



# The limits of ethicality in international markets: Imported second-hand clothing in India



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## ABSTRACT

Those of us living in the global north are increasingly urged to divert cast-off clothing from the local waste stream and donate it for reuse and recycling. It is argued that this is the right thing to do, since it is environmentally responsible behaviour, conserves resources, and supports charities via collection systems. Second-hand clothing is thereby culturally framed as waste, as a surplus, and as a morally-charged product that has a powerful redemptive capacity for donors, multiple recyclers and secondary consumers. Two-thirds of collected used clothing is commercially exported for reuse in developing countries, and it is as a freely-traded commodity that it is claimed to grow markets and support livelihoods in the global south, rather than a fairly-traded product. As policy-makers in Northern Europe seek to improve sustainable systems of textile reuse and recycling, ethical issues associated with distant destination markets in the global South are beginning to garner attention. Imported used clothing is ubiquitous in India despite highly restrictive tariff barriers, and the Indian market provides a thought-provoking example since in this case the trade is neither fair nor free. The paper evidences the complexity of the market as vertical hierarchies of dealers negotiate and expand the multiple spaces between legal and illegal commodity flows, and formal and informal economies, to build successful businesses. It reflects upon debates in India around democracy, development and neoliberal economics, and suggests that efforts to introduce ethical interventions in end markets will have to negotiate the nexus of power, politics and corruption.

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## 1. Introduction

Consumers in the global north are increasingly urged to stop throwing away their old clothes and recycle them, preventing resource depletion and environmental destruction. Collection systems are typically linked to charities, which exhort disposers to donate their unwanted garments to support the poor and the needy.<sup>1</sup> These worthy expectations of the good work that heaps of unwanted cast-offs can do aim to convert our all-too-alienable waste into morally-charged 'gifts' that, by implication, are supposed to connect us to others less fortunate and create a better world for us all to live in. Donors, charity collectors and commercial re-processors of worn clothing contribute to a discourse of textile-recycling practices that feeds into emerging public policy in Northern Europe around the environmentally and socially sustainable use of textile resources and wastes (Palm et al., 2014a,b;

Watson et al., 2014; WRAP, 2011, 2012). However, although narratives of recycling as ethical behaviour are used to encourage donations, these have little or no impact on the shaping of subsequent market exchanges in this second life. In fact, for many actors there is an apparent 'out of sight, out of mind' attitude, and surprisingly little attention has been paid in countries of origin to the trade's scale, geographical distribution, and social and economic impact in developing countries. Leftovers are routinely externalised in capitalist economies and waste is often dealt with in marginalised spaces (Alexander and Reno, 2012) before reappearing as a re-valued commodity.

This paper will question the limits of ethicality in the international second-hand clothing (SHC) trade, beginning with its ethical framing in the global north, and then outlines related research into developing SHC markets in the global south. It reviews current criteria for extending the ethics of the trade in export markets, and presents research data from India as a case study with which to explore these questions. The Indian market provides a thought-provoking example in the wider discussion, since the SHC trade is neither fairly nor freely traded. Imported SHC is restricted, yet widely available, and operates through a network

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<sup>1</sup> E.g. see <http://www.charityretail.org.uk/reuse.html> for charity retail in the UK.

of dealers that negotiate the borders between the legal and the illegal, the formal and informal. The discussion intersects with current debates in India around social inequality, economic development, democracy and the role of the neoliberal state.

The observations in this paper are drawn from cumulative research into used clothing markets in India. Fieldwork in 1999–2000 on indigenous clothing recycling economies revealed the intersection of the then illegal market for imported SHC with local systems of garment exchange (Norris, 2010), and included wholesalers in Delhi and mill-owners in Panipat (Norris, 2005, 2012a,c). During visits in 2004–2005 and 2009 I researched the recycling industry and the import business, culminating in the longer interviews with Ajay,<sup>2</sup> Jitendra and Karan, drawn on in this paper. These reflections on the structure of the trade in India and the strategies dealers use to improve their business are offered here to help develop conversations around the ethicality of the SHC trade in India and suggest where new research is needed.

