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**HAS MERCANTILISM
REDUCED URBAN POVERTY
IN SSA?**

**Boom, bust and the China-Africa
trade in Lomé and Bamako**

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ABSTRACT

This paper addresses the immediate impacts of the China-Africa trade on Africa's informal traders and its longer term impact on urban poverty, based on a comparison of the major cities of two West African cities. Findings are that, despite significant differences in the contexts of trade, the increase in imports from China initially broadened access to trading for the poor, creating short-term improvements in livelihoods, but competition is driving down profit margins and restricting the trade to a survival mechanism for many today. Thus it has provided limited long-term potential as an economic platform for national development and poverty reduction. The findings are discussed in terms of structuration theory and in terms of alternative conceptualizations of informal trade in Africa.

Keywords: *sub-Saharan Africa, Togo, Mali, informal economy, China-Africa*

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INTRODUCTION

Trade, globalization and adjustment policies have profound impacts on the African urban poor working in the informal economy (Cohen 2004; Carr and Chen 2002). The well documented decline in formal employment, for example in administration and manufacturing, which followed structural adjustment and liberalization, has resulted in a significant increase in informal work, particularly commerce. Street trade is now economically significant, and a key source of new jobs for the urban poor (Chen and Carr 2004, UNDP 2008). As street trade has increased in scale, its character has changed, No longer predominantly an outlet for local produce, many traders are linked to global supply networks. Particularly evident has been the increase for sale of Chinese-manufactured imports, which have steadily increased as a proportion of GDP of many African countries (Lyons, Brown and Li 2008).

This paper addresses the immediate impacts of the China-Africa trade on Africa's informal traders and its longer term impact on urban poverty, based on a comparison of the major cities of two West African countries: Lomé, where trade is heavily influenced by Togo's free port and Bamako in landlocked Mali.

The paper sets out a theoretical framework for the research drawn from structuration theory, exploring ideas of perverse outcomes of aggregated actions. It then briefly discusses the recent rapid expansion of the China-Africa trade and explores the context of trade in Lomé and Bamako. Finally, it examines the different strategies adopted by traders, and their outcomes for poverty.

THEORETICAL FRAMEWORK

Giddens famously argued that the social institutions constraining human action are modified through the aggregate influence of the exercise of limited choice by a multitude of people (1984). Giddens acknowledged that such structural change can be 'perverse' or 'suboptimal' in different ways. This can arise because the action creates an intended effect in isolation, but perverse effects if everyone follows (Elster 1978 in Giddens 1984: 311), but actors are unaware of this potential complication. A second interpretation draws from game theory, arguing that actors are aware of the consequences of their action, but choose a suboptimal strategy as being the most likely to give personal benefits in relation to others. An example is that of a cartel, which would benefit members, but creates a profitable option for someone to flout the cartel, thus no-one joins (Olsen 1963 in Giddens 1984: 312).

These arguments led Giddens to formulate the concept of "structural contradiction", in which the "conditions of system reproduction depend on structural properties" which negate the principles on which they are based (1984:314), for example the capitalist state, which "depends on a process of accumulation which is beyond its power to organize" (1984: 315). This paper explores the "unintended consequences" of individual actions of informal traders.

Some approaches to poverty reduction stress the potential of individual (or household-level) strategies and outcomes. For example, proponents of the sustainable livelihoods framework (Scoones 1998) are interested in the possibility of routes out of chronic poverty and in the apparently unlikely ability of large numbers of the poor to sustain their livelihoods and survive in the face of adverse trends and shocks. Effectively setting a fairly optimistic scene, they argue that, by exchanging one form of asset for another and by developing alternative assets, the poor could exercise sufficient agency to maintain stability, or possibly improve their economic status.

A particularly apposite example of the exercise of limited choice by a multitude of the poor is provided by the very large numbers of poor people in all African cities taking up informal, small scale commerce. In relation to street trade, research has shown that individual traders who mobilise and adapt their social capital are

more likely to start and sustain livelihoods in this sector (Kumar and Matsusaka 2003); and that collective social capital can of traders can sometimes be mobilized to mitigate the repressive behavior of urban authorities towards their use of public space (Brown 2006). These bodies of work overlap, but have distinct emphases; the first suggests that *individuals* can develop more effective economic strategies by drawing on the power of a group, while the second emphasizes the potential for individuals and *groups* to protect a space for action – physical or political - in the city. Both arguments conclude that some individuals and groups are able to function better than others *within a given economic and political framework*.

The aggregate impact of such strategies is now being explored. The tacit assumption is that the broader, more general picture, is likely to reflect the particular (Lyons and Snoxell 2005a, b). Some work suggests that aggregate outcomes may have significant effects. In some cases, these are positive. For example, Fafchamps et al (2004) have argued that the aggregated outcome of modified social capital links has been to improve the efficiency of marketing agricultural produce, as well as providing a feedback mechanism from the market to the rural areas to inform production, findings expanded and reinforced by Lyon and Porter (2007). However, work in other sectors suggests that aggregate outcomes can be perverse. In an extreme example, Rodgers has argued that gang membership is an adaptive response of livelihood strategies for young people in Latin America (2005), while Maclure (2006) has argued that their livelihood strategies drove children to join up as soldiers in Sierra Leone. In aggregate, such livelihood decisions have perverse implications for sub-national or national politics and society.

The hypothesis of this paper is that the large-scale take up of trading in Chinese-manufactured consumer goods by Africa's urban informal traders is eroding the very market opportunities which they seek to exploit.

THE CHINA-AFRICA TRADE

The rapid expansion of the Chinese economy, almost 10% per annum since 1990, owes much to exports. Following China's accession to the WTO in 2001 its labor-intensive manufacturing grew. Strengthened political ties were promoted by China with developing nations, both to challenge established global power relations, and to develop new sources of raw materials (FOCAC 2007).

