for the households are women. In contrast, eight of the ten male sellers were foreigners. The difference might reflect two possibilities. First, that there is a gender imbalance within the group of foreigners. In this regard, Amisi (2005) shows that there are more male than female refugees. Second, since, as will be discussed subsequently, the foreigners are involved with the sale of used clothing from overseas without permits, men might prefer, within their family unit, to bear the risks which are associated with being caught for trading illegally. Thus, almost all intermediaries within the community of foreigners are males. More generally, however, the gender and nationality overlap indicates that different trading dynamics are at play across the two groups of sellers.

A third characteristic of the sellers is that they had on average been in the business of selling used clothing for about seven to eight years. Though a wide range of start up dates were specified (one seller had been involved in the business since 1970), there are again differences between the foreign and South African traders. The presence of foreigners in the sector is typically recent – 3.5 years against 11.9 years for the South African sellers -, perhaps simply reflecting the relatively recent influx of foreigners in the city.

Direct job creation in the sector is limited. Few sellers - only five - had employees. A maximum of two people were employed by an informal traders (three in shops). Help is occasionally mentioned in the form of contribution by family members instead. As for partnerships, these were identified amongst six sellers, two of which were only in place when the “business” was established. Thus in four of eighteen cases, partnerships were currently reported as being in place. Partnerships involved sharing responsibilities in the transport and sale of the goods as well as sharing the costs of purchasing the stock.

²⁶ A selection bias is likely to have resulted from the languages spoken by some of the participants to the project. Also, some groups – such as the Nigerians – specifically refused to be approached. The information presented here excludes one interview with Mozambican sellers which is incorporated in the next section.

Finally, in terms of the products sold, though various garments are generally mixed together, items for women and children dominate the portfolio of goods for sale. Thus, amongst the nineteen mentions of product type, ten sellers were involved with childrenswear. Eleven had garments for women. As seven reported miscellaneous products, the proportion of sellers of womenswear and childrenswear is likely to be higher. The sellers generally perceived that their customers had low income; five described pensioners amongst their customers, ten talked about “poor” people, and another three described their final customers as “unemployed”.

Having noted the profile of the sellers, the activities are generally motivated by the need to survive - an important factor for half the respondents. Though some emphasised their own conditions as having guided their choice, others commented more generally on the difficulties in finding alternative employment and the hard economic conditions which confront poorer people in South Africa. The point is also made by the consumers.²⁷ This is similar to Mkhize (2003) though 35% of her respondents had a job prior to becoming a trader of used clothing. The background of our respondents is distinct from that identified by Mkhize (2003) as few of our respondents had a job prior to becoming involved with the used clothing trade. However, 32% of our respondents *chose* to work in this particular sector. Though the choice was in two cases combined with survival motives, six respondents saw opportunities available through the trade in used clothing. In four cases, connections mattered – because a family member was already involved or because the seller first acted as an agent on behalf of a larger trader or intermediary. Five of the respondents had no work (formal or informal) in South Africa before they became sellers of used clothes. A large proportion of people (eight out of fifteen) reported that they were previously involved in selling clothing. Six of these eight respondents were already involved in selling within the informal sector.

The discussion above suggests that are features specific to the foreigners involved with the used clothing trade relative to the South African traders. Whilst, as will be discussed subsequently, nationality influenced and still influences relative economic positions by allowing distinct access to the supply of used clothing, three types of sellers emerge from the interviews.

As set out above, a first group of sellers is composed of foreigners. Many of these refer to themselves as “refugees” and they primarily trade used clothing from overseas. Some of the respondents in this group displayed a previous connection with related activities (informal or formal). Also, for most foreigners, it transpired that trading or selling used clothing is a step up in their livelihood relative to previous activities. There are some small barriers to entry in the sector: knowledge and/or connections matter as well as some threshold amount of capital for the initial business set-up. Capital in the form of savings or finances being released from family members or partners is needed for the purchase of the initial stock. The amounts involved in setting up are, at times, high.²⁸

²⁷ One customer even argued that the risk in controlling used clothing trade was that other worse criminal activities would be taken up instead.

²⁸ For instance: “Four months later [after working as a sales assistant], I made US\$200 and my husband [who worked as a security guard] US\$800. We started our own business [selling used clothing] with US\$1000.” [Respondent 10, amounts specified in US\$]

A second group of people involved in the supply of used clothing are traders who obtain their goods from households in the city. This was the case for a small proportion of South African traders and the traders from Lesotho. Though a small portion of household goods are also bought from other South African traders, most of these goods are obtained directly as donations, or through payment or exchange (cash and/or barter exchange).²⁹

A third group is involved with supplies of mixed origin. Though the group is primarily composed of South Africans who sell used clothing from overseas which they buy from foreigners, there are occurrences of foreigners purchasing household goods. Thus, whereas a broad distinction emerged regarding the nationality of the traders and the type of goods traded (and sold), there are exceptions.³⁰

Though some sellers had, at times, difficulties in identifying the exact origin of their goods,³¹ the sellers readily specified where the goods were brought and the nationality of the suppliers. This combined information reveals that most sellers are involved with the trade of used clothing from overseas. All the goods that are imported from overseas as used clothing and that are traded informally are traded illegally. From the 25 sellers who provided various comments on the origin of their goods, it emerged that 48% of the sellers were involved with used garments originating solely or primarily from overseas. For 20% the clothes originate from the domestic market as well as from overseas (as used clothing) without one type of stock dominating another type of stock. A similar proportion traded used clothing of a predominantly local origin. Finally 12% of respondents noted that there were some new garments (and accessories) in their wares. Though a small amount of new goods appears to have been bought from shops as part of a strategy of product diversification, two sellers reported buying new garments for their stock from factory shops. Local goods were bought in bulk, directly from houses, or as individual pieces purchased at markets and, in one case, at church jumble sales.

Having noted variations in terms of the origin of the stock, it is important to stress that purchases across a wide range of sources – foreign, local, churches, etc. - are rare. This is because of the erratic nature of supply obtained from the households. In contrast, used clothing originating from overseas is typically bought in bulk. Having a range of stock is important for stock management purposes and as the result of growing competition as will be discussed in the next section.

Not only are the foreigners typically inclined to stock from overseas, they are also less mobile. In this regard, twelve of 21 of the respondents who provided some information about the places where they trade reported having a main base from which they sell the goods. Only the South African traders were found to be involved with the townships.

²⁹ This particular channel of supply is well documented in Mkhize (2003) though she identifies the important role of some “white South African suppliers”, a dimension that was not visible during our fieldwork.

³⁰ For instance, a foreign respondent reported: “there is now a big volume of used clothing from the private homes. I sometimes buy from some of the Indian people who carry big loads of used clothing from these private homes.” [Respondent 20]

³¹ For instance, as explained by respondent 41: “I buy the clothes from many people e.g. here [in the flea market] early in the morning and resell them - if I am lucky I get a profit - and other clothes from door to door in my township. I also come here at the Sunday market every week. I buy from foreigners but they don’t want to tell us where they buy their products. When you ask them they only say my sister or brother gets them cheaper from somewhere. They never tell the truth.”

Though the foreigners move within the city centre as well as outside of Durban, they face specific issues related to accessing a site as an identification (ID) book is required for a trading permit to be obtained. Foreigners do not typically have such documents.

Though permits are required to operate at a site, these are, sometimes, obtained illegally. Additional income is then earned, by some, through the occasional sub-renting of sites (mentioned by three sellers). Permits to operate at sites have been reported to cost about R150 per year and R16 for a one-off space (e.g. at the Sunday market). Permits are required to sell in all sites. Given the lack of access to these permits, foreign traders have four options: (i) rent a space from a local or another foreigner who has a permit for at least double the prevailing official rate; (ii) use locals who apply for the permits and then sell them to foreigners (via a complex process of networks and bribery); (iii) bribe city officials to officially get the permit; (iv) or simply sell goods without a permit. The last option is the most expensive because corrupt city officials or police can hassle the vendor – the fines are incremental and the goods can be confiscated. Officials were frequently reported as being open to bribery. Those sellers who are caught by the police are picked upon when they are found trading again, causing them to exit the business.

Access to an established sales site matters for the South African traders. Those who have a site follow a routine – for the two traders who obtain their goods from the households, sales stop late in the afternoon and at week-ends. This is when the seller walks around residential areas knocking on doors in search for used clothing. At the other extreme, the poorer sellers – who have twenty (a basketful in one case) to hundred items to sell - move into townships or across the town to sell the garments. The hierarchy not only reflects variations in income levels, it also reflects the fact that specific locations allow the sellers to establish a base of clients. This particular dimension was mentioned by five respondents.

It was generally not possible to obtain profit figures from the interviewees. There are three reasons for this. First, respondents were reluctant to provide that information. Second, respondents had difficulty in assessing the costs associated with the running of the business. Third, respondents reported important variations within the month and in the course of a year which prevented them from being definitive about the figures. It appears, from some of the figures obtained, that the traders earned between R330 (for one respondent who sold at the flea market and at a bus rank) to over R4000 a month. These figures compare with a monthly minimum wage for a domestic worker of R702 in 2003 (National Labour and Economic Development Institute). The minimum wage for a machinist (in the clothing industry in a non-metropolitan area in KZN) is at about R500 per week. The average monthly income was R1791 across the eight informants who gave income data. The income however fluctuates with the figures being halved in bad months and sales being three times higher towards the end of the month compared to the beginning of the month. Two additional aspects further distort the income figures. First, some traders reported being involved with additional (informal) activities or in renting their spaces (there are four occurrences of this in fifteen cases). Second, some traders offered credit to the customers. This was explicitly reported by seven out of thirteen respondents. This trend, typical of those involved in selling in township areas and at pension points, reinforces the importance of a main trading base. It also related, however, to the extent to which the sellers acted as an established intermediary. In the latter case, no figure could be obtained on the amount of credit that was given and the interest rates charged on this credit.