The reported value of the global trade in SHC has been steadily rising, from \$1.26bn in 2001, to US\$4bn in 2012 (UN COMTRADE annual figures), which does not include profit made within the importing countries. The highest-quality winter clothing is sorted for markets in Eastern Europe; good summer clothing is sold to African markets with a discerning lower to middle-class clientele, while the lowest quality is shipped to South Asia to be sold to the very poor. The top five exporters were the USA, UK, Germany, South Korea and Belgium, and the top five importers were the Russian Federation, Pakistan, Malaysia, Ukraine and India, with significant re-export hubs in every continent (UN COMTRADE, 2012).

Many countries impose restrictions on the import of SHC for reasons of health or protection of domestic industries. The US government currently lists 32 countries imposing outright bans (with exceptions for permitted charitable donations), and another 31 demanding fumigation certificates plus bans on the import of underwear, hats and shoes on hygienic grounds.<sup>3</sup> While cheap semi-skilled labour and tariff-free export zones attract international recyclers to establish sorting facilities, so does proximity to restricted markets across porous borders, as is the case in Togo for Nigeria (e.g. Abimbola, 2012), Special Economic Zones (SEZs) in India for domestic markets (see below), USA/Mexico (Gauthier, 2010) and Hong Kong for the Philippines (Milgram, 2008).

The impact of SHC trading has been discussed mainly in terms of its effect on local textile producing industries, opportunities afforded to traders and those in associated occupations for sustainable livelihoods, and the provision of affordable clothing to poorer consumers. The decline in West African textile manufacture has been tied to wider regional structural adjustment factors and not simply competition from SHC (Hansen, 2004a). The end of the Multi-Fibre Agreement (MFA) in 2005, when quotas for clothing imports were abolished, has also been a factor (Baden and Barber, 2005). Brooks and Simon (2012) agree that local production across sub-Saharan Africa declined since economic liberalisation in the 1980s while imports of SHC have risen, and conclude that this does not necessarily reflect a causal relationship; cheap imports from Asia are also competitive in the market. Little detailed research has yet been carried out into the relationship between SHC imports and local manufacture in Asia and Eastern Europe, but importers such as Mexico and Hong Kong are also leading exporters of readymade garments to the global north (UN COMTRADE, 2012). This partly reflects their positions as re-export hubs to extensive hinterlands, but also that garments made for export are unaffordable for the poorer sections of the

local population. Research into sub-Saharan African markets estimates that SHC costs approximately 10–20% of its equivalent new (Baden and Barber, 2005), though poorer quality Asian imports are more competitively priced. Demand ranges from the fashionable, internationally-branded garments that allow middle-class customers to construct modern identities in Zambia (Hansen, 2000, 2004b), to the cheap winter jackets worn by rural populations in India (Norris, 2010). In the case of the Philippines, Isla (2013: 236) reports that despite official hostility from many garment manufacturers, some are beginning to appreciate the trade's ability to educate their customers in the latest fashion and world class brands.

A number of studies of the trade across Africa have shown that importing, trading, retailing, washing, repairing and altering SHC provides significant opportunities for employment in local secondary markets (Abimbola, 2012; Baden and Barber, 2005; Field, 2000, 2007; Haggblade, 1990; Hansen, 2000; Ogawa, 2006; Rivoli, 2005). In regions where importing is illegal, street trading may be viewed as politically assertive and partially constitutive of 'globalization from below' (Gauthier, 2012). The informal economy may provide an opportunity to marginalised groups to develop and assert power in alternative contexts, sometimes in opposition to actors in the formal economy who may try to monopolise sectors. Vega comments that trading in Mexico City empowers people to "take advantage of the empty spaces – or the spaces that the other globalization could not occupy."<sup>4</sup> Milgram also describes how Filipina dealers take over public spaces (Milgram, 2011); some women have managed to accumulate significant resources over years of strategic trading via Hong Kong (Milgram, 2008). However, the sustainability of livelihoods has been challenged in the case of Mozambique where those at the bottom may fail to earn a living wage (Brooks, 2012) and there is little proof that the trade does much to alleviate poverty (Ericsson and Brooks, 2014).