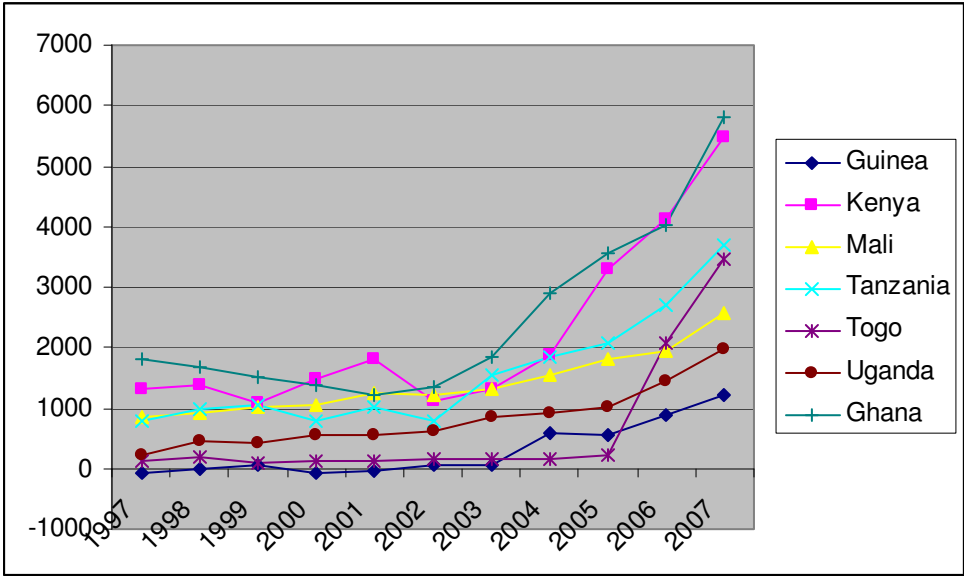
The recent growth in Chinese trade has come to represent a critical growth area for African economies. During 1991-2000, Africa-China bilateral trade grew more than 700%, starting from a very small base. Following the first China-Africa Forum in Beijing in 2000, bilateral trade grew to more than \$20bn over the four years to the end of 2004, and has expanded year on year ever since. African manufacturing has not increased its share of exports during the period (Kaplinsky et al 2006). As trade has increased, imports have increasingly outstripped exports (Figure 1).

For the Chinese economy, exports to Africa remain relatively insignificant - only 2% of China's 2004 were to Africa – but for the much smaller developing African economies the rapid cumulative increase far outstrips growth in GDP (eg: the selected countries in Figure 2). Some 80% of imports are processed/manufactured, light-industrial consumer goods (Goldstein et al 2006).

The import and distribution of Chinese-manufactured goods in Africa has been largely attributed to expatriate Chinese traders. A growing literature analyses the strategies of Chinese diasporas in Africa, for example Namibia and Angola, where Chinese function largely as wholesalers (Dobler 2005), Cape Verde (Haugen and Carling 2005), where increasing and continued competition within the Chinese trading community has eroded profits and resulted in its virtual collapse; and Senegal (Scheld 2007), where success in struggles over space and municipal support have been central to the commercial establishment of Chinese wholesalers.. In contrast, African street trade is widely seen as primarily survivalist and focused on the distribution of local produce, goods and services.

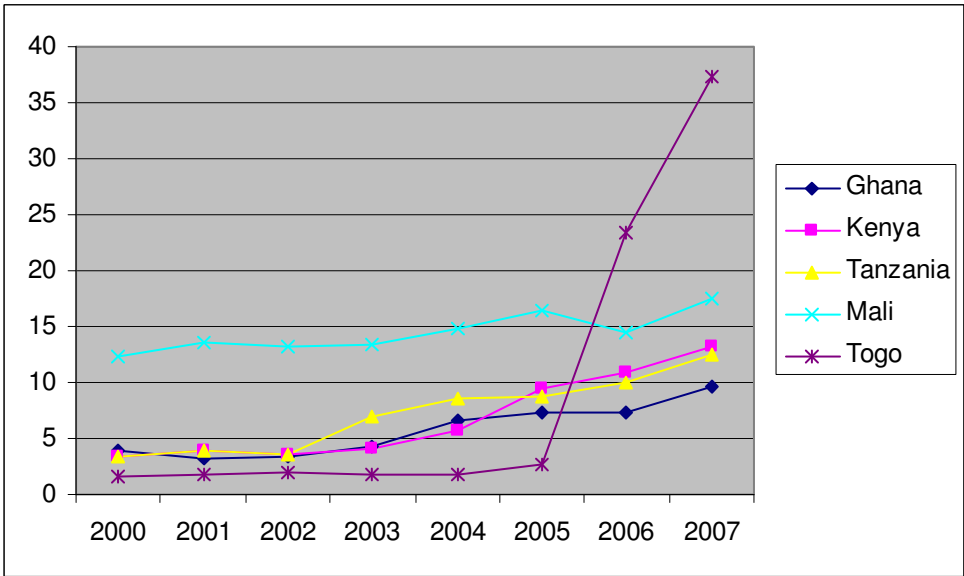
Increasingly, however, Africans are playing equally important roles in the China-Africa trade. Thus, in parallel with the decline in manufacturing growth, increase in informal employment and rapid growth of street trade (UNDP 2008), the street economy has become increasingly commercial and increasingly international in character, with many African traders acting as buyers, shippers and wholesalers in relatively small-scale yet complex international supply chains (Lyons, Brown and Li 2008).

Figure 1: Balance of trade (imports less exports) 1997-2007 (US\$ million)



Source: Direction of Trade Statistics, IMF, extracted by the authors

Figure 2: Balance of Trade (imports over exports) as % of GDP



Source: extracted by the authors from IMF Direction of Trade Statistics

CONTEXT

Both Togo and Mali have the significant informal economies typical of sub-Saharan Africa (SSA). In 2007, Togo's GNI per capita was estimated at US\$ 360 and Mali's at US\$ 500; in Mali the inequality rate as expressed by the Gini coefficient was 0.4 in 2001, high by international standards (NB no equivalent data for Togo); and, in both, there is a high proportion of below-poverty line population- 60% (WB 2008a)..Taken together, these data suggest a strong incentive in each country for the poor to establish small-scale, informal enterprises, requiring low start-up capital and some livelihood and mobility opportunities. Indeed, their informal economy is large, estimated at 40% of official GDP for Togo and 45% for Mali, compared to an average of 43% for some forty SAA countries (Schneider 2004).

Second, recent import and export figures demonstrate the importance of commerce, indicating a shift from manufacturing and artisanal industries to commerce. Indeed the shift in Togo has been more rapid than in Mali (see below).

Finally, although reliable aggregate data on street-trading do not exist, estimates suggest that the informal economy has provided 90% of all new urban jobs in SSA's developing countries since the 1990s (UN-Habitat 2007, UNDP 2008).

Recent data on trade with China demonstrate that Mali and Togo, and their main commercial and capital cities Lomé and Bamako, play different roles in the export chain. In 2005 Togo's trade with China came to \$570M, well below such oil exporting giants as Nigeria (\$2830M) but similar to large trading economies such as Ghana, Tanzania and Kenya; while Mali's came to \$145M. Togo's location on the coast and its provision of a free port, have ensured that its imports are far higher in relation to its economy (as measured for example by GDP) than in most of the region. In contrast, Mali's land-locked position has contributed to its positioning much further down the distribution chain (Fig. 2).