As noted earlier, the scale of the operations varied across sellers. The data identified that the sellers acted as wholesalers as well as retailers in 38% of cases. In six of the eight larger middlemen cases, there were foreigners involved. Two of these six respondents were large middlemen. Having said that, the majority of the twenty one respondents who answered the question reported only selling to final consumers. In another 14% of the cases, the seller was a “small” intermediary. That is, a seller was occasionally involved with traders who were buying the garments for resale. (Such buyers could be identified by the amount of pieces or bales purchased.) Though a small proportion of sellers report *ad hoc* sales to people who resell, this aspect is important because it is associated with a penetration of used clothing into more marginal urban as well as rural areas.

Finally, some basic features can be reported for the shops. Of the three shops where interviews were undertaken, two had import permits. In the latter case, the premises were owned and the business started in the early 1980s. In the former case, the stock directly came from Maputo and the shop manager was also acting as a middleman on behalf of other buyers in the city. This shop was set up in 2000. More generally, the shops were very distinct from one another. The managers were White, Indian and Burundian and, in one case, the shop was a family business. Moreover, two of the three shops sold new and used clothes. In terms of products, short coats and jackets for adults were dominant for one shop. Another shop specialised in used winter coats (predominantly for men) whilst the third shop stocked used garments for women. What are then the common characteristics of the shops? All shop managers reported that a low capital investment was required to enter the used clothing business. Though this motivated entry, all shops reported being severely affected by competition with informal used clothes sellers as well as with the independent stores. The change is recent insofar as the difficulties started in 2002 and accelerated in 2004. The shops saw their wholesale trade as having declined markedly. (In particular, shop managers thought that the middlemen operating in Lesotho had shifted their supply in favour of informal used clothing sellers in Durban and/or in other cities in South Africa.)

Our fieldwork suggests some general patterns about the consumption and sales of used clothing in the Durban area. The consumers interviewed spend more on new rather than on used clothing. The used garments purchased are distinct from the new clothes bought insofar as the latter reflects the status of the individual. The fact that some social stigma is associated with being seen wearing used clothing means that they are more readily purchased by the older consumers and for children. Moreover, the purchases are for a few members of the household rather than for the more extended family. New garments were bought occasionally by the consumers interviewed at Christmas, for the school start and during retail sales. The consumers reported buying new clothes at the larger retail chains. The fieldwork failed to detail purchases at independent shops as these were not explicitly reported by the consumers. The consumers were unable to identify whether new garments were being sold more cheaply. This is possibly associated with the strategy of rapid product changes followed by the South African retailers – ranges are for eight seasons. The fact that some amount of purchase was taking place during the sales could also explain the responses.

As for the sellers, these can be distinguished by gender and nationality. The South African sellers, typically women, are generally among the smaller sellers. They are typically supplied by the domestic and foreign markets. The South African sellers are also those

which are primarily involved with trade in the more marginal urban areas. The foreigners, typically males, are involved primarily with the trade of used garments from overseas. These are typically involved with larger volumes. In turn, as the stock expands, mobility decreases. Though there are barriers to entry in terms of knowledge and connections in terms of setting up initial large stock levels, the sector is attractive economically. A fair proportion of sellers (about a third) chose to sell used clothing as their informal activity. This suggests that the returns from engaging in the sector are comparatively high. As for the origin of the used garments traded and the number of layers of intermediary involved before the good reaches the final consumer, it is complex. Amongst the three types of garments traded, that is used garments directly supplied from overseas, used garments supplied domestically and new garments combined with used garments, the first dominates. Both small and larger sellers are involved with these goods. In terms of end uses, the majority (nearly half of the traders) report selling to final consumers. However, whilst stressing that there is some uncertainty around the responses as they relate to the identification of atypical volumes being bought, more than half of the traders declared that they acted as intermediaries for other sellers. In 38% of the cases in which the information was given, it emerged that the sellers were large – that is quasi-dedicated - middlemen.

5. THE CURRENT TRADING DYNAMICS OF USED CLOTHING

This section details some key features of the trade in used clothing. Though the discussion encompasses information gathered from shop managers, the trading activities discussed here are primarily those associated with the informal sector. Following a first part that looks into the origin of the goods and the main channels of distribution, we present some main points about the prices and characteristics of the used clothing traded. We then describe some key aspects pertaining to the state of the competition in the sector before shifting attention to the link between trade in the urban areas and other areas of KZN.

Used clothing from overseas sold by vendors within the informal economy predominantly come from Maputo. The purchases are indirect and direct, i.e. respondents reported either that they have bought used clothing from a middleman who had travelled to Maputo, or that they themselves had visited Maputo for the purpose of buying used clothing. We only had one case in which a seller had obtained her goods from a Johannesburg retailer that had purchased his goods from Mozambique. Used clothing from overseas was also reported to reach Durban through the harbour, i.e. bales came in containers shipped to Durban. According to a few respondents, these supplies are then sold by agents (typically white or Asians) who act as wholesalers, not as retailers. It was not possible to locate these for interview; moreover, no respondent stated that her/his goods came from such sources. Finally, as specified by the respondents, only a limited amount of used clothing appears to be obtained from charitable organisations. This particular channel was mentioned by only three of the twenty-two sellers.

The fieldwork revealed that the majority of the smaller sellers were not clearly aware of the origin of the goods, unlike the foreign sellers who were very knowledgeable about the origin of their wares. Having said that, the fact that used clothing from overseas is packaged in an easily identifiable manner helps in this regard.³² Various pieces of

³² Used clothing bales are distinctive: information labels (with a bar code, a code for the country of destination and another for the content of the bale) are typically found glued onto the bales. Also, though the Zulu term, *imithwalo*, translates as ‘heavy bags that are loaded with different goods’, it is clearly understood to designate a bale.

information collected in regard to the transport of bales defined Maputo as the main regional hub for used clothing purchases. Seven of the 22 sellers explicitly specified their purchases of used clothing were in a bale format. Five of the seven sellers trading from bales were foreigners.

The amounts estimated to be purchased by the sellers from Maputo (directly or indirectly) vary greatly. In terms of total volumes bought in a bale format, one reported buying a minimum of four bales per month. The amount purchased increased to ten bales per month when demand conditions were favourable. In a year this respondent (respondent 14) declared purchased 102 bales, that is - standardising the weight of a bale to 40kg -³³ about four tons of used clothing. Lower and higher volumes were reported being bought. One declared buying two bales per month, another four bales and another ten bales (respondents 23, 24 and 11). However, at the extreme, one middleman (respondent 13) declared that he was purchasing between thirty and sixty bales per month, that is 1.6 tons of used clothing though the amount was destined for Durban and other cities in South Africa. Another extreme case, currently reporting trading forty bales a month was involved in 2001-2002 with as much as 160 bales per month. The amounts *directly* purchased in Mozambique also vary greatly. On average, based on the monthly figures reported by six respondents, the larger direct sellers would each purchase 24 bales per month, that is almost six tons of used clothing. According to the SARS postcode data, permits would be issued to importers located in KZN for a total of 357 tons of used clothing per month.

Though trade from Maputo appears from individual observations to be small relative to total KZN trade, different estimates were provided by the various respondents and key informants of the total volumes that cross the border. Some respondents describe the presence of 24 ton trucks involved in the transport of the goods. (Each truck would transport forty to sixty bales in one trip.) According to one respondent, there is a multitude of modes of transportation: "People use trucks, vans, cars or bicycles to carry goods" (respondent 16).³⁴ Noting that the total number of those who travel directly to Mozambique to buy the garments is unknown and fluctuates in a given year, four respondents reported the activities of a core of very large agents. These are important in the smuggling of goods. Commenting generally on the current situation, respondent 14 explains:

"in real terms, there is a decreased supply from intermediaries and an increased number of individuals who cross the borders in order to get their new stocks rather than buying from their usual suppliers. As a result, the quantity remains the same. Indeed, before [2003] Durban had 17 "big cats" who were bringing on a regular basis at least 40 bales per day in Durban alone."

The movement of goods, in terms of the various points of departure and markets of destinations, is complex. Respondent 14, for instance, adds:

"... buyers come from different provinces and cities including Johannesburg, Pretoria ... In addition, other goods are - from the borders or Maputo and different points of entry, directly channeled into these locations whereas others

³³ This is a lower estimate. The weight of a bale that contains winter garments would be much higher.

³⁴ Another respondent commented: "the South African Chinese have also become involved and are very active. They are easily bringing 100 to 150 bales every two weeks [500kgs/week or 2000 kgs/month]. They also buy at a high price in Maputo." [Key informant 5] Two other sellers noted the presence of (South African) Chinese as involved with used clothing imports from Maputo.

channel goods to these destinations from South Africa or better from Maputo. I think that other destinations are getting as much load as Durban. ... Some provinces and cities receive their goods from Durban. This means that retailers from these locations come to Durban for new stocks. As time goes, these retailers establish networks and discover that Mozambique may be more rewarding than Durban. They then extend their journeys to Maputo.”

