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Has Mercantilism Reduced Urban Poverty in SSA? Perception of Boom, Bust, and the China–Africa Trade in Lomé and Bamako

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Summary. — 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 and drawing on semi-structured interviews with traders and on schedule-based interviews with key informants in government, business and the informal trade sector. The findings are that 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.

Key words — sub-Saharan Africa, togo, mali, informal economy, China–Africa

1. INTRODUCTION

Trade, globalization, and adjustment policies have profound impacts on the African urban poor working in the informal economy (Carr & Chen, 2002; Cohen, 2004). The decline in formal employment in administration and manufacturing, which followed the oil price shocks of the 1970s and structural adjustment in the 1980s, has resulted in a significant increase in informal work (Bryceson & Potts, 2006, p. 44). Given the historical importance of trade in many African communities, a major focus for this growth has been in commerce, with street trade now economically significant, and a key source of new jobs for the urban poor (Chen & Carr, 2004; Simone, 2004, p. 25; Skinner, 2008, pp. 7–9), although politically motivated evictions remain a constant threat (Hansen, 2004, p. 77). As street trade has increased in scale, its character has changed. Street traders are longer predominantly an outlet for local produce. Instead, many traders are linked to global supply networks. Particularly evident has been the increased sale of Chinese-manufactured imports in urban markets over the last 5–10 years (Lyons, Brown, & 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 freeport, and Bamako in land-locked Mali.

This 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.

2. 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 but actors are unaware of this potential complication (Elster, 1978 in Giddens, 1984, p. 311). A second interpretation draws from game theory, arguing that actors, though aware of the consequences of their action, choose a suboptimal strategy to achieve personal benefits in relation to other people. An example is that of a cartel, which would benefit members, but creates a profitable option for someone who flouts the cartel, thus no one joins (Olsen, 1963 in Giddens, 1984, p. 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, p. 314), for example the capitalist state which "depends on a process of accumulation which is beyond its power to organize" (1984, p. 315). This paper explores the "unintended consequences" of individual actions of urban 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 possible of routes out of chronic poverty and in the ability of large numbers of the poor to sustain their livelihoods and survive in the face of adverse trends and shocks. They argue that by exchanging one form

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of asset for another and by developing alternative assets, the poor could exercise sufficient agency to maintain stability, or possibly improve their economic status.

In relation to street trade, research has shown that social capital—a key component of the livelihoods framework—is important in enabling informal individual traders adapt and sustain their livelihoods (Kumar & Matsusaka, 2004), and that collective social capital of traders can sometimes be mobilized to mitigate the repressive behavior of urban authorities toward their use of public space (Brown, 2006, pp. 183–185). 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 of *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*.

However, some work on informal traders suggests that individual activities may have significant *aggregate* effects (Lyons & Snoxell, 2005a, 2005b). For example, Fafchamps, Gabre-Madhin, and Minten (2004) have argued that the aggregate outcome of modified social capital links has been to improve the efficiency of marketing agricultural produce, findings expanded and reinforced by Lyon and Porter, Lyons, and Potls (2007). However, the work on informal trade has not generally argued that aggregate outcomes of individual livelihood decisions can be *perverse*, as suggested by research in other livelihood areas (Maclure, 2006; Rodgers, 2005).

The adoption of market innovations by a large number of traders is one form of aggregate action. This has been discussed from a structuration perspective as the creation of opportunity, in turn attracting entry, in time resulting in growing competition, reduction in profit margins and eventual market saturation (Bhowmick, 2007; Poole, Clarke, & Clarke, 2006). The structuration model also enables entrepreneurial activities to be interpreted within multi-layered contexts where trading responses are seen as a negotiation between broader and immediate environments (Morawska, 2004).

Of particular note is the observation that traders operating in international markets may often lack sophistication in understanding new markets or the ability to cope with new challenges (Alexander, 1997). In the South, structuration analysis of retail markets has largely focused on the introduction of ICT, in which sector market saturation is a distant prospect (Walsham & Sahay, 2006). However, this paper is concerned with the introduction of innovations which both compete with local manufacture *and* saturate the market, and asks what their poverty impact has been, and why.

3. THE CHINA–AFRICA TRADE

The increase of Chinese-manufactured imports to Africa is one facet of China's widening horizons and burgeoning economy. The 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 with developing countries were promoted by China, both to challenge established global power relations and to develop new sources of raw materials (FOCAC, 2008).

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, McCormick, & Morris, 2006). As trade has increased, imports have increasingly outstripped imports as shown for selected countries (Figure 1).

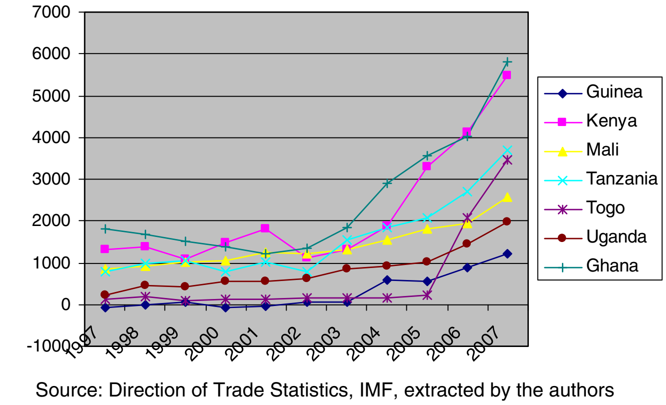

Figure 1. *Balance of trade (imports less exports) 1997–2007 (US$ million).*

For the Chinese economy, exports to Africa remain relatively insignificant—only 2% of China's 2004 exports were to Africa—but for the much smaller developing African economies the rapid cumulative increase far outstrips growth in GDP (e.g., the selected countries in Figure 2). Some 80% of imports are processed/manufactured, light-industrial consumer goods (Goldstein, Pinaud, Reisen, & Chen, 2006). The markets under study here can broadly be divided into three categories: shoes, clothing, and personal items (such as bags, hair extensions, and jewelry); household goods; mobile phones and phone accessories, and electrical items from calculators to TVs.

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

Increasingly, however, Africans are playing an important role in the China–Africa trade. Thus, in parallel with the rapid growth of street trade (UNDP, 2008, p. 37), the street economy has become more commercial and international in character, with many African traders acting as buyers, shippers, and wholesalers in relatively small-scale yet complex international supply chains (Lyons *et al.,* 2008).

The aim of this paper is thus to explore the characteristics of the urban informal trading community in Lomé and Bamako, and the impact of the China–Africa trade on the community, using the lens of structuration theory as an analytical framework and seen from the perspective of market traders' themselves. The hypothesis is that the large-scale take up of trading in Chinese-manufactured consumer goods by urban