Togo has been described as a 'failed' state, following its military coup in 1967 and close to forty years of uninterrupted dictatorship. However, following the death of president Eyadema, it has progressively adopted democratic processes under the leadership of President Gnassingbé. Abandoned by European donors in 1993, and by the World Bank in 2003, the country is now in talks with UNDP, the World Bank and a number of other donors, and is in the process of developing a PRSP (KI interviews). However, the country has taken a laissez-faire attitude to trade, both through the port and in Lomé, and a laissez-faire attitude to migration. The regulatory and economic attractions of migration are reflected in the ethnic and social composition of the country, in which 37 African tribes are represented in 99% of the population (with only 1% white Europeans or others). Its population is growing at 2.8% per annum (WB 2008a).

Much of the ethnic variety is evident in Lomé. There are large communities of Christian, animist and Muslims. Nevertheless, the population of Lomé is predominantly Ewe like southern Ghana and Benin, and the colonially imposed borders are porous with ethnicity more important than nationality. Lomé sits on the main route connecting Lagos with Abidjan and serves as a distribution point for goods throughout the West African coast. The city has a population of around 1 million people, of whom 80% are thought to work in the informal economy (although reliable statistics are rare as the last census was in 1981).

Lomé has a spatial hierarchy, with neighborhood markets selling food and small household items. There are two main markets in which consumer goods are sold. Grand Marché – centre of waxed cloth trade, traditional, with a predominance of women traders; and Hédzranawé - created about 12 years ago when traders in second-hand clothes were relocated from the city centre en masse to the new site in the north east of the city, Nearer the airport; are trading communities from Benin, Nigeria, Niger, Mali, Chad etc. There is a well established community of some 4,000 Chinese residents, many, though not all of whom are traders, reflecting bilateral political links of over 20 years with Africans educated in China, Chinese firms responsible for finance and construction of government buildings, infrastructure projects and so on.

Mali embraced democracy with independence and has maintained free elections throughout, but developed more slowly economically and is heavily dependent on world cotton prices. Socially and culturally it has

remained more homogenous – and conservative – than Togo. At the same time, it is less well placed to capitalize on liberalizing reforms, being landlocked and remote from major trans-shipment points.

Population growth is approximately 2.7% per annum in 2008. There is little inward migration, but rapid rural-urban migration to all urban centers, particularly Bamako, although many migrants retain a circular migration pattern which supplements seasonal work in agriculture. In the country as a whole, the population is predominantly composed of the three largest Mende tribes (50%), particularly Bambara, with the balance made up by some five other tribes (WB 2008a). The country is also less diverse than Togo in religious terms, with Muslims comprising 99% of the population. Literacy levels are significantly lower than in Togo (46% compared with 60% (WB 2008a)). There are virtually no foreign communities and, reportedly, it is difficult to establish businesses in Mali even for other West African nationals (unpublished research by the authors, 2008). Interestingly, this is reflected in attitudes of ministerial civil servants collected in the course of this research but drawn on more fully elsewhere (Brown and Lyons 2009).

METHODS

To test the hypothesis four broad objectives were set:

- To understand the importance of the import sector for small traders in Lomé and Bamako.
- To analyse the changing constraints and opportunities for traders in this sector
- To isolate the additional choices available to traders as a result of access to Chinese-manufactured goods
- To analyse the cumulative and unintended consequences of collective involvement in the China-Africa trade.

In January and March 2008, 170 interviews were conducted with key informants and traders. The focus was on the garment, household goods and small electronics sectors, where imports from China are increasingly replacing local manufacture or other import sources, notably Europe and the Middle East.

Table 1: Interview summary (planned numbers in parentheses)

	Lomé, Togo	Bamako, Mali	total
Key-Informant	11	10	21
Wholesaler (established shop in formal space selling in large quantities)	9	11	20
Retailer (kiosk or small shop in formal area)	47	31	78
Hawker (trading illegally in public space, stationary or mobile)	31	20	51
total	98	71	170

The key informant interviews were held with government officials, multilateral agencies, and community leaders to explore issues of trade management and the role of street-trade in urban and national politics, as well as issues of licensing and formalisation, economic policy, trade policy and ethnic composition.

Trader interviews were held with wholesalers/importers, retailers with established trading sites or stalls, and mobile hawkers.

Interviews with wholesalers covered similar topics but focused on perceptions of market trends, limits and opportunities, and generally lasted about an hour and were structured around an interview schedule.

Interviews with retailers used a detailed questionnaire to permit in-depth investigation of respondents':

social, economic and spatial mobility; livelihood strategies, income and formality; supply and distribution networks; trading-relevant social capital, including savings and loans groups; and their vulnerabilities. The interviews generally lasted one to two hours. In Bamako the interview period with retailers and hawkers had to be curtailed because the *mairie* announced a street clearance during the fieldwork, although this did not eventually take place when scheduled following some public outcry.

Interviews with hawkers covered similar topics but were necessarily briefer, lasting about half an hour, and using an interview schedule. Respondents in all three categories were selected on a randomized basis in purposively selected trading areas and sectors. A brief breakdown of interviews is shown in Table 1.

FINDINGS

1. Trading communities in Lomé and Bamako

The rapid recent increase in retail trading typical of most SSA countries was observed in both study countries. In Mali a turning point came in 1995, when the country agreed to abolish fixed pricing and abandon national control of trading and distribution. For example, the Grand Marché in Bamako housed 7,950 formal tenants in 2000. By 2008, the number had risen to 10,000 (KI interviews), an increase in formal retail trade of over 20%.

As elsewhere, hawking is often the first entry point to commerce for the poor and, in addition to the measurable increase in formal trade, informal trading and hawking have increased to unprecedented proportions, although no current estimates of street-trading levels exist for Bamako or Lomé (KI interviews).

The emergent picture from the interviews conducted in Lomé and Bamako is of change, including the increase in imports, taking place at a different pace. In Lomé, the established trade, influence of the free port, and relatively open borders have drawn migrant communities from across the CFA region, Nigeria, Niger and Ghana. Over half (55%) of the retailers interviewed in Lomé were international migrants, sometimes with a history of migration, having living in three or four countries en route. Some 70% of Lomé's hawkers came from abroad (20 of the 29 who responded to this question), and only 30% (9) from various parts of Togo.

In Bamako the patterns of migration were from smaller cities or rural areas to Bamako. Every retailer interviewed in Bamako was Malian. The proportion of international migrants was higher among hawkers, with 10% (2) of the 20 Bamako hawkers interviewed coming from abroad (Burkina Fasso and DRC), 52% (11) from other regions in Mali, and the rest, local to Bamako.