While consumption of low quality, high turn-over 'fast fashion' made in the global south continues to rise in the global north, re-producing worn clothing as commodities for the global south may result in a continuing structure of dependency between these spheres and persistent inequality within developing economies (Hoskins, 2014; Siegle, 2011). Since the abolition of the MFA, garment producers in developing economies have had to compete against each other for developed markets. Support for free trade, which promotes the removal of trade barriers, opens up undeveloped markets and integrates them into the global economy, is increasingly tempered by claims that developed economies maintain protectionist policies that unfairly discriminate against developing economies. It is claimed that this results in a net flow of wealth from developing to developed economies (Watkins and Fowler, 2002), increases inequality between the poor and elites within economies (Stiglitz, 2012), which impacts upon all areas of human well-being including education, health and social mobility (Wilkinson and Pickett, 2009). Yet as we have seen in the case of garment producers in the global south, many have decided to ban imports of SHC as a potential threat to local markets.

The next section of this paper elaborates on the ethical framing of SHC as a commodity in the global North, and ethical approaches to the trade. It then takes India as a case study to unpick how SHC is imported into restricted markets, and considers this evidence in the context of current debates in India about neoliberal economics and democracy, concluding with a discussion about the limits of ethicality in SHC markets.

<sup>2</sup> All individual informants have been given pseudonyms.

<sup>3</sup> <http://web.ita.doc.gov/tacgi/eamain.nsf/6e160e39721316c852570ab0056f719/401dbca37c2d025985256efb0068f875?OpenDocument%20>, accessed 29.09.14.

<sup>4</sup> Carlos José Alba Vega, quoted in <http://latino.foxnews.com/latino/lifestyle/2011/06/01/americans-used-clothes-causing-upheaval-mexico/>, accessed 29.09.14.

## 2. Framing SHC as an ethical commodity

The rise in fast fashion has led to an unsustainable turnover of clothing in our wardrobes (Schor, 2005; Siegle, 2011), and in the UK approximately 1 million tonnes of household textiles are thrown away annually (WRAP, 2013: 3). Textiles have an environmentally significant impact across their lifecycle and reducing this impact is a priority for the UK government (Defra, 2011). They have a substantial carbon footprint during production and use, and are expensive to dispose of (WRAP, 2013: 11). The reuse of clothing saves an estimated 29 kg CO<sub>2</sub>e (carbon dioxide equivalent) per kilo of clothing compared to recycling, and 33 kg CO<sub>2</sub>e compared to disposal (Charity Retail Association (CRA)).<sup>5</sup> In a global economy increasingly dominated by resource politics (EEF, 2014), multinational producers of clothing are also having to think about manufacturing in the future with increasingly scarce resources. Innovations in textile recycling technologies and developing closed loop business models lead efforts to improve sustainability in the global north (Fletcher and Grose, 2012), while the EU will announce its circular economy roadmap later in 2015.

Several EU countries are developing more effective systems for collecting textiles for reuse and recycling. Solutions to increased transparency in Europe include improved traceability of material flows throughout the life-cycle of clothing. France introduced the first Extended Producer Responsibility system in 2009, requiring producers and importers to ensure that textiles are collected at the end of their usage and report on the end markets to which all clothing has been exported, the quantities involved and their ultimate fate (Watson et al., 2014). The Nordic Prime Ministers' commissioned reports on pathways to reuse and recycling ahead of a comprehensive plan expected in 2015 (Palm et al., 2014a,b), while the Danish Fashion Institute is in the process of modelling relationships between all the stakeholders in the country's clothing economy.