However, the role of the main intermediaries continues to prevail. Respondent 14 continues:

“... the 17 ‘big cats’ do not bring [items] every day because some of their clients are going to Maputo themselves to buy. Consequently, there may be at least 40 bales per day coming to Durban alone.”

Other respondents confirm or refine the above figures. Thus, in a focus group interview with intermediaries, the following volumes were agreed upon:

“There are at least 70 bales which are channeled to Durban on a daily basis by different people ... I got this number from my observations and talking to other intermediaries. Durban has on average 17 big cats. When they go to Maputo, they each bring 40 bales per trip. They go at least twice a week rather than every day like before. Now, ... [when] the big cats do not bring goods in, the small intermediaries do it.”

Thus a medium to high estimate of the volumes imported is of 27 tons per trip or 216 tons per month from Maputo. Though not all import is by Durban, other groups of buyers are reported to operate. Following an interview with some Mozambican sellers, it appears that another 90 to 180 bales per month might need to be added to the above figures for KZN and Gauteng (the greater Johannesburg area). The goods reach their destination via another 25 people (wholesalers). Given this information, perhaps as much used clothing is forwarded illegally into the city as is imported legally every month in KZN. Stressing that the total volumes of used clothing imported are small relative to total volumes of new clothing imported, imports are important in other ways. On the basis of the volumes traded every month, the authorities might forego as much as 65 million Rand of custom revenues in a given year. Also, the above quantities contrast with those reported by the smaller South African traders. The amounts range from a basketful to bags of clothes and small bundles to 20 kgs of clothes being bought.

The situation in regard to Maputo seems puzzling in light of the presence of an important harbour in Durban. Given the large volumes handled in the harbour, there is scope for goods to be smuggled in the containers. Moreover, as the rate of actual inspection is low, the probability of being caught is low, *ceteris paribus*; key informants (1 and 2) report that only 3% to 5% of containers are checked. Yet some traders firmly denied that this channel of entry was important. For instance:

“Many people are supplying these clothes from Mozambique and rarely from the Durban harbour. Durban represents a small [20%] entry for [illegal] used clothes.” [Respondent 12]

For others, the harbour is a point of entry for illegal goods. But, it is utilised by a small set of core people involved with smuggling. Also, though a fraction of the containers is inspected, controls are stringent and information is obtained about the activities of some suspicious individuals who are monitored. Though the choice of Maputo is motivated by

the fact that used clothing goods can be imported legally by traders in Mozambique,³⁵ a key informant explains that

“in the last few years, many people were caught ... It changed in 2002 and 2003 so that the containers are not a big issue anymore. There are still lots of problems with new clothing [e.g. underpricing] ... The police oversees all the legislation ... there was a big investigation in ... Road seven years ago ... and there was another seizure a couple of years ago.” [Key informant 1]

The seizures were reported as having had an impact by one seller who generally noted that: “... only few syndicates are able to operate due to the tight security measures in the harbour.” [Respondent 12]

In parallel to the Durban situation, middlemen use an established network of intermediaries and sellers in Maputo. This network evolves and expands as there are relatively large net gains to be made from becoming a middleman. Incentives to change functions in the supply chain are associated with the fact that the amount charged by the intermediaries is relatively high whereas the probability of being caught is, for some, quite low or negligible. Whereas the enforcement of customs controls through the port appears to be relatively effective, this is not obviously the case for overland imports from Mozambique. Three sellers reported buying their used garments from corrupt officials (at the border or elsewhere in KZN). The goods sold by these officials were cheaper than those from the markets because travelling cost was not added.³⁶ Low wages are reported by the sellers as a push factor for officials to become traders. An alternative technique used by the middlemen is to hand a fee or a commission to an ‘agent’ that will help the middleman be freed if s/he is caught at the border or to ensure that information is passed so that the trader is not caught in the first place. Having said that, border controls do occur and these were noted by some sellers to influence the timing at which sellers venture across the borders and the prices changed by wholesalers in Durban.

As already mentioned, a certain proportion of supplies is acquired in the country and locally, from households, from individuals as well as via sellers – in Durban or elsewhere in South Africa. The information about points of sales in the city helps to establish the indirect channels through which many South African traders obtain these goods. This is because, once the goods from Maputo reach Durban, they are dealt with in specific locations. Then, as documented in Section 4, the smaller sellers themselves contribute to the circulation of the goods from overseas: such sellers are themselves buyers of and intermediaries for such goods. Foreign goods are, at times, a complement to goods procured locally from the houses in the manner described earlier. In contrast, very few references were made in the interviews to goods being supplied from charities.³⁷ The lack of popularity of this particular channel relates to the fact that only small volumes of used clothing can be obtained through the charity network. Finally, limited insight was obtained from shops about the ways in which they obtained their used clothing. The only

³⁵ A value added tax rate of 17% and a duty of 25% on the per-kg value of used garments imported are applied. The duty is 20% for SADC countries (see http://www.alfandegas.gov.mz/pau_c63.htm). However, the fact that only a general description of the good is given in the product heading, a lower duty might be applied.

³⁶ The goods are from a confiscated stock and/or transport is provided as part of the officials’ functions.

³⁷ Four interviewees mentioned church sales. In one case (respondent 40), the respondent bought the clothes from churches in Johannesburg. No seller reported this as either an important or a consistent channel through which to obtain garments.

information provided by shop managers about their agents overseas is that these are involved with commercial (not charitable) operations.

The foreign origin of the used clothing garments, the volumes available from Mozambique and the ways in which the bales are organised have some impact on the organisation of the market and on the pricing structure.

Street prices depend on many dimensions. First, the price is based on the “price per quality” in Maputo as well as the exchange rate. Second, the number of items within a bale and, at times, what the vendor says about the number of pieces of good quality inside the bale matter. Since the content of the bale is not revealed to the large buyers there is some arbitrariness in the purchase negotiations. Though quality is unknown to the larger buyers, prices are, thirdly, determined by the type of garment required. References were made in this regard to the prevailing price levels in shops and in the street. The process of using the prices of new garments was mentioned by a major intermediary and by three sellers. Though this suggests some amount of market power and that some used garments are similar to new clothes, the prices charged by other informal sellers are reported to be more important than the shop prices in guiding the price setting process. Fifth, a rapport with the middlemen, for those who have been trading regularly also matters (key informant 3). It allows some amount of discount and credit facilities to be obtained from the main supplier though the extent of the discount varies depending on the product - these seem to be relatively frequent in the childrenswear segment. Sixth, the prices are influenced by other factors; recent petrol price increases in South Africa were, for instance, reported by two sellers as having induced an increase in the prices they face. The increase was then passed onto the buyers. Also, prices are partially determined by individuals’ need and stock management.³⁸

At another level quality and variations in the quality of used clothing from overseas are, in turn, related to a sales timetable. Three qualities, specified by the sorting of goods overseas (directly in the exporting countries), are used as benchmarks in the pricing structure. The first quality “includes items without alterations or stains”, the second quality “refers to items with minor alterations, missing buttons as well as light stains”. [Respondent 10] The third quality is (generally) the rest. Beyond these broad distinctions, individuals develop their knowledge of quality (and thus change their prices) whilst on the job. Box 1 reports the selling prices allowing for quality variations for two types of products. (The information in the box also illustrates how a timetable of bale sales in the city is being followed.) Whilst quality comes at a premium which is not affordable to all vendors, a mix of quality type is on offer by the sellers. Of the fifteen sellers who specified their quality, a third displayed quality 1 to 3 goods. Quality 1 and 2 was only found at 2 vendors and quality 2 and 3 and quality 3 was only found at another 5 vendors. As expected, quality 2 garments dominate among used garments. Only three out of fifteen vendors only sold products within *one* quality group.

³⁸ “For example, if you do not sell for a few days and you do not have cash, you are forced to sell cheaply to get some money for your family or your individual needs. You can also sell cheaply in bad days just to get your money back.” [Respondent 10]

Box 1. Price and quality

R1000 per bale: 120 to 130 pieces skirts.

- 1st day and 1st quality: R10 to R15 per item;
- 2nd day and sometimes 2nd quality: R10;
- 3rd day: R5 per item;
- other days are reserved for the last quality: R3 per item.

R1050 per bale: 400 pieces of clothes for baby.

- 1st quality and 1st day: R8;
- 2nd day or 2nd quality: R4 ;
- 3rd day and 3rd quality: R1 to R2

Note: Bale prices as charged by the middlemen vary greatly. These range from R400 and R1500 in Durban.

The fact that the customers of used clothing are poor appears through the fact that the prices at which the used garments are sold are low as well as from the fact that seven sellers spontaneously reported offering credit to their customers. Amongst the respondents – and though there are exceptions associated with particular garments such as coats and leather products - used garments are generally sold for between R0.5 to R40 per item. Eleven distinct price ranges were specified in the interviews. However for four sellers (out of thirteen mentions) the price ranged between R1 and R10. The lower prices are typically for childrenswear. Only the traders who are involved with the more marginal areas appear to have higher prices - generally an extra R5 to R20 might be added.³⁹ There is, moreover, no apparent price difference according to sellers' nationality.