The large bulk of retail traders interviewed in both cities had at least some formal education (83%), but Malian traders were generally more educated (44% completed tertiary education compared with 12%)*. School attendance is higher among hawkers in Lomé (20% in Lomé and 30% in Bamako never attended school), but mean educational attainments were lower (4.9 and 3.6 years of school completed by Lomé and Bamako hawkers respectively). No child traders (younger than 17) were found in either Lomé or Bamako, but traders in Lomé were significantly younger with 64% under 35 compared with 44% in Bamako. Finally, the percentage of men and women trading in the two cities is very similar, with a predominance of men (73% in Lomé, 80% in Bamako). A small number of child traders were found among hawkers in each place (5%). The low levels of literacy in Lomé are particularly striking given the nationally lower literacy levels in Mali (see above) and reinforce the picture of two contrasting economic hubs: Lomé, a highly dynamic and opportunistic society, and Bamako, far more traditional and conservative.

Further reinforcing this contrast, there is evidence of a more stable and family-based structure surviving in Bamako, with far higher rates of marriage among retailers (71% against 51%)*; higher proportion of traders with children of their own (77% against 59%); and lower rates of bachelorhood (26% against 41%).

Not surprisingly, in this context, there is also evidence of stronger support to family by traders in Bamako,

with a far higher proportion supporting children in school (97% against 46%)*. Interestingly too, traders in Bamako are clearly supporting the education of children outside, as well as within their immediate family (97% supporting children in education, while only 77% have children of their own), probably reflecting the strong extended family ties still surviving in Mali. In addition, while traders in both cities are more likely than not to make remittances to family members, the rate is higher in Mali (68% against 58%)**.

The mean working week for retailers is 68 hours, comprising a working day of 6-14 hours, seven days a week, fifty two weeks a year. Physical working conditions are difficult, with inadequate cleaning of markets and trading places, poor (or no) sanitary facilities, and often no regular access to water or electricity. Hours for hawkers are similar or, often longer, as formal markets are subject to regulated opening times, while the evenings can be a good time for trading on the street. However, in general, working hours in Lomé are somewhat shorter than working hours in Bamako at all trading levels.

Before turning to the substance of their commercial life, the vexed issue of informality should be addressed. There are a number of forms of informality: trading in undesignated public or semi-public spaces, resulting in contravention of town planning legislation; and trading without a business license, resulting in contravention of business and finance laws. Of the respondents in this study, some retailers occupy undesignated public space in each city and are therefore illegal with respect to town planning laws, although most retailers and all wholesalers interviewed work in designated trading areas, which may be public or private facilities. Of those, some have business licenses, although not all.

The situation with hawkers is more complex. Some hawkers in Bamako have hawking licenses, although in Togo hawking licenses no longer exist. While licensed hawkers can pay annual license fees, unlicensed hawkers in both cities pay daily license fees or daily tolls to occupy their space, whether to the municipality, as in the case of Bamako, or to a privatized market management company, EPAM, in Lomé. However, in both cities, licensed or unlicensed, hawking exists through municipal tolerance only, which can be revoked following political decisions to which hawkers have no access. These can be instigated to present a better image to visiting dignitaries or as response to pressure from formal traders.

Box 1: Informality as a barrier in Lomé

I started selling with a friend in the market, we were selling second-hand goods (jeans, shirts, coats) I learnt how to trade and I made many friends. As I raised some money, I started my own business with 20 jeans. It was difficult for me and I had to stop because I could not pay fees to EPAM. I stayed at home for four months. One of my customers who was my friend, helped me and I started again my business. Dubai products are affecting second-hand trade (Rissi, Hèdzranawé, Lomé).

There is no support for traders in Togo, I have never been granted a loan because the conditions required by the microfinances are not affordable to the common Togolese. (Alice, Hèdzranawé, Lomé).

We can never forget all the troubles in which we get in before having the license to sell here. It was very difficult. (Hassan, Hollando, Lomé).

We need more shelter, more toilets in the market. If it rains, we cannot trade here. Market-places should be paved. The sewers are full and smell bad (Obi, Koketime, Lomé).

Those who are now trading legally have faced considerable difficulties in establishing themselves. Informality is not the main focus of this paper, but it is necessary to touch on it in order to understand some of the efforts necessary to establish a small retail enterprise. As explained earlier, Togo has taken a relatively pragmatic and tolerant approach to street trade. Yet the lengths to which the traders, quoted in Box 1 below, have gone to establish their businesses formally are not untypical, and show the array of strategies and

degree of determination necessary. Stories such as Hassan's highlight the difficulties of spatial informality, while Rissi's highlights the high cost of acquiring formal space or the difficulties accessing formal financial services. Similarly, hawkers, without legal sanction, incur fines, loss of property and of trading time (Box 2).

Box 2: Barriers to hawking

... the police harrasses us at every moment. Often, they rifle my goods. Twice a day. I have lost goods to the value of perhaps 100K CFA. Also, we pay fines. (hawker, Bamako)

We are nothing to the authorities. They seize from us the little we make. Our friends have left here for that reason. (hawker, Bamako)

They want us to stop. They don't want us to circulate in the markets, but we can't stop in a fixed position, because they chase us away when we stop. (hawker, Lomé).

2. Trading strategies

As might be predicted in this environment, many businesses are relatively new. Over 50% of the 51 hawkers interviewed had traded for less than four years, and over 60% of established retailers had traded for less than six years.

Commerce in both cities, particularly street-trading, draws a high proportion of its incumbents from other sectors. Of the forty one retailers in this study who reported their job history, 48% (19) had entered commerce after working in services (restaurateur, teacher, secretary, driver), manufacturing, or construction in the 1990s. Of the hawkers who responded, 68% (20) had worked in other sectors, generally, agriculture. Particularly in Bamako, many return to a rural home each year for the harvest season, thus combining urban and rural livelihoods, reinvesting their savings from trade in agriculture. Hawkers who are rural migrants see trade as infinitely preferable to farming with insufficient capital inputs.

Once in commerce, traders provide a crucial link in the livelihoods chain. Over 63% of hawkers (59% in Lomé, 71% in Bamako), and 62% of established retailers (58% in Lomé, 68% in Bamako) send remittances to relatives. Although the rate of support to extended families is much higher in Bamako than in Lomé, as explained above, it is interesting that even in the far more dynamic environment of Lomé, the practice is so common. Indeed, the rate in Mali may be unusually high for sub-Saharan Africa. Recent findings in Tanzania, in a study of over six hundred traders in seven municipalities were that urban traders contribute financially to extended families in their areas of origin, with 59% of rural-urban migrants making remittances (as well as 46% of other traders); and 55% of rural-urban migrants continuing to make remittances after 5 years in the city (Lyons and Msoka 2008).

3. The growing trade in Chinese goods

Although various authors recognized the profound impacts of Chinese-manufactured imports on the manufacturing sectors of SSA (Kaplinsky et al 2002; Kaplinsky et al 2006; Goldstein et al 2006), the implications of their impact on commerce has not been addressed. Cheaper, Chinese-manufactured goods are successfully displacing other sources of equivalent goods.