Collecting clothing is a major source of income for many charities but overseas development is usually irrelevant to their core activities, and outsourcing clothing collection to commercial recyclers has become a convenient, professionally-organised way for them to make money (see Brooks, 2012; Norris, 2012b). Members of the CRA sign up to a Code of Conduct that encourages them to consider whether their commercial activities could compromise their overall objective to maximise income for the charity, but only in a few cases might this extend to considering negative impacts on overseas development; indeed charities' legal duty is to maximise revenue for their core objectives. The Textile Recycling Association (TRA) have a Code of Practice where members state any relationships with charities or local authorities, but it does not extend to the export of clothing for reuse and recycling.

The UK agency, Waste Resource Action Plan (WRAP), notes that there is scope for growth in the established infrastructure for re-use and recycling with end markets at home and abroad, listing the benefits to the UK as material security, CO<sub>2</sub> savings, employment creation, cost savings and economic growth (WRAP, 2013). An earlier case study found that preparing T-shirts and jumpers for reuse and recycling pathways resulted in a net benefit to the UK economy as a whole: this was because preparation for reuse generates income through exports, and no displacement of UK manufactured-products occurs. (WRAP, 2011: 31). Yet it admits that

[W]hilst most collected textiles are said to be exported for re-use, there is limited transparency once outside the UK, and a proportion of this material may be recycled, or even sent to landfill in the destination country. Many collectors sell to third parties such as brokers for onward sale but do not record the actual end uses. Therefore the total amount of materials recycled, recovered or disposed of may be under-represented.

[WRAP, 2013: 18]

Increased efforts need to be made to monitor the trade downstream and ensure that they are not simply being illegally dumped, and there are technological solutions such as tracking and tracing systems appearing on the market. Recyclers report that overseas markets have room for expansion (WRAP, 2013), but WRAP does not critically examine the overseas trade and appears to implicitly assume its benefits.

Textile recyclers promote themselves as green businesses, reducing waste, supporting government targets and supplying export markets with affordable clothing.<sup>6</sup> Their costs include the infrastructure of collecting and sorting, but they obtain their stock very cheaply or for free. The global SHC economy is a profitable and rapidly expanding secondary market controlled largely by recyclers and brokers with international networks of buyers and efficient sorting systems; governance is highly complex, opaque and brokered by multiple actors (Crang et al., 2013; Rivoli, 2005). How value is distributed throughout these global value networks that skirt regulation and co-opt public officials, politicians, corporate capital, NGOs and chains of traders and petty hawkers is largely undocumented, and this lack of transparency into downstream fates of SHC calls into question their ethical credentials overall.

## 3. Ethical approaches to SHC markets

There is a dearth of evidence about how secondary textile markets in many developing economies actually work, and regular, targeted research in specific markets and a flexible approach is needed to develop policy at all levels. Are there conditions in which worn clothing could be transformed into an export commodity operating within an ethical framework? What kind of evidence is required, and how might multiple solutions be developed that resonate with local perceptions of ethical trade and development in various end markets around the world?

One innovative model for exporting SHC is the social enterprise *Frip Ethique* (Ethical cast-offs), established in 2006 by Oxfam in Dakar, Senegal.<sup>7</sup> Oxfam's Wastesavers sorting depot in the UK sells all of its unsold stock into overseas markets in accordance with its ethical supply policy. SHC is never 'dumped' on local markets, it is not sold to countries that have their own textile-manufacturing industries, or into markets near to countries operating a ban.<sup>8</sup> About 15% of Oxfam's stock is sold to *Frip Ethique* for re-sorting and sale in the local market, which plays living wages and benefits to over 40 local people. In addition, *Frip* now sells bales directly to cash buyers on a first come, first-served basis, thereby by-passing the local infrastructure of a small number of powerful middlemen who have traditionally controlled the market, and giving opportunities for newcomers to buy directly from them.<sup>9</sup> Clothing donations sent to *Frip* are intended to directly improve the lives of all those further along the chain, and the end profits are used for Oxfam's poverty alleviation projects in the region. Could it be a model of ethical supply to develop further, and what are its limitations?