Though the overall initial appearance of a garment defines the pricing structure, sellers can improve their mark-up by subsequently modifying this appearance. In this regard, only two out of 22 sellers and one key informant were found mending, washing and ironing the goods. Whereas appearance mattered to the consumers, only one seller (respondent 20) was *explicitly* concerned by it. She expressed her preference for garments from households as these are ironed and washed.

Because the cost of washing and ironing is high relative to the price obtained for the goods, a strategy of product specialisation appears to be preferred by the sellers. Specialisation was adopted by four sellers, including one who sold garments in old suitcases as he identified a need for this (respondent 10). Specialisation was around a particular garment (jacket, underwear), a fabric type (leather, winter clothes) or a market segment (womenswear). In the extreme, specialisation and cost constraints entail the sellers selecting the garments one at a time. Similarly to the consumers, garment quality was further specified around many dimensions: material quality (including colour fastness) and durability (articulated as the ability of the garment to withstand numerous washes). However, quality was also defined subjectively – it is associated with insuring that the

³⁹ For instance: "I am so surprised to see how cheap these clothes are while people who sell them to us in the township charge twice the prices I see here. There are ladies who come to our township regularly to sell the clothes. I was so shocked; today I saw the ¾ pants that they sell at R30. Here these pants are only R12. They charge more than double the price. I think they include their transport and profit but still it is too much." [Respondent 32]

customer is satisfied and that s/he subsequently comes back.⁴⁰ This is important because the customer base embeds the traders to particular locations. This point was already emphasised by Mkhize (2003).

Though quality overrides the importance of labels (and brands), it does not invalidate it. Noting that it was generally unclear from the fieldwork as to what sellers understood the term 'label' to mean beyond high fashion brand names, of the thirteen sellers who expressed a position on labels, seven reported that it was not important to their customers. The respondents stressed that fashion was more critical. The nature of the goods traded influenced the positions around the importance of brands (labels).⁴¹ Also, for some niche products, as with coats, labels have little meaning. In contrast, labels matter for some items – in particular menswear and jeans. These are separated from other goods and only found at some locations. As with new products, some seasonal effects were observed - sales increase at the end of the month and between October and November (sales are low from December to February).

From the perspective of the wholesalers, the link between quality and pricing is made sequentially; first quality goods are sold before second and third quality goods (Box 1). Moreover, different quality goods are available at different days of the week. As explained by one respondent who is both an informal seller and a large middleman:

“...we open bales on Sundays ... on Mondays we bring items after selection and classification in terms of quality. Our regular customers know that, when they come to us on Mondays, they will find new products. So they run to be the first when we arrive here from home. Consequently, they are more likely to buy 1st quality on the 1st days for reselling them in other places or for themselves. For those who arrive on the second day, their chance of getting 1st quality is slim. In terms of weekdays, Mondays are for 1st quality, Tuesday, Wednesday and Thursday are reserved for 2nd quality, and Saturdays are for the 3rd quality, Sundays for the rest. The number of people [who buys] varies according to the seasons and whether I open new bales or whether I am still selling the old ones.” [Respondent 10]

The specific pricing strategy followed around sales of used clothing from bales from overseas (by the foreigners) appears to influence the choice from the South African traders. Thus respondent 40 comments:

“I buy from the foreigners because they are cheap and each day their prices decreases, first day, [the goods are sold for] R60, second day R40 and third day will be R20 per packet [a large plastic bag]. When you buy from the South African their prices remain the same and they are expensive, from R40 to R100 per packet.”

Moreover, it is possible that some quality guarantee influences the choice in favour of foreign clothing, though there is no consistent view on this.⁴²

⁴⁰ As such, quality loses its significance when other factors are believed to be at play (such as the good taste of the trader) and that are associated with a secure customer base.

⁴¹ Used garments of local brands were described, by one respondent as not available in good enough a condition for the brand-name to matter.

⁴² Some respondents noted that quality was influenced by developments in Mozambique. Quality was reported by four sellers to have deteriorated “dramatically” since the end 2002/beginning 2003. This would be associated with a diversion of some goods for specific buyers in Maputo.

A variety of used clothes is available to consumers. Though product diversity is important to the seller to guarantee them a customer base, consumer loyalty also, at times, attenuates the need for specific quality to be available. The importance of childrenswear for the sellers relates to the fact that they are part of an income smoothing strategy. That is, notwithstanding the fact that little profit is earned per unit of garment for children sold, such clothes turnover rapidly. Also, the stigma associated with being seen with old clothes is not particularly relevant in the case of childrenswear. Finally, a large price differential between childrenswear traded in formal shops compared to those traded informally creates specific incentives for the choice of such garments. Another sector in which the price difference between formal new and informal used goods is high is underwear. Mozambican sellers reported the mark-ups to be the higher in lingerie because the used items were of good quality.

Access to better quality goods, the controls of the channels of distribution by foreigners and the implication this has for the trading structure demarcates the South African from the foreign traders. However, the availability of a stock of quality goods at reasonable prices from foreign suppliers creates links between the two groups. Though resentment was expressed by the South African traders towards the foreign traders, competition is one important aspect of the relations between the two groups. We turn attention here to detailing the various platforms across which competition is reported to take place.

Competition is a multi-faceted issue. It was reported by the majority of respondents as important. Competition is between informal sellers and against new imported garments from Asia. Whilst the tensions, well documented in Mkhize (2003), have remained between the South African and foreign traders, a new form of competition seems to have emerged in the sector, that between foreign sellers. As no seller reported that competition was with local retailers, the sellers might consider their trade segment as distinct.

The most intense competition is that between informal traders. For many, including the foreign traders, the threat comes from the foreign traders themselves. From Table 4, which summarises the situation in terms of whether competition is being felt and its origin, it can be seen that competition is considered to be intense in about 82% of the cases. Moreover, in more than half of the mentions, competition was considered to be specifically with other informal sellers, irrespective of their origin.

Table 4. Competition: general importance and origin (number of mentions and %)

		No. of mentions	% of valid cases
Competition is intense	- with informal sellers of used clothing	15	53.6
	- against shops specialised in selling used clothing	3	10.7
	- General (that is against shops and other sellers)	5	17.9
No competition/competition not intense	- Generally	1	3.6
	- with independent & retail stores	2	7.1
Other	Does not know	2	7.1
Total		28	100

Note: Reports comments from shop managers as well as from informal sellers.

Source: fieldwork.

Amongst the informal traders, competition was specified along a series of dimensions. First, it was noted in terms of sales declining (lower stock turnover) over time. In some cases, the decline was sharp.⁴³ Second, it was identified through an expansion of the number of informal sellers involved. The first and second characteristics were seen as combined by some who expressed the view that competition was growing in the form of shrinking individual opportunities.⁴⁴ Moreover, there are indications that sales levels have declined per wholesaler and per vendor. A third group (three respondents) commented on their inability to alter or to set their individual prices above that of other sellers compared to before. In extreme cases, the conditions were such that some traders envisaged having to exit the sector.

Shop managers took a similar position though they stress the growth of the number of informal traders – particularly amongst the foreigners – and the growth in the volumes of illegal used clothing on the market as being the main aspect of the changes. Generally, the pressures facing the shops were evident in the fact that, since 2002, these have not been able to fully utilise their import allowance. Important declines in bulk buying were reported, as the ir type of demand which had disappeared.

It is the general expansion of the sector, that is its very ability to provide some income, that is associated with the competitive pressures. Though poor economic conditions which prevail in South Africa are broadly emphasised, respondents comment that the expansion is also associated with a growing base of refugees in the city. As these face a lack of choice in terms of the activities they can undertake and in terms of access to a site, they elect to trade used clothing. An additional dimension was the direct involvement of Mozambican sellers. Those interviewed did not openly mix with other used clothing sellers; as they move their stalls frequently within the city and beyond, these sellers are relatively invisible. Whereas this group is small in Durban (only fifteen Mozambican sellers appear to operate in the city and with people in the city) their presence dates from 2003. According to focus group discussion, the change followed five years of interaction with other sellers involved with South Africa in Mozambique. Though these are relatively large intermediaries, a feature of these sellers is that they are involved in the trade as both wholesalers and retailers.

As should be clear, besides competition growing because of net entry, competition is compounded by movements along the value chain. That is, as sellers become middlemen and as middlemen become sellers, the number of wholesalers and that of retailers increases over time. Direct trips to Maputo by a growing number of traders also generate the erosion of mark-ups. (Mark-ups of the order of 50% to 100% between Durban and Maputo are still reported.) Yet, some individuals, who have the ability to easily access the cheaper stocks are still seen as price setters.

⁴³ For instance, competition was associated with a decline by about 94% of the demand of one respondent: “In our first trip to Maputo ... we were able to bring 10 bales that we sold in one day. On our second trip, we bought 20 bales. The business was so good [increased demand] that we sold everything in two days. But now, it is very difficult to sell 2 bales a week due to an increased in supply from many refugees [from DRC] and South Africans.” [Respondent 10]

⁴⁴ Thus: “In the past, I could easily get one customer who could buy an entire bale or two, three per day. Then it became per week. Now it is difficult to make [such sales] per month at times. This can be explained by the fact that there are more people now in this business than before. Since the number of customers does increase and since many traders share the customers, that is why at the individual level, the number of customers decreases.” [Respondent 10]

In parallel, however, prices are said to have generally increased. The change was explained in terms of a compensation for declines in profit margins and for inflation.⁴⁵ Also, supply prices, according to some, increased from Maputo and elsewhere (reported in seven out of eleven mentions). Only two mentions were made of a decline in the prices of the garments offered to the consumer. When examples were given of price increases between 2004 and 2005, the change was by at least 30%. In spite of the fact that prices might have, in fact, increased in real terms, these have not been markedly associated with a displacement of the consumers away from used clothes towards new garments. Of the fourteen comments made on such displacement, half agreed that the consumers had shifted their purchases. Whilst one seller stressed that he could not make an assessment of the change, about 43% of the sellers still reported no change!