Interviews with wholesalers of consumer electronics confirmed that the cost of a standard TV has halved in five years. In the garment sector Chinese-made clothes are sold for approximately 10-15% of western second-hand goods; similarly, imitation wax prints sell for about 20% of the cost of the traditional Dutch imports and local manufacture; and plastic utensils undercut local metal, pottery and other household-goods

crafts. Wholesalers and importers of second-hand clothes, African-made textiles, and western-made electronics have seen stocks stagnate and prices - and incomes - fall. Many have now expanded to include Chinese imports. In the retail sector, too, Chinese-manufactured goods are successfully displacing other sources of goods.

If fresh and prepared foods are excluded, a majority of retail traders and wholesalers in both cities reported that their main product was imported (95% and 93% in Togo and Mali respectively). Among clothes, textiles, shoes and accessories sellers, the prevalence of imports was even higher (100% and 95%).

Further along the distribution chain, the same pattern is reflected. Some hawkers are not aware of the manufacturing origin of their goods – they buy whatever the wholesaler supplies. However, an examination of the products suggested that over 70% of hawkers in the study sold Chinese goods as their primary product.

4. Why make the switch?

Some 75% of hawkers who were trading in Chinese goods explained their choice resulted either from improved ease of entry or higher profitability. Few retailers were able to answer direct questions regarding their reasons for trading in imported goods in preference to local production. However, the qualitative data in response to the open question 'How have Chinese imports affected the market-place?' provides rich insights. Interestingly, although price competition is the primary factor, both political/cultural and economic themes emerge.

Economic themes

The first and most important driver of change, firmly rooted in consumer preference, is simply price. Most traders see an 'economic crisis' or fall in purchasing power (*pouvoir d'achat*), as the main driver of demand for Chinese goods. Turning to the excerpts presented in Box 3, Rissi, a second-hand (*Frippe*) clothes seller represents the widespread view among both Lomé and Bamako traders that the mass of their customers are poor – too poor to drive growth in the marketplace through consumption of relatively expensive goods. The stagnation of regular (*civil worker*) employment in for example government services has left a vacuum in demand for high-end goods, such as second-hand jeans, obliging sellers to broaden their range to include the lower-quality, but cheaper Chinese goods (*Dubai products* – so called because they are bought not directly from China but from intermediary wholesalers in Dubai); his colleague baldly links poverty to consumption of Chinese-manufactured goods in preference to others; and this view is echoed by Madji, an electronics seller in Lomé's central market and by Onwuka, another second-hand clothes seller in Lomé.

Second, and also firmly rooted in consumer preference, is the consequent widespread availability of new consumer goods, important for style (one clothes seller, echoing a number of similar comments, was of the view that *'Customers like the Chinese goods because of their cleanness and sharpness'* - Lomé) and economic progress (*'with the development of telecoms and globalisation it has become compulsory for all to use telephones, so there is a big need and we are the suppliers. I sell Chinese products like Siemens, Novo'* - Bamako).

Political themes

The third argument put forward for switching to Chinese goods expresses a broader readiness to engage with China in preference to Europe. In response to open questions, a small number of retail traders mention cultural and political arguments in their explanation, including liberation from ex-colonial Europe and a sense that the new, Chinese trading partnership is the future, and better attuned to Africa. One second-hand clothes dealer expressed admiration for China's Africa-tailored export policy: 'The Chinese take into account the living conditions of Africans when manufacturing the goods they send to Africa ... [and]... they settled their business in Africa especially in Togo to be close to customers.' Another, a Malien in Bamako, argues that 'Europe had its chance in Africa. Now *let the Chinese try to help*' (The repeated use of the word 'help' or the expressions 'they help' or 'do not help' is interesting, and we return to it below).

A number of respondents stated informally that the Chinese respect Africans more than their European counterparts do, and this predisposed the African traders to deal with them. This supports findings from interviews with African traders from across East and West Africa in Guangzhou (Lyons and Brown 2008), suggesting that the perception is widespread.

5. Cumulative impacts on livelihoods

Initially, the introduction of new consumer goods into the market leads traders at all levels to report high levels of profitability. The relatively recent expansion of telecommunications in the region provides such a niche at the moment for some traders at all levels. *'Mobile phones trade is a new business that makes you rich if you are an importer. With the development of telecoms and globalisation it has become compulsory for all to use telephones, so there is a big need and we are the suppliers'*, says Rachid, in Assigame Market, Lomé (also quoted above). Similarly, Rose from Lomé, selling Chinese jewellery by post to traders across the CFA-region, has thrived in the trade and, at 29, had built the first of her three houses as a direct result of business success: "I like this [Chinese] trade...we are making profits with them. Chinese products are not expensive, and we don't need to travel to China. I know that people are complaining, but I can't complain'.

However, the market for consumer goods in every sector has attracted increasing numbers of traders at every level from importers to hawkers. As Sidi Bei, a migrant trader from Niger who has patiently built his business in Lomé's Grand Marché, put it: *'Chinese goods are a boon to all who hope to enter trade but don't have much capital'*. Thus, longer term, the competition for sale of Chinese-manufactured goods is intense, with respondents at all levels reporting continuing pressure on prices, falling profit margins, and falling profits (although some hawkers still amass sufficient capital for upward mobility). Informing the comments of all but two of the 47 retailers interviewed in Lomé, for example, is a strong perception that the consumer-goods market as a whole, has peaked. Two main stages are identifiable in this decline.

First, there is the pressure on the price of local products, or of products from previously established import sources, from the low prices of newly imported Chinese goods (Box 4). This means that traders in such goods must sell their stocks at well below their expected sale price and often at well below the purchasing price, or watch them decline in value further. If the stocks were used as collateral for a loan or bought for credit, immediate financial crisis can ensue. In either event they must watch their customers drift away, while competitors flourish.

Second, and very shortly after, competition among traders working in *Chinese-manufactured goods developed*. This competition is two-fold. On the one hand, Chinese and local traders compete for local custom at every level. While Chinese traders interviewed were reticent in discussions of this issue, and preferred to emphasize their good relations with local traders, local traders were emphatic on this point. Local traders see themselves at a disadvantage in this competition because of their dependence on Chinese traders for access to imported goods. In this, both Togolese and Malian businesses differ from businesses in Tanzania and Kenya, which commonly link directly with agents or manufacturers in China to import on their own behalf (Lyons and Msoka 2008).