<sup>6</sup> See <http://www.textile-recycling.org.uk/> for links to members' websites.

<sup>7</sup> <http://www.oxfam.org.uk/donate/donate-goods/what-happens-to-your-donation/inside-frip-ethique>, accessed 28.01.15.

<sup>8</sup> David Waugh, Wastesavers Manager, pers. comm. 02.03.15.

<sup>9</sup> Ian Falkingham, Oxfam project manager, *Frip Ethique*, pers. comm. 01.06.15.

<sup>5</sup> See <http://www.charityretail.org.uk/reuse.html#sustain>, accessed 21.03.12. In 2012 the CRA estimated that the potential for reuse enabled by charity shops in the UK helped reduce CO<sub>2</sub> emissions by about 6.3 million tonnes per annum.

Oxfam is unusual in that it actually collects clothing itself through its network of high street shops and overseas development is one of its core aims. Researching the connections between the charity's fundraising activities, business strategies and development projects abroad is a core policy. Yet even so, the local social and economic impact of the project's business model is complex and, to some extent, unpredictable.<sup>10</sup>

de Neve et al. outline four classic strands that characterise ethical perspectives on the market, including the (i) re-embedding of social relations in a de-personalised economy, which in turn leads to (ii) preferences for more spatially-bounded economies, (iii) a more equal distribution of value along production chains, and (iv) developing theoretical ideas of governance towards an examination of how power and control are generated through regulatory practices themselves (de Neve et al., 2008: 932). However, in the global SHC trade donors are separated from, and remain ignorant of, end consumers due to the current lack of traceability throughout the complex global networks of charities, textile recyclers, import-exporters and local dealers that are involved in sorting, categorising and re-processing cast-offs (Hansen, 2000; Hawley, 2006).

Unlike the flow of information that accompanies the ethical product from distant producers in the global south back to end consumers in the global north, little or no contextualisation flows back about its impact on local economies or how it gets there. Equally, local buyers may see thrift store price tags, but know little about the more specific contexts in which SHC was discarded and commodified (Norris, 2010). Simply put, worn clothing is not sold in developing economies as an ethically traded product. These narrative voids are spaces which the imagination of those at both ends of the trade seek to make sense of: donors may imagine clothing is freely distributed to those in need (Norris, 2012b), while workers in the Indian textile recycling industry believed that they were discarded due to a shortage of water in the global north and the high cost of laundering (Norris, 2012c). Despite the rhetorical framing of a positive environmental and developmental discourse, the trade displays the all-too-familiar characteristics of a global waste stream where rubbish is transformed into resources in unregulated places (Gregson et al., 2010; Alexander and Reno, 2012).

Anthropological critiques of the impact of fair trade policies on developing economies have included the imposition of Western ethics on local producers. Dolan refers to the 'cognitive dissonance' that enables the Northern consumer to embed their consumption practices within a moral economy; she notes that fair-trade 'inhabits the borderlands of altruism and self-interest' (Dolan, 2008). In her work on the fair trade cut flower industry in Kenya, Dolan claims that the plethora of environmental, socially ethical or fair-trade standards to which ethical goods produced in the global south are subjected to can amount to neoliberal regimes of technology and surveillance in their own right (Dolan, 2007). She concludes that the fair trade flower 'mediates competing tensions of greed and generosity, the sacred and profane, and affection and estrangement,' and 'like the charity business and international development industry, [...] complicates the distinction between the sacred and the secular and the gift and the commodity' (Dolan, 2008: 239). These distinctions resonate particularly strongly with the moral complexities of the SHC trade, which originates with charitable gifts and ends in informal street markets in the poorest parts of the world.