For others, though relatively few, competition was with the inflow of clothing imports from China. Similarly to the consumers, sellers talked generally about the garments imported from China. Reference was made to new imported garments sold by other informal sellers or to garments sold in factory shops (with the factories being Asian-owned).⁴⁶ Through their responses, the sellers revealed little knowledge of the trends in the formal clothing sector as well as in the formal retail sector. However, they generally reported that their goods were cheaper. Referring to independent stores stocking garments from India one respondent noted that the price differences were still too large between used and new clothing to cause price pressures (“it is R5 here but R45 there”). Also, similarly to the consumers, sellers reported that the quality of the garments imported from China was very poor. Given these dimensions, the sellers generally felt unthreatened by new imported goods. The views were compounded by a general sense that the used garments were different or that the informal used clothing sector was a different sector so that comparisons could not be made. The opinion of respondent 10, for instance is representative:

“Used clothes are cheap, last longer and have good materials compared to new clothes in the shops like Edgars Compared to the “Chinese” products, there is no comparison because these products are also cheap but they are for single use. Once in water, you must forget about them, colour deteriorates, some are getting smaller and smaller.”

Three sellers had strong views about the fact that no threat was associated with the imported garments. Three sellers were unable to make comparisons and thus could not offer an assessment on the situation. For example, one informant detailed three dimensions over which the used clothing sector was protected. First, since the Chinese garments are “sold indoors” rather than outdoors, the clientele is distinct. Second, the quality is so poor that there is “constant consumer demand for used clothes”. Therefore and third, “our [consumer] target is between the independent stores and the formal retail sector”.

⁴⁵ Prices are frequently reported to have increased in Maputo. The interview with the Mozambican sellers confirmed that wholesalers in Maputo at least follow the prices which prevail in Durban.

⁴⁶ The origin of the good is, for the respondents, associated with the race of the shop owner. Therefore, Indian goods are found in Indian-owned shops, irrespective of the origin of the goods. Also Asian-owned factories are Chinese factories, irrespective of whether the owner is Taiwanese or South African Chinese. The information provided was, therefore at times, somewhat confusing.

Only three informal sellers commented that garments imported from China did in fact represent a threat to their business. The (additional) three shop managers took the strongest position on the question. As such garments were considered to impact on the used clothing segment, two shops were expanding their stock of new garments from China and India. However, one shop reported that the competitive pressures that were associated with imports were “[only] now severe”. The difference in price between the new and used clothing was reported by this shop owner to be currently between R10 and R20.⁴⁷

Table 5, reports the average price for a series of used garments and an average price and price ranges from a lower-end retail chain and independent stores new garments. Some product segments (T-shirt, panties and shirts for adults) might currently be facing direct competition. However, the prices of used clothing are, for a wide range of products, currently still generally substantially lower than those of new clothes.

Table 5. Sample of prices

Item	Used clothing		Prices of new equivalent garment*
	(average price)	(Max price)	
Clothes for babies & children	R7.9 (n=9)	R30	R15 to R25
Bras	R6.25 (n=2)	R15	R30
Underwear (panties for adults & bras not separately listed)	R7.5 (n=1)	R15	R10 for panties R30 for bras
T-shirts	R6.7 (n=3)	R10	R10 to R25
Shirts & skirts	R17 (n=5)	R25	R30 to R40
Dresses	R27.5 (n=4)	R40	R40 to R80
Light jackets	R22 (n=1)		R80 to R110
Warm jackets (including leather)	R215 (n=1) R50 to R350 in shops	R300	R250 (new coats in shops selling used coats)

Note: * - the price is for an equivalent good which the researchers considered to be an imported good.

Source: Fieldwork.

Rural people are reported to come and buy in the city at specific periods and on specific days of the week. There they buy “children’s clothing, especially T-shirts, skirts, underwear for women and girls” [Respondent 27]. Three sellers also reported purchases from people from Lesotho. They primarily “buy for their extended families and for themselves” [Respondent 41]. Shops in Durban are approached by rural people who buy for resale in remote areas, particularly in winter when warm garments are sought. Such visits are reported by one shop to take place “once a month” by recognisable individuals. Traders from the rural areas were also found to approach the township sellers for supplies. Such purchases are not solely destined to the rural communities of KZN. One respondent explains:

“My customers were coming from different villages of the Eastern Cape and KwaZulu Natal. We also had customers from Ladysmith and around the Lesotho borders.” [Key informant 200]

⁴⁷ The costs associated with running a shop might explain this respondent’s more extreme position.

Though six sellers mentioned that rural customers formed a large proportion of their total consumer base, four respondents mentioned that current competition dynamics were inducing used clothing sellers to explore the more rural areas. Various sellers and respondents comment that growing demand for used garment from the rural areas acts as a pull factor. Moreover, the sales network there is sparse.⁴⁸ Furthermore, hassles (related to the licence to operate and harassment from other sellers) are reported to be lower in areas far from Durban. Finally, some noted that a small number of used clothing sellers relative to demand was operating in the smaller cities in KZN. Though it might be the case that the supply base is still underdeveloped outside Durban, as people are more finance-constrained than in the city, one respondent made the following discovery:

“We discussed the matter with ... and we concluded that we should expand our market niche towards our rural areas clients instead of waiting for them to come here. We were shocked to meet other refugees already present there.”
[Key informant 200]

The pull factors are generally noted to act in parallel to the push factor of increasing competition in the city.

As should be clear, the areas in which the South African sellers operate vary greatly. Many are involved with townships and squatter areas around Durban in addition to the city center. At times, these outlying areas may serve primarily as their main trading areas. As confirmed by the consumers, these areas are the preserve of the South African sellers because of the language and cultural affinity which these particular sellers enjoy over the foreigners. Though a small core of sellers was also found to operate in the small towns on the South Coast and in the north of the province, the foreign sellers are involved with other markets. The foreign sellers who operate outside of Durban typically travel to cities in Northern KZN. The areas chosen have a high population density or are trading nodes. Once in those cities, the sellers move little – they operate near other stalls or in the main market place. As noted by one respondent, “as the markets are small, location does not matter because traders are getting an equal exposure” [key informant 5]. The customers in these locations appear to behave differently to those in Durban insofar as they are more prone to buy for the extended family and friends. Though it is likely that behavioural differences are in line with lower incomes, these customers – according to the sellers - are more willing “to be seen” wearing these clothes than elsewhere.

Though the presence of sellers in urban areas in proximity to rural areas matters in terms of the penetration of used clothing into the rural areas, many of the bulk purchases in the small towns of KZN are reported as made by rural people who act as intermediaries. The Mozambican sellers, who are mainly directly involved with the smaller cities, reported that a large proportion of their wares are sold to rural consumers. The smaller middlemen are important as the more remote and poorer consumers rarely travel to the cities.⁴⁹

A few main points emerge from the discussion of this section. First, though there is a variety of sellers, those engaged with the sellers in Maputo are typically foreigners. The fieldwork also identified that Mozambican sellers currently operate in South Africa. The y

⁴⁸ Thus: “Chinese products, up to now, do not reach the remote rural areas where our customers for used clothes are coming from.” [Key informant 200]

⁴⁹ Used garments for adults are traded there. One respondent talks about “taboos” which prevent the sales of underwear. Also, the demand for childrenswear is considered to be less than that for adultwear.

trade goods from the smaller cities as well as from Durban. Some South African agents (e.g. the “South African” Chinese) might also be large wholesalers and intermediaries, but these could not be located in the fieldwork. Second, the trade conditions of the smaller South African and foreign sellers are becoming similar. Though both types of sellers purchase stock from larger middlemen who supply in Maputo, it increasingly appears that, as the barriers to accessing the stock overseas are being eroded, the smaller traders are themselves directly undertaking trips to Mozambique to purchase their stock. The growing competition which is being experienced in Durban is not only in regard to changes in functions, however, but is also associated with a growing number of buyers. Yet, prices do not appear to have markedly declined, suggesting that the competitive pressures are not yet being fully felt or that the sellers have not yet responded to declining demand by reducing their prices. Nevertheless, it is as a response to eroded profit margins that some sellers are turning to consumers in the more remote and rural areas.

6. CONCLUSION AND ASSESSMENT OF THE TRADE REGIME ON CLOTHING

In contrast to the situation in West African countries, relatively little is known about the extent of trade in used clothing in the Southern African region. In South Africa specifically, only rare mention is made of trade in used clothing. There are two main reasons for this. First, although the authorities allow a certain amount of used clothing goods to enter the market, much of this trade is illegal. Though such trade does take place, its concealed nature is furthermore compounded by the involvement of foreigners. This double layer of invisibility makes it a difficult theme to investigate. Second, the expansion of illegal used clothing imports is a relatively recent phenomenon. It coincides with a period of growing clothing imports from China and other Asian countries. It is this latter dimension that has been the subject of attention by the industry and the authorities. As clothing imports have grown, allegations of under-invoicing of new garments have become more frequent according to two key informants. This has, accordingly, become one important aspect of customs’ controls.