It is noteworthy that, in the face of competition from Chinese traders, 'local' stretches to encompass migrants from all over West Africa. Malians are viewed throughout the region as preferring to do business with other Malians yet, even in Lomé, the local-political realignment is such that the Chinese minority is identified and 'othered' (Box 5), while competitors from all over the CFA region and beyond, in Nigeria and Ghana, are accepted as 'local'.

Box 4: Price competition from Chinese goods

In 1995 I made a profit of 180,000 Francs, but Chinese importations are not helping us. What we sell before at 1200 now the Chinese sell at 300...Prior to arrival of Chinese I had imported a lot of goods from China. However... the Chinese... have brought in the same goods more cheaply, and I have not been able to sell my goods. This is a big loss of capital. Consequently I have developed a health problem of not being able to sleep at night until I take drugs (New clothes wholesaler and retailer, Lomé).

Trade was flourishing here in the 1990s when I came, but now it has become very difficult (2nd-Hand clothes seller, Lomé)

When I started the business in 2003, it was more profitable, but now [it] is poor (shoe trader, Lomé)

I would like to remind you *that sales were good here in 2000* when I started here, *but now it is very difficult* and we are very sorry for that. Chinese imports are affecting us. (Abou, retailer, Hèdzranawé, Lomé)

We are not selling. Our expenses are higher than the daily income. People prefer now brand new TV and radio. *They prefer Chinese products* because it is cheaper and new. (second-hand goods seller, Marche Rose, Bamako)

In the old days we sold Dutch Wax, but now our products are made in China (or Vietnam or HK). *Once the Chinese had begun immitating the Dutch Wax, we could not sell the original, so the Dutch Wax lost its value.* (Dutch Wax wholesaler, Grand Marche, Lomé).

We lost our competitive edge as all our neighbours in the lane are into the same goods and it creates very unhealthy rivalry among us, always fighting over customers and prices. In the past we enjoyed the work, because the neighbours sold other things (Household goods shop, Marché Rose, Bamako).

The market is inundated with Chinese products, and the prices have been slashed (hawker, Mali) It is luck for me to sell Chinese products. It is because my countrymen [from Niger] were established as wholesalers of Chinese goods that I can eat. I take credit, sells, pay the suppliers and keep the profits. (Shirt hawker, Bamako)

I have been selling Chinese goods long term before the new wave of Chinese goods in African markets. My Albums are Chinese made product. Before 2000 there were few album sellers and though Chinese products are less desired because of their lower quality, I made a profit. Today it is no longer possible because the products are available in every corner of the streets and the price is reduced (DVD hawker, Lomé).

Box 5: Competition between Chinese and local traders

The Chinese goods are cheap and the Chinese are also selling the same products, thus taking away our customers and reducing our profits - we cannot price our goods lower than them. The Chinese settled their shops in the market and compete with the local traders. Their prices are very good so customers prefer them. (Houshold goods traders, Marché Rose, Mali)

To obtain accurate information about China in Africa is hard. We have to talk to the Chinese wholesalers, who have their shops in the market (Brigitte, trader in school books and equipment, Assigame, Lomé).

Box 6: 'Othering' of Chinese traders

The government must restrict the establishment of Chinese shops in the city, even if their products can be imported. (Tamalko in Lomé - originally from Ghana)

The study in Lomé and Bamako confirmed the complex and conflicting relationships among Chinese traders, reported elsewhere. For example, mutual mistrust in the Chinese trading community has been well described in Namibia by Dobler (2005), while in Cape Verde Haugen and Carling (2005) described a gradual decline of the Chinese trading community, as progressive price competition among its members, vying with each other to sell household goods for local consumption, drove down profit margins and eroded traders' capital base.

The Chinese wholesalers interviewed in this study, both in Lomé and Bamako, universally reported downward pressure on prices and profit margin from competition with other Chinese importers. As Ouedrouagou's comment suggests (Box 7), Chinese wholesalers are competing with each other for the custom of local wholesalers. The intense competition among importers takes place largely on price, as Jade, a pediatrician from China who has come to Mali to establish an outpost for the family shoe business in China explains. The intense competition among Chinese traders is associated with mutual distrust, and there is very little socializing within the Chinese 'community' (KI interview with the president of Bamako's newly formed Chinese Chamber of Commerce).

Box 7: Competition among Chinese merchants

There are trust relations between Chinese importers and local wholesalers. All wholesalers were given Xmas presents (Ouedrouagou, Grand Marché, Lomé)
There are many [Chinese] shops in this street. We all sell the same products, and the prices are very low. Our profit margins are falling (Jade, Bamako)
The Chinese businessmen all live in Chinatown, but they do not socialise [with each other]. Many Chinese businessmen here do not join the new Chamber of Commerce. Some are too poor. Some want to remain private. (Mr. Sun, KI, Bamako).

6. Emergent strategies

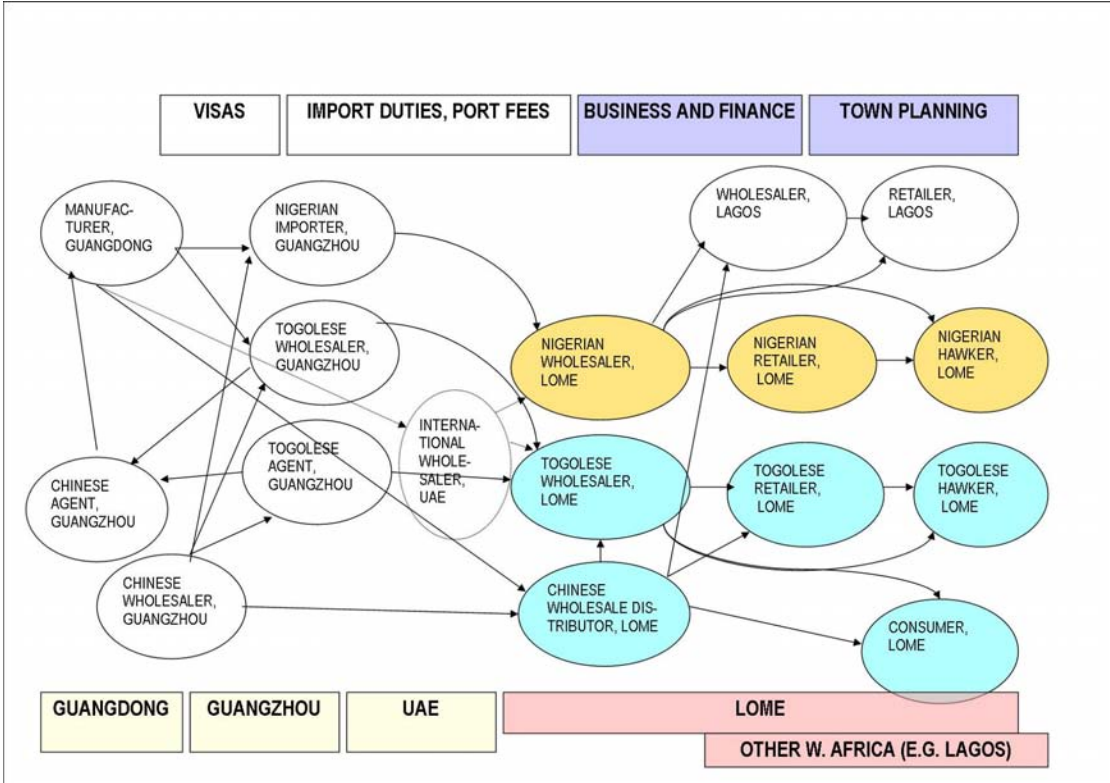
As earlier sections have highlighted, the opening up of the China-Africa trade has occurred in parallel with other structural changes, which have driven growth in the informal economy. The complex new trading networks are providing short-term opportunities, but these are rapidly restricted by competition. The increased crowding in the streets and competition between informal and formal traders have created political pressures to reduce municipal tolerance for street trade and resulted in a wave of enforcement measures across SSA (Lyons and Msoka 2008). With the exception of the mobile phone sector which continues to expand at the moment, traders in consumer goods are faced with falling profitability and increased competition; accompanied by the sense that the growth in consumer-goods trade is coming to an end, and that this will be a real test for their businesses – already under severe stress. Opportunities in home countries and districts and in other employment sectors are seen as extremely limited, to the extent of not providing a viable livelihood alternative. Yet there is also the hope mentioned by many hawkers that he/she