#### 4. Structuring the supply of second-hand clothing in India

SHC can be freely imported into India as raw materials for the recycling industry (the original 'shoddy' industry), so long as it is mutilated (slashed) to make it un-wearable before it crosses the border. The recycling mills shred the clothing and recycle it into regenerated yarn, which is then either exported to East Africa, for weaving into blankets used by pastoral nomads such as the Maasai, for example, or woven locally into low-quality blankets, shawls and fabrics. SHC faces tariff restrictions if imported as a wearable commodity for protectionist reasons, but it can be brought into Special Economic Zones (SEZs) by dealers holding licences for sorting and re-exporting them to end markets in East Africa, for example. However holders of special licences are also allowed to bring 15% of the value of their SHC imports into India for re-sale. Both the unrestricted trade in mutilated clothing for recycling and the restricted import trade in clothing for reuse markets can be manipulated to enable far greater undeclared volumes of worn clothing to enter the country illegally for resale. Despite the low economic value of the recycling industry itself, perhaps its greater advantage is the shady legal umbrella it provides for more valuable illicit economic activities.

##### 4.1. Indian shoddy industry

Panipat, just north of Delhi, is a manufacturing hub for home textiles for high street chains across the globe. But since about 1980, when importing virgin wool became prohibitively expensive, Panipat also became the home to the world's largest shoddy wool industry. Now more than 300 mills import mutilated woollen and acrylic knitted clothing to recycle it into regenerated yarn, and then weave it into blankets. These low-quality, malodorous blankets are sold across India, South Asia and East Africa to the poor; slightly better versions are commissioned by institutions such as railways, prisons and the army, and are also a staple item in global disaster relief provided by international charities. However, as I briefly describe below, the material transformations, manufacturing conditions and labour relations in this recycling industry are far from sustainable.

The industry operates in the informal, unorganised labour sector, which constitutes 93% of Indian employment and contributes 50% of GDP; there are no rigid lines of demarcation between the formal and informal (Bremán, 2003; Jha, 2006). A local union leader estimated in 2009 that of the 300,000 workers in the town, about 85% work in the textile industry, and of these, about 40,000 work in the shoddy yarn and weaving sector. Less than 1000 were in the union. Following significant labour unrest in the 1970s and 1980s, many of the mills are now operated through the 'jobbing' (*thekedar*) system where contracting labour is outsourced. The owner employs only his own quality controller, production manager and mechanics to protect his share of the capital investment. 'Jobbers' subcontract to others below them, until each is responsible for just a handful of workers on a shift. Workers get 'stuck' because of indebtedness to jobbers, described by de Neve as 'unfree' labour (de Neve, 1999). Locally, jobbers are also known as *lathis* (sticks) and *goondas* (thugs), referring to the potential for violence underlying their relationships. As one mill owner explained, outsourcing avoided the constant 'problems' they had formerly had with unionised workers, who were 'going slow' and sabotaging machines, a common narrative amongst owners disparaging the commitment of their workers (Bremán, 1999; de Neve, 2003). It also shifts the blame for low productivity away from their own low capital investment onto the workforce (Bremán, 1999). The jobbers are driven by production targets to make their profits, and spinners claim that this leads to workers

<sup>10</sup> Sylvie Bredeloup studies secondary markets in Dakar as part of her research on intra-African migration, and has begun to note the impact of ethical projects like *Frip Ethique* on gender relations and marriage patterns (Paper presented at MuCEM, Marseilles 27.04.15).



having to fix moving machinery, with inevitable accidents. Labourers are mostly settled migrants from the northern and eastern states (see Jha, 2006), and labour laws applying to subcontracted migrant labour may not be enforced: in common with other manufacturing sectors. The workforce has no job security or rights of association, do not necessarily receive the State minimum wage, related benefits or subsidised travel home.

Men run the spinning and weaving machines, and women are employed to cut up the clothing by hand in preparation for their shredding. They are paid at much lower rates than men, and during my fieldwork, they complained of constant coughs and dry throats from the dusty, hot working conditions to which they bring along pre-school children to avoid leaving them unsupervised. The antiquated shredding machines are noisy and dangerous, and the unrefined waste oils in which the fibres are soaked to soften them can cause headaches and dizziness. Recycled acrylic fibres may be over-dyed, and open roadside drains channel untreated wastewater; the dye baths are heated by burning discarded scraps, and black smoke rises from small chimneys throughout the area.