The trade regime which applies to imports of used clothing in South Africa requires that permits be obtained before imports are allowed. The trade regime has been developed incorporating the interests of the industry and the main trade union in the sector, SACTWU. The current regime has been the result of important volumes of used clothing being purchased by charities (particularly the churches) and being sold onto the market in the early 1990s. As a permit is now required for the goods to be imported, and as the charity sector is not allowed purchase from abroad, few actors involved with the sector are operating legally. Those who are allowed to import are shop managers and those involved with the industrial transformation of used clothing into rags or fibres. This paper has shown that the regime has not, however, prevented growing volumes of used clothing being traded illegally. Traders are actively involved with sellers in Maputo in Mozambique. Mozambican sellers have also appeared on the trading scene in KZN.

The current trade regime is founded on arguments which are increasingly articulated internationally. Used clothing was argued to be an important cause of job losses according to SACTWU. According to the union as many as 30000 workers (nearly a third of those formally employed) lost their jobs because of illegal imports at the end of the 1990s. Although no assessment is made of the volumes which enter illegally these are general figures. Moreover, they do not distinguish between used and illegal new clothing imports. Illegal imports, however, are just one factor associated with the problems currently facing

the industry. Though the argument that used and new clothing are substitutes is acknowledged, the controls on imports are considered within the broader strategy of curbing job losses in the clothing production sector. The industry concurs with this position.

In the general context in which a large number of people are poor, there is a demand for used clothes. Used garments originate from households. Those originating from South African households may well have been imported when originally purchased. Another channel used is that of indirect imports of used clothing from overseas. These goods reach Durban and other cities in South Africa from Maputo. As used clothing is freely imported by Mozambique, there is a nearby supply of such goods. Controls between South Africa and Mozambique are furthermore relative infrequent. In parallel, the sellers who operate in Maputo recognise that there are returns to supplying South Africa. Those who act as middleman have, moreover, limited alternative work opportunities. When the intermediaries weigh the probability and cost of being caught against the returns to be made, the expected gains evidently justify the risks. In this context, an organised trade network operates between Durban and Maputo. This network involves many foreigners. In KZN, consumers buy used clothes for their family members in Durban and more widely for their extended family in the rural areas. The research has established that the volumes traded illegally in Durban might be as high as those that are imported legally. However, the amounts traded seem to have peaked and competition has increased to the extent that profit margins have reduced in the used clothing sector. It is unclear as to whether demand is still growing though there are signs that it is.

The first point which thus emerges from the research is then that the trade regime that is in place is somewhat ineffective. The control of imports relies on resources being available to customs. Therefore, setting aside the question of whether current standards are appropriate, it is clear that insufficient resources are being provided to South Africa's customs to enforce these standards. Moreover, given that the province borders three countries, control of one border is unlikely to be fully effective. One estimate for the late 1990s was that an additional 40 million Rand were required every year for customs to be operating effectively. To put the amount in perspective, if one assumes that the clothing industry (including the knitted segment) currently employs 100,000 workers, then the extra amount destined to customs would pay for 1500 (clothing) machinists for a year. Looked at in another way, however, this is only one-tenth of what might be earned by government in the revenues collected on used clothing imports.⁵⁰

Several distinct points can be raised in terms of assessing the desirability of the current trade policy. First, the consumers are poor or at the lower-income segment. Second, the sellers, particularly the foreigners, have limited alternative income generating options available to them. This aspect is important to assess the implications of forbidding one activity in terms of the alternative activities that can be taken up. Though access to finance matters for access to stock, the level of capital investment required to become a trader is relatively low. The sector thus has relatively low barriers to entry and garments are not perishable, an aspect which, as already emphasized by Mkhize (2003), is important to some sellers. Though it was not possible to establish how many used clothing traders

⁵⁰ This is the figure obtained on the basis of a charge R25 per kg and a rebate of 30% on the duty on all the 20779 tons that were imported in South Africa in 2004 according to SARS data. The figure assumes that demand stays unchanged however.

operate in Durban, many are involved with the trade on either an *ad hoc* or on a more permanent basis. It is the lack of alternative income generating jobs which needs to be taken into for an effective trade control policy to be put in place. This is a sector in which laid off clothing employees do operate. Though consumers buy a few pieces at a time the sellers make a living from the fact that a large number of consumers approach the stalls. There is clearly a demand for used clothing. Though the research reveals that the preferences of urban consumers are somewhat distinct from those of rural consumers, new and used products do not appear as close substitutes because of the status associated with new clothes. The clothing segment in which substitutability is the strongest appears to be the childrenswear segment.

Clearly many consumers benefit from cheaper goods. Moreover, one set of data available for South Africa suggests that the demand by the poor is price elastic. Relative price changes matter in this regard. In contrast to consumers gaining from cheaper, producers and workers lose. The presence of cheaper goods, in the form of used clothes might divert demand away from new garments. Indirectly, producers might also have lost delocalization opportunities in the region because of the imports of used clothing. However, given the many factors associated with the current demise of the (textile and) clothing industry in South Africa, some segments of the used clothing sector are in fact competing with imported items rather than with new garments produced in South African or by a South African firm in the region.

Informal sellers still feel relatively protected from the competition. However, as used clothing shops, which have overheads, are displaying their vulnerability, it might be the case that the more vulnerable sellers have already changed the composition of their stock to adjust to the pressures. Whatever the changes, one aspect of restricting used clothes identified in Baden and Barber (2005) is that these were garments produced by workers in the developing countries in the first place. What is clear from the fieldwork in Durban is that the South African sellers have benefited from more constant supply being available from overseas *via* the foreigners' direct involvement with supply from overseas. This is in spite of the fact that the used clothing sector has a negligible work multiplier effect - limited work opportunities appeared indirectly associated with the sector at this point in time. Only one seller and one key informant found value in the mending of the garments.

The majority of the sellers approached in the fieldwork are generally in favour of a policy of allowing used clothing into South Africa, albeit in a controlled manner. For some, a reduction in police harassment might be worth an additional cost. For others, particularly the foreign sellers, the lack of alternative employment opportunities justifies the position.

Whilst more research is warranted on the impact of the sector on other professions (e.g. the informal tailoring business sector), to establish more firmly some of the trends and to define the number of those involved in the sector, little is known in terms of the fabric value of the used clothing sector. The sector involved with the processing of used clothes into rags possibly deserves attention given its expansion in volume terms in South Africa.

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ANNEXES

Annex 1. Additional data

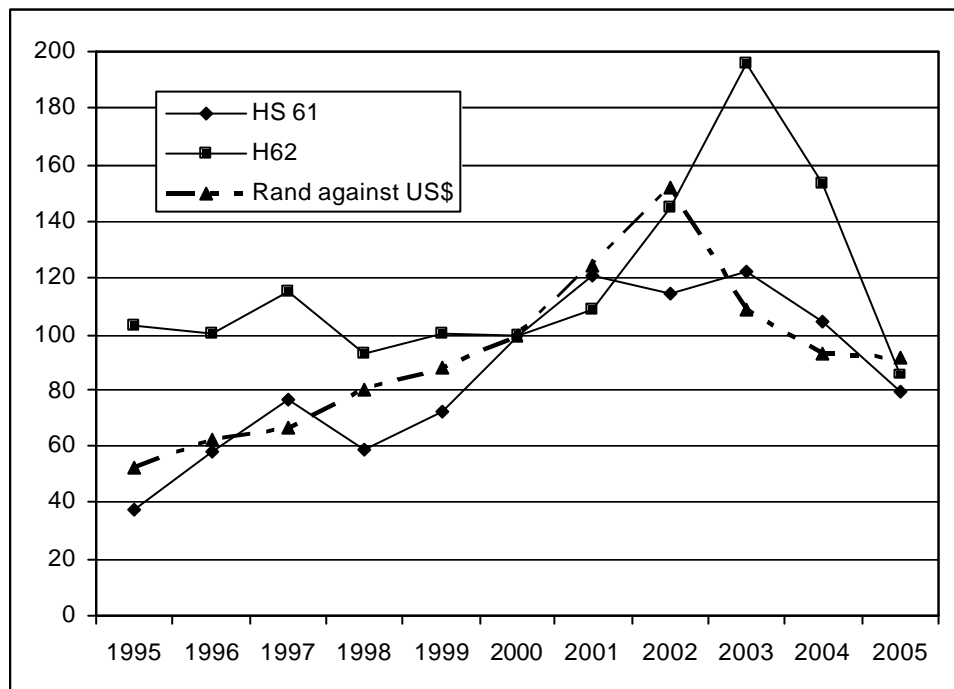
Appendix Table 1. Tariff phase-down under the WTO for textiles and clothing (tariffs in %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Textiles	30.1	33.8	31.8	24.9	23.4	21.9	20.3	18.7	17.3	17.3	17.3
Clothing	73.7	73.6	68.2	54.6	50.5	46.4	42.4	37.7	33.2	33.2	33.2

Note: Textiles is ISIC 3 and clothing (excluding footwear) is ISIC 4.

Source: Cassim *et al.* (2004:10, part of Table 2.1).