will be among the very small number of traders to achieve success on some scale.

Faced with such downward pressures on profitability, how do traders act to better their position in the market-place?

Figure 3 presents in diagrammatic form the value chains for the large bulk of Chinese-manufactured goods reaching consumers in Lomé and Bamako. This picture has been built up from research by the authors in both China (Lyons, Brown and Li 2008), and East and West Africa (Lyons and Msoka 2008, Brown 2006, Lyons and Snoxell 2005a, b).

Fig. 3: Multiple value chains for Chinese-manufactured goods



Across the top of the diagram, boxes identify the main bodies of regulation which govern activities at each stage, while across the bottom; the main spatial nodes on the journey from factory to consumer are identified.

The highlighted actors in the diagram are the subject of this paper. The actors identified in blue are found in both cities. The Nigerian actors identified in orange are typical of traders from virtually all nearby African countries.

The arrows in the diagram, representing the routes which goods can travel, are good indicators of some of the actual and possible strategies developed by traders. Since every node represents a point at which value is added to a product, each trader must aim to minimize the number of nodes which a product must pass on its way to him/her from the factory. At the same time, the international nature of the trade, the different legal, cultural, and linguistic barriers to moving people, money and goods between nodes, create a wide range of transaction costs, and there is an incentive to minimize these. To some extent, being able to participate in the competition on price in selling to the consumer, requires traders to operate in a way which reduces these costs.

Returning to Fig. 3, it is evident that the Chinese wholesalers in Lomé and Bamako have the advantage in both senses. They are able to export directly from the wholesaler or the factory in China, reducing the intermediate stages; and they are able to communicate effectively with Chinese suppliers and regulators at that end, reducing their transaction costs (although, particularly in Bamako, they face transaction costs in SSA).

Against this background, African traders are engaged in a powerful competition to minimize their own product and transaction costs. In other words, each trader must aim to source as far up the chain as is economically viable and legally feasible. Thus, hawkers will buy direct from wholesalers or, ideally, receive goods from them on credit; retailers will band together to buy through a colleague who travels to China (Lyons, Brown and Li 2008);

An important element of such strategies is trust. The flow of arrows in Fig. 3 shows clearly goods flow along national (and ethnic) links; and that this is represented in the distribution networks established. Thus, the actors highlighted in orange in Fig. 3 are trading in Lomé, having migrated from Nigeria (or Niger, Cote d'Ivoire, Benin, Cameroon and other west African countries), who source often (though not exclusively) from co-ethnics in China, and, taking advantage of Lomé's free-port status sell on their goods to co-ethnics in their home country, as well as supplying smaller co-ethnic traders, e.g. hawkers, in Lomé itself.

7. Emergent attitudes

While there is some variation within groups, certain characteristic attitudes emerge from each. In both Lomé and Bamako hawkers remain most optimistic. They take the view that, despite the difficulties, hawking remains a worthwhile activity, provided they can position themselves correctly in the market (80%).

In contrast, many retailers see themselves as trapped by debt (67%) and do not see much room for manoeuvre. Some are extremely reluctant to venture into new areas or change the balance of their goods 'This is what we do and what we know how to do. If God wants us to succeed, we will' (Hassan, mobile phone retailer, Bamako).

Wholesalers fall into two groups (Box 8). The first are well established in the Chinese trade. Particularly if they have direct links with China itself, they may be able to improve their profit margins relative to others. Thus, a few retain the initiative. Abdoulaye, a Nigerian shop owner outside Lomé cathedral, says that his main concern now is to find strategies which can convince his customers to buy his goods, '*while searching for other opportunities*'. He is saving to travel overseas to trade. Mamadou, a textiles wholesaler in Bamako, has sent his younger brother to China several times a year to buy fabrics since 2000. Others are seeking new markets in countries such as Congo or Cote d'Ivoire, recently emerged from war and seeing rapid growth.

However, many respondents' comments on the subject are pervaded by an air of resignation. The widespread optimism, energy and enterprise of the 1990s and early years of this decade have given way to widespread fatalism and despair (Box 8).

Box 8: Adaptiveness to market trends

Chinese goods business is profitable, but if you are seller and you are known as clothes seller, you cannot convert yourself into Chinese goods seller, because you will lose your customers. So those who were used clothes sellers have some Chinese goods in their stocks must tell the truth to their regular customers! (Anome, Lomé)

Chinese become our major competitors. They challenge us, but we don't have enough money to stand. So, most of our brother traders are leaving Togo for Cdl. (Hassan, Lomé)

SUMMARY AND CONCLUSIONS

This research examined the hypothesis that the rapid influx of traders to the market for Chinese-manufactured consumer goods was undermining the market's profitability and growth. Findings are that, while initial growth followed from the increase in effective demand for relatively low price Chinese-manufactured consumer goods, subsequent growth in supply has not been matched by growth in demand. Moreover, traders' analysis of existing economic trends does not suggest that demand will significantly grow in the future, as they see no prospect of growing purchasing power in the wider population.

Despite the fundamentally different positions of Lomé and Bamako in the distribution chain; the differences in the two trading societies; and the differences in volume of goods traded in each, the findings presented above show that most actors in that market share this view, whether winners or losers; wholesalers, retailers or hawkers; Africans or Chinese.