One of the largest markets for the recycled blankets is the humanitarian aid market as disaster supplies (Norris, 2012a). The potential for the industry to be run to higher standards is demonstrated by the efforts of some international NGOs to enter into strategic partnerships with some larger mills and to implement framework agreements, using modern business methods. These require regular audits to monitor social accountability and environmental standards, guarantee prices in a fluctuating market, and support inventory stockpiling to avoid last minute sub-contracting. But these agreements have been criticised for excluding African companies lacking the required capabilities from tendering. 'Advance Aid' was established as a charity in 2009 with the aim of making the provision of humanitarian relief in Africa more effective.<sup>11</sup> Claiming that localised manufacture in Africa would stimulate employment and growth and reduce its dependence on foreign aid, Advance Aid commissioned a Value Chain Analysis of current global provisioning systems of emergency kit, looking at lead times, vulnerability of supply chains to disruption, cost and the environmental impact of transport, which supported their claims (Taylor, 2012). There are clearly competing claims amongst international charities as to what constitutes proper ethical practice in the procurement of humanitarian aid.

#### 4.2. Importers and wholesalers

A series of total or partial bans, and high tariffs (up to 200% at times) for over-quota SHC imports have been enacted over the years to support India's indigenous garment sector, and constant pressure is put on the government by local industry bodies to minimise the trade. After a brief period of imports being allowed under an Open General Licence, SHC was again put on the list of restricted import items in 2004 amid claims that US and Canadian companies were dumping cast-offs on the market (Raghuvanshi, 2006). According to the website for the SEZ at Kandla (KASEZ), a 'new SEZ scheme has been introduced... to provide an internationally competitive and hassle-free environment for export production... no licence [is] required for import'... and there will be 'no routine examination by Customs of export and import cargo'.<sup>12</sup>

In the SEZ, licenced companies are able to sort clothing for re-export. This tallies with the wider trend for recyclers in the global north to ship unsorted textiles abroad for sorting in hubs with cheap labour and no tariffs. KASEZ offers space to sort large volumes of relatively low-value goods using cheap migrant labour

with knowledge of local markets. Large bales of clothing are graded into smaller bales, eg ladies' cotton tops, shirts, trousers and so on. Orders for specific garments, eg pocketed cargo shorts or long skirts, are sold at a higher price, while clothes that are culturally inappropriate for end markets, like short skirts, end up as wipers and polishing cloths. By 2009, nearly 95% of all SHC in India was imported via Kandla, radically re-structuring the trade. These companies also operate mutilating facilities for recycling grades, and as was made clear during interviews with importers and their agents, the slippage between categories of worn clothing for re-export, domestic reuse or recycling is the creative zone in which profits can be made. Through the materiality of clothing itself and its heterogenous nature, the porosity of the SEZ's borders, creative accounting systems and personal links with acquiescent customs' officials, it also provides a back route for bringing in large quantities of clothing into India for resale in the black market.

A circular from the Indian Customs authority in July 2010 complains of laxity, and notes that the full penalty for illegally importing over quota limits was not being imposed: the importers perceived no deterrent.<sup>13</sup> The authorities insisted that the penalty fine in lieu of confiscation should take into account the profit margins accruing to the category. The Clothing Manufacturer's Association of India was urging a complete ban on imported worn clothing in 2009, claiming that up to Rs. 5500 million of worn clothing is smuggled into the country every year. But representatives of the Textile Recycling Association at Kandla claimed they are legally supplying wearable clothing for the very poor only. An online report collated the volumes from the five main import destinations between 2007 and 2009 (Handique, 2010). This jumped from 37,000 million kg in 2007–2008 (from South Korea, US, Japan, Canada and France) to 218,698 million kg in 2008–2009 (from US, Canada, South Korea, Germany, UAE). The value of imports in 2008–2009 rose 489% to Rs. 4090 million.