Appendix Figure 1. South Africa's clothing exports and exchange rate trends (indices, 2000=100)



Note: Export data converted into US\$ using exchange rate series KBP5339J from the Reserve Bank of South Africa from 1995 to 2004 and the yearly exchange rate from the First National Bank for 2005.

Source: Original data from TIPS trade database.

Appendix Table 2. Unit prices of selected garments imported into South Africa (US\$)

Item	Partner	1998	1999	2000	2001	2002	2003
T-shirt of cotton HS 610910	World	2.23	1.87	1.60	1.23	0.99	1.12
	China	0.84	0.91	0.48	0.35	0.24	0.38
	Europe & NAFTA	3.50	3.27	3.58	5.94	2.87	4.15
Trousers of cotton for men/boys HS 62034200	World	2.60	1.87	2.00	0.76	1.93	1.99
	China	1.34	1.34	1.93	0.52	1.32	1.84
	Europe & NAFTA	7.91	14.20	16.48	16.14	12.44	13.15
Trousers of cotton for women/girls HS 62046200	World	3.05	2.11	1.94	1.99	1.47	1.67
	China	2.20	1.54	1.77	1.94	1.52	1.54
	Europe & NAFTA	16.06	13.85	13.58	10.71	11.48	10.62
Blouses of man made fibres for women or girls HS 62064000	World	3.13	2.31	1.47	0.89	0.80	0.63
	China	2.35	2.07	1.20	0.67	0.57	0.44
	Europe & NAFTA	8.72	19.11	6.03	18.25	7.83	14.22
Babies' garments &	World	13.40	9.92	11.88	9.51	8.48	5.81

accessories of synthetics fibres (KG) HS 62093000	China	13.60	10.39	12.72	10.88	9.19	6.01
	Europe & NAFTA	61.28	9.57	16.09	56.57	35.39	17.60

Note: In Rand converted into US\$. Data are per item except for babies' garments and accessories which are per kg.

Source: Own calculations from SARS postcode trade data.

Appendix Table 3. Exports of used clothing to World, Mozambique and South Africa by the EU and the US – 2000 to 2004

Part 1. Value of export (000 US\$)

	Exports from EU(25)					Exports from the US				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Mozambique	2733	2478	2070	2995	3057	2264	2116	1636	2133	4087
South Africa	6768	7184	7105	6513	6515	2247	705	598	470	445
Mozambique & South Af	9501	9662	9175	9508	9572	4511	2820	2234	2603	4533
SSA	237538	243032	255851	279090	307495	50604	53621	51681	54284	60919
World	416899	430715	469858	527015	600112	227329	210965	218789	228386	252558

Part 2. Volumes of export (tons)

	Exports from EU(25)					Exports from the US				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Mozambique	4558	3207	3335	4471	4902	3784	3158	2205	3425	6004
South Africa	9994	10671	9527	7224	8067	2626	2357	2019	1920	1969
Mozambique & South Af	14552	13878	12862	11694	12969	6410	5515	4224	5345	7973
SSA	246128	243780	268924	268654	272876	67053	75012	72785	75030	81226
World	496332	515827	554639	579177	611309	281102	258336	373669	345285	484246

Sources: USITC and Comext website databases. US\$ - Euro exchange rates from the IMF.

Annex 2. Fieldwork Methodology – Background and question guides

This annex reports the annotated guides used for the interviews of informal sellers, shop managers and final customers. The informal seller questionnaire was relevant to those informally involved in the sales of used clothing. It was thus applied to middlemen (or wholesalers), intermediaries as well as to retailers. The choice was adequate given that an *ex ante* distinction of functions was rarely possible. In the process of asking questions, the fieldworkers asked for additional information or clarifications as required. The fieldworkers contributed to some updating of the questionnaires as new information was collected.

The question guides deal with six and seven main themes for the shops and informal sellers respectively. These guides were structured to draw a short profile on the customers (through the location question) and some main features of the characteristics of buyers' demand. This section was complemented by questions to the consumers. The questions also focused broadly on the sourcing and origin of the goods. Whereas some amount of information was obtained on the pricing strategy, this was an important question to the intermediaries (or to individuals identifying themselves as middlemen). Another set of questions specifically enquired about the current direction of competition and relative performance (for instance, whether shops are important relative to informal sellers). These questions sought to draw upon some information on (perceived or actual) substitution effects as well as on information on the buying behaviour of consumers at the lower end of the income spectrum. For the shops, specific questions were designed around the shift to new products (e.g. new garments and other consumer goods) as was identified through the scans.

The questions on the final customers focused broadly on their socio-economic status (probing whether the customer was recipient of the child support grant (CSG) and house type). The questions were also focused on the pattern of purchase of used clothing (amount bought and for who). The final recipient of the used clothing was seen to be an important aspect of the fieldwork given that migration occurs between rural and urban areas. The question guides also sought to clarify why new as opposed to used clothes were bought.

Question Guide 1: INFORMAL SELLERS

Date:

Interviewer:

Location of interview:

Prices at location (from ?R to ?R): - (specify item):

1. **About the seller & the business**

- a. Where you born in Durban? Where do you come from / where do you live in Durban?
- b. Why are you in this business? When did you start this business? How did you start this business? *What is the history of the involvement with used clothing trade?*
- c. Is someone else employing you for this business? *[Yes/No, if yes who is this person, where is the person from and how many people are working for this person?]*

- d. Do you employ other people to work for you? [Yes/No and if yes, how many and how frequently? Get the person to try and talk about their employees.]

2. **About the location**

- a. How often do you come to this location? Do you only sell goods at this location?
Make a note of other locations and how the seller rotates across locations. Get some information about the activities across various locations if the seller goes to a series of locations.
- b. What do your consumers look for when they want to buy from you?
More generally, try and get the respondent to discuss consumer needs.
- c. Do you have lots of consumers?
Specify the number of customers as in “less than 5”, “more than 5” for instance over a given period of time.
 How many people come and have a look at your clothes in a given day?
 And how many people buy from you?
Distinguish how many look at the clothes from how many people buy clothes.
 Is this location good for getting customers?
Enquire about the typical trading day of the seller – is s/he present for a couple of hours in the day at this location for instance?

3. **About the product, quality and price?**

- a. What type of goods do you sell? Dresses, shirts etc.? What is the piece of clothing that you have lots of?
Try and establish the composition of the stock and how the stock changes over time.
 What type of clothing do you sell the most?
- b. Are your products quality 1, quality 2 or quality 3? Or a mix? Can you explain quality 1, 2 and 3 to me? Does your quality vary in the year? [Yes/No] Why?
- c. What price difference is there between quality ... [specify a quality] and quality ... [specify another quality]
- d. Is the quality of your products/of your stock good? Has the quality changed over time?
Refer to when the seller started being involved in this business for the discussion.
- e. Are your prices the same all the time? Did the prices change compared to last year (2004 to 2005)? Have the prices changed since you first went into this business?
Refer to when the seller started being involved in this business for the discussion.
- f. Are some locations better than other for prices?

4. **About the customers**

- a. How many pieces of clothing does a customer buy from you or from people who sell used clothing at this location? How many pieces of clothing do you manage to sell in a week?
Get approximate numbers if you can. Record comments on seasonal changes.

- b. Why do customers buy used clothing?
 Who do the customers buy for? For themselves, for their children?
 Do some of your customers come to buy to sell elsewhere? How does that work?
Get the seller to specify whether their customers are primarily “the poor” and/or whether they sell to people who send the clothes “back home”. Try here to also get some information on customers’ profile.
If the sellers sell to other vendors, get as much information about those buyers as you can – discuss the frequency of people who come to buy large quantities, what type of used clothing they buy, how much they buy (1 bale or less?) where it is going to – in KwaZulu-Natal or elsewhere in South Africa or in other countries; and how it is resold – in shops, in market places, etc.
- c. Do the customers buy more and more used clothing or do they buy more and more new clothes? *If appropriate:* when did a change start happening?

5. Supply

- a. Do you buy your goods from a shop, from one individual or from many people?
- b. Do you also get goods from houses in town? (South African used clothing)
- c. How frequently do you meet with your suppliers?
 How often do you buy goods (or look for goods) in a month?
- d. Do your goods come from South Africa [*get an explanation – do they come from church people? From charity people? and ask about the city of “origin” in South Africa*] or do they come to South Africa from another country? [*Yes/No – probe about Mozambique, Swaziland, Lesotho or beyond*]
- e. How many bales do you buy in one go? How often do you buy bales of clothing?
Try and establish whether some goods are from non-profit/church based organizations. If possible, get the purchase price of a bale. Get the number of people that supply them with used clothing and the nationality of the suppliers.

6. Competition

- a. Are there more people who sell these goods now compared to 1 year ago (2004 to 2005)? What do you think is happening in your sector?
 Who are you biggest competitors? *The options are: (i) a shop that sells used clothing, (ii) other sellers of used clothing, (iii) people who specialize in specific used clothing products and (iv) the sellers of new clothing.*
- b. Are the prices for used clothing changing? *Explain/examples over a time period but focus on 2004-1005.*
- c. Do people buy more new clothes now than before? Why is that? *Explain over a specific time period.*
People might talk about the economic conditions in South Africa, changes in consumer preference, changes in the quality of the products available and changes in price. Identify a main reason from your respondent from the list given.

7. **Others**

- a. What are the main problems you face in your business?
- b. Should the government make these goods legal? Why?
What else should the government do that might help you in your business?