Given falling profit margins and growing competition, why is the number of traders increasing; and to what extent are traders aware of the unintended, cumulative consequences of their actions? This key question is best understood in terms of the constraints and opportunities facing traders in different positions on the value chain.

The stories told by *hawkers* clearly point to a lack of viable livelihood alternatives in agriculture, manufacturing or the civil service. Their capital investment is minimal and overheads are kept as low as possible. They are generally able to subsist and sometimes to increase their capital. The young in particular are buoyed up by hope of larger-scale success. In Mali trading is often part of a complex livelihood strategy combining seasonal agricultural work with off-season urban trade. The strategies for growth rely on ethnic social capital for obtaining goods on credit, but also on subsequent shopping around for goods from an increasingly open group of suppliers – retailers and wholesalers, Chinese and local.

Yet the hawkers themselves are simply a final point of distribution in a chain in which Chinese and local business people, acting as importers, provide a crucial link. The decision to make an investment in imports, in commerce rather than other sectors, is undertaken by entrepreneurs – large retailers and wholesalers - with more freedom of manoeuvre, who nevertheless consider commerce to be the most profitable avenue of investment available. The strategies open to such larger traders include widening their clientele locally by selling directly to hawkers as well as to retailers; and attempting to find clients in emerging post-war economies in West and Central Africa. Crucial in this are cross-border ethnic networks and, particularly in Bamako, collective family strategies. Nevertheless, many wholesalers do not see opportunities for growth and are resigned to a period of decline. In effect, they are waiting out what they hope against hope will be a temporary decline.

The interviews suggest that least freedom of choice is available to small formal *retail* businesses, squeezed from below by growing competition with hawkers and from above by growing competition from wholesalers branching out into retail activity. A large investment is needed to establish a formal retail shop. Many of the traders established relatively recently, during the initial boom (over half had traded for less than six years), are now struggling with rents and taxes. Older retail businesses are often inherited by second or third generation entrepreneurs reluctant to face the challenge of structural change in the market-place, often expressed, as above, as religious resignation. At the same time, they are in a situation akin to negative equity: the value of the business and the premises has declined sharply in the last few years and it is difficult to realize the necessary capital for a new venture. Many initially borrowed against their shops in the hope of surviving the difficult period, and are therefore literally in negative equity.

Thus, the aggregate outcome of a multitude of choices to enter the market-place in Chinese-manufactured goods has led to the decline of the market itself. The reduced profits and livelihood opportunities for all traders are sub-optimal for individual traders. For the sector as a whole, they can be considered perverse, undermining as they do the market for local manufactured products, and further restricting alternative investment and livelihood possibilities.

Although informality as such – whether spatial or economic – was not the main focus of this paper, the findings presented reinforce the view that it is simply not possible to understand small-scale urban business in SSA without acknowledging its prevalence and importance. Following the recent very interesting review of the evolution of conceptualization of informality in urban SSA (Skinner 2008b), it is useful to reflect on how the findings presented above are able to enrich that debate.

First, as summarized in Figure 3, the findings indicate that the complex web of links between formal and informal actors in the SSA urban economy identified by Moser (1978) and Carr and Chen (2002) have survived the decline of e.g. the manufacturing sector, the transfer of focus of African economies to commerce, and the development by a multitude of actors of complex trans-border links.

Second, despite these changes, the discussion of trade practices and trader-supplier links above also suggests the continuing existence of a continuum of formality, rather than a duality (Potts 2007). Street traders, informal in terms of both business licenses and town planning laws, are simply the most visible manifestation of a complex and articulated chain of distribution, in which people from all levels of society participate and invest.

Third, despite this, the conceptual duality which characterizes national and local political debate on informality in SSA – particularly on street informality – which, as Skinner (2008a) shows, is at the root of deep-rooted antagonistic policy approaches, is also shown to have survived these changes.

Fourth, the findings from this research endorse Simone's interpretation of street informality in a range of economic activities as 'a life which works' (in Skinner 2008b), the findings from this research suggest rather more bleakly that for the large majority of actors it is nevertheless unlikely to be more than a survival strategy.

Finally, returning to structuration theory, the theoretical framework of this paper, two types of cause are posed in that debate in principle for the development of perverse aggregate outcomes: actor ignorance and actor selfishness. The findings presented above suggest that both types of cause are relevant here.

First, perverse aggregate outcomes can result from individually beneficial decisions. Thus, *hawkers* enter the market with nothing to lose and everything to gain. Given the lack of alternative employment, they are making an optimal move as individuals. However, because of limited effective demand, they contribute to the decline of the market. The subtly different constraints on other retailers and wholesalers led to a similar process there too. It is interesting in this context to emphasize that the individual strategies are wrought in full knowledge of their consequences. An overwhelming majority of traders at all levels are conscious of the downward trends in the market and of the fact that they are driven by the continuing influx of traders, unmatched by growth in effective demand. Nevertheless, they enter – or remain in – trade, hoping to outmaneuver rivals or to be supported by divine intervention.

Second, some aspects of the perverse aggregate outcomes can arise from failure to act collectively, or to respect the collective will. The research was designed to evaluate the actions of traders as individuals in a large market-place. Yet the findings show many to be acting collectively, as part of a family, or to be drawing on ethnic and community ties. This influences supply chains, access to credit and distribution network. As we discuss elsewhere, it also mediates access to foreign markets (Lyons et al 2008). Unlike cartels, identified as a classic strategy by Giddens, in this competitive environment, have a direct influence on prices to the consumer, but does have an impact on traders' costs. Thus the entry to the market of more traders is facilitated and, in aggregate, downward pressure on the market is maintained. Research is necessary to explore whether, in this fluid and dynamic market-place, such ties limit the livelihood choices of individuals, to the extent that other perverse consequences arise, for example, for mobility.

It is more difficult to find in structuration theory an explanation for the initiatives which traders do *not* take. While traders compete on price and initiate changes to their supply chain, they do not compete on innovation in their goods. Further research is needed to investigate the links between individual strategy and conformity.

The findings presented here suggest that it is important for African economies that the early profits from the

growth in consumer-goods imports and invested in other, labor-intensive and high value-added sectors. Without such growth, effective demand cannot rise, while new entrants to the labour market will continue to be forced into trading. Because the bulk of income made in this sector is informal, the income to the state is limited and depends on the success of widespread formalization policies currently underway (although the World Bank has suggested that these could not encompass very small traders such as hawkers (World Bank 2005:64, 2008)). More recent policies involving private-public partnerships to develop manufacturing enterprises in Guinea should provide useful lessons for this, showing how mercantilist policies might be harnessed for urban poverty reduction in SSA.

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