Question Guide 2: SHOPS

Date:**Interviewer:****Address:****Prices at location (from ?R to ?R) - (specify the items):**1. **About the business**

- a. When was this business set up?
Confirm that the business was not at another location in the past. If the business was somewhere else ask where it was and why it changed location.
- b. About how many people work here?
- c. Are you a wholesaler, a retailer or both? (Who do you sell to?)
- d. What do your consumers look for when they want to buy from you?
Start a general discussion of the consumer profile.

2. **About the product, quality and price?**

- a. What type of goods do you stock? *Dresses, T-shirts etc.*
What type of clothing do you sell the most?
If you are dealing with a wholesaler, get a sense of what type of goods people come to buy most frequently.
Do you also sell new clothes?
If yes: what is the proportion of your stock that is new clothes? Where do the new clothes come from? When did you start selling these new clothes? Generally get some explanations.
If no: Do you think that you will start selling new clothes in the future? Explain.
If new clothes are from overseas ask why they do not buy new clothes in South Africa. Probe as to whether they look into factory shops in South Africa as well.
- b. Are your products mostly quality 1 or quality 2? Has the quality of your product changed since you first went into this business? What is happening? *Refer to when the shop was set up for the discussion. Is anything happening to quality 3?*
- c. What are the most expensive goods in your shop?
- d. Do you use the price of new clothing to set the prices in the shop? How do you set your prices?
- e. Are your prices the same all the time? Have the prices changed in the last year?
Have the prices changed since you first went into this business? *Refer to when the shop was set up for the discussion.*

3. **About the customers**

- a. Why do customers buy used clothing?
Who do the customers buy for? For themselves, for their children?

Do some of your customers come to buy to sell elsewhere? How does that work?

Are their customers primarily the poor or do people come to buy special items to give at special occasions, for instance at weddings? [Note that coats are bought as wedding present for instance]

- b. What is the proportion of your customers who buy bales to sell elsewhere (for instance 1 customer in 10, or 1 customer in 20)? What is happening to that side of the business? Do the same people come back to buy bales or do you see different people all the times? Do you know where these people sell their goods?

Get as much information about those buyers as you can – discuss the frequency of people who come to buy large quantities, what type of used clothing they buy, how much they buy (1 bale or less?) where it is going to be sold – in KwaZulu-Natal or elsewhere in South Africa or in other countries; and how it is resold – in shops, in market places, etc.

- c. Do the customers buy more and more used clothing or do they buy more and more new clothes? *If appropriate: when did a change start happening? Why do you think a change happen?*

4. Supply

- a. When did you get the license?
- b. How is the process of getting the license going? What are the main problems you face around the licence system?
Make a list of comments and explanations.
- c. Are you able to import as much as you would like to? If no, what are the consequences of you not being able to import more (a greater volume) of used clothing?
- d. From which countries do your clothes come from?
- e. Who do you contact overseas to get the goods? How does it work overseas?
- f. How many suppliers do you have for your goods? Are the suppliers the same ones as 1 year ago?
- g. How often do you see your suppliers?
Do your goods come from South Africa *[get an explanation – do they come from church people? From charity people? Ask about the city of “origin” in South Africa]* or do they come to South Africa from another country? *[Yes/No – probe specifically and enquire about goods originating from charity/church-related organizations.]*
- h. How many bales do you buy in one go?
If you have a willing respondent, get the price of the bale they buy - note for your information that bales seem to start at 250R and go up to 1500R.

5. Competition

- a. How many people – shops – you know are in the same business as you are? Are there more shops now than before?
If there are less shops, why? and do you know whether the same thing is happening in Johannesburg and in Cape Town?
- b. Is your business good? If there are problems, when did the problems start and what type of problems are they?
- c. Generally, what do you think is happening in your sector?

Who are you biggest competitors? *The options are: (i) a shop that sells used clothing, (ii) other sellers of used clothing, (iii) people who specialize in specific used clothing products and (iv) the sellers of new clothing.*

- d. Are the prices for used clothing changing? *Explain – refer to a time period.*
- e. Do people buy more new clothes now than before? Why is that?
The answers might be about the economic conditions in South Africa, changes in preference, changes in quality, changes in price. Identify a main reason from your respondent.

6. Others

Should the government make these goods legal? Why?

What else should the government do that might help you in your business?

Question Guide 2: FINAL CUSTOMERS

Date:

Interviewer:

Location of interview:

1. About the consumer

Where were you born? *If appropriate: when did you move to Durban?*

How old are you now?

Do you work?

Do you have children? How many children do you have and old are they?

Do you get any child support grant (CSG)?

Record some very basic details about the consumer. Do not ask for a name.

2. Choice of location

a. Why do you buy here (at the location)?

b. When did you start coming here (to this location) to buy these types of clothes?

c. Where else do you buy these types of goods, the worn clothing?

Make a note of other areas mentioned and whether it is that from informal traders or from shops. Probe about why other areas (location) are selected.

d. Are most of the sellers of worn clothing goods foreigners? What has happened over time to the foreign sellers?

3. How much is bought and for who?

a. Why do you buy these products?

b. Who do you buy these products for? (for yourself, your children or for your family?)

c. Do you buy these clothes frequently?

Establish the regularity of the purchase in a given month. For instance does the consumer come to look for clothes every week or every two weeks but buys only once a month? Record comments on seasonal variations.

d. How many pieces of clothing do you buy from this location for each shopping outing?

How many pieces of other clothes like these – worn clothes – do you buy elsewhere?

How many pieces do you buy of new clothes every month / in a month?
Get some approximate number and probe as required - for instance ask whether 1 or 2 pieces of (used/new) clothing are brought in a month.

- e. How much do you spend on these types of clothes (worn clothing) every month? And, how much do you spend on new clothes every month?
Record comments on seasonality and variations in the price of the items bought. The question of how much is spent on new clothes every month might be hard: if this is the case, try to see if asking more or less than 75R works.
- f. For how many people do you buy these type of clothes (used clothes)?
 Are these clothes for people in Durban or for the family far away? Are the clothes for children or for adults? Men or women?
*Get a description of the purchase pattern and possibly try and identify whether some amount is also bought for resale.
 If the goods are sent to the family elsewhere, try and get some comments about the shops in a village/town near the (extended) family.*
- g. Do you sometime buy to (re)sell (for instance in your village or elsewhere where there are no shops)?
If yes, take some time with the person to tell you how this happens in her village/community and why or what is going on there in terms of buying clothes. If no as "do not resell" but the person is from a rural area, ask: Do you know whether there are people who come to your village (or near your village) to sell used clothing? If yes: Where do they get their goods? Are the prices very high? How is the quality?

4. About Prices & quality

- a. What do you look for when you buy these types of goods? Is the quality of these types of goods good? Do you look at the label when you buy the clothes? Do you look for whether the goods are in fashion?
 Is fashion important to you? Are used clothing goods really out of fashion goods?
If you get comments such as "I buy here because I get good prices for the quality", get the person to explain quality – for instance, the garment lasts a long time, it does not shrink.
- b. Is the quality different when the seller of the worn clothing item is a foreign seller (non South Africa people) or a South African seller?
- c. Are the prices for the used clothes good? Have the prices remained the same in 2005? How were the prices in the past?
Specify the past: over 1 year ago, over 2 years ago etc. Refer back to when the person starting buying these goods. Get some numbers as to how the prices have changed over time. Take note of the period of reference.
- d. Do you buy more new goods now than before (1 year ago)? [Yes/No] why?
 Are the prices of new clothes good/getting better in the last year (2005 compared to 2004)?
- e. Will you buy more pieces of new and less worn clothing in the future (next year)? Explain your decision.

And finally:

Try and establish the income level of the household of the consumer - ask the consumer in what type of house s/he lives - a formal house or a shack (note the area) and whether she owns the house or rents it.

Ideally we would like to know about the income level of the household of the consumer. It would be great if you could try and get how much income is in the household (less than 200R, 200 – 500R, 500 – 800R or less or more than 500R). If this is really hard to get, use the questions about the characteristics of the house.

Appendix Table 4. Interviews

Type	Number of respondents	Location of interview/area of operation
Government Officials	3	Location of interview: Pretoria and Durban
Sellers (including intermediaries)	22	Areas of operation*: Durban workshop market (9), Durban city center (10), Durban surrounding township and squatter areas (4), Pietermaritzburg (2), Stanger (1), Empangeni (4), other cities & areas (3).
Additional Key informants	3	
Consumers	18	Location of interview: Durban Workshop market (5), Durban Berea Station (2), other city center locations (9), Stanger (1) and Empangeni (1)
Shops	3	Location: Durban town center (3)
Key informants: Refugee Council, Industry representatives & Mozambican suppliers	5	Location of interview: Durban & Mandeni Area of operation: Town center, Mandeni and Empangeni.

Note: * - some of the respondents were interviewed outside of the space in which sales occur. Also, given that wholesales take place at houses and flats, the question was not relevant to all the respondents. Number of mentions (multiple responses allowed).

Appendix Table 5. Sellers' profile

	Foreigners	South African	All
Males			
Number of sellers	8	2	10
Average years in business	3.1 years	3.5 years	3.2 years
Females			
Number of sellers	4	11	15
Average years in business	4.7 years	13.8 years	11.5 years
All			
Number of sellers	12	13	25
Average years in business	3.5 years	11.9 years	7.8years

Note: The information includes responses from key informants.