'A' grade clothing from Japan, Malaysia and South Korea are valuable commodities in India, since the sizes and styles suit the local market. This is a new supply source that has only developed in the last few years since KASEZ was established; one dealer reported that there were over 40 factories in South Korea sorting 45,000 kg of mixed rags a day, selling under their own brand names as premium sorters. They sort a number of separate categories specifically for the Indian market, and the clothing is neatly folded in the bales. By contrast, the best grades from the US, UK and Europe are sent to South American and African countries, including South Africa, Cote d'Ivoire (for West Africa), Tanzania, Mozambique and Kenya. The categories of 'mixed rag' that are sent to India are further graded into 3 types: (1) 'credential' (unsorted bags from household collections and some 'fresh' clothes, i.e. shop rejects), (2) 'institutional' (pre-sorted, the best items already removed by charities to sell in their own shops) and (3) 'border rag' (lowest grades of old clothing, including recycling grades).

Ajay is one of the largest SHC importers in India, and a sleeping partner in a sorting operation in Kandla. One of his brothers produces shoddy yarn from a spinning mill next to his large warehouses on the outskirts of town, while a younger brother helps him manage his expanding import business. Ajay sources the mutilated rags the local mills need and sells them via agents; he sells on his stock of reusable clothing to four or five 'big shot' wholesale traders in Azad market, Delhi's wholesale market. These dealers and their agents are all known by their personal names, not by company names or brands.

Ajay explained that in the SEZ, an importer has to export the equivalent *monetary* value of his imports to avoid paying duty.

<sup>11</sup> [www.advanceaid.org](http://www.advanceaid.org), accessed 03.07.14.

<sup>12</sup> See [http://www.kasez.com/facilities\\_enterprise.htm](http://www.kasez.com/facilities_enterprise.htm), accessed 03.03.15.

<sup>13</sup> Instructions regarding import of "Worn clothing", Indian Customs circular 22/2010, dated 26.07.10, F.No.401/150/2010-Cus-III.

The trick lies in balancing quality (\$ value) and quantities (kg) through sorting. For example, if a dealer imports \$100,000 worth of worn clothing into Kandla, e.g. @ \$1/kg = \$100,000, he can sort out the best stuff and re-export, for example, 20,000 kg for \$2/kg = \$40,000 (ie 1/5 volume but 2/5 price), then he can sort out another medium category and so on, until \$100,000 worth of clothing has been re-exported and a sizeable amount remains in the free zone. These calculations balancing the import and export accounts are reckoned over the course of a year, so this mixture of quantity and value is the key to profitability. One report estimated that 40% of the best clothes were washed and are re-exported, another 30–35% of the worst quality clothes were cut up for rags or fibre reclamation, and the rest of the middling grades were fit to be sold in Indian markets (Raghuvanshi, 2006).

This remaining high volume, low price clothing can be imported into India's Domestic Tariff Zone (DTZ), but of this quantity only 15% of their value CIF (Cost, Insurance & Freight, calculated as a mixture of price and volume) can be of reusable clothing rather than mutilated rags. There are many means of evading fines or confiscation of over-quota worn clothing; to undervalue contents and underestimate the weight in containers, as worn clothing is not counted by piece but by kilogram, and this is a further incentive to smuggle in new clothing (counted by piece) masquerading as worn clothing (weight). Of course, once vacuum-packed and loaded into trucks, the actual contents of a bale are once again invisible, so that non-mutilated clothing, seconds or even excess stocks of imported new clothing can be hidden in the middle. Other scams include setting up bogus charities in remote rural areas to receive clothing donations (Norris, 2005). Stories in local Indian newspapers suggest links between importing container loads of SHC and other secondary goods and money laundering, using the *hawala* system, for example.

The *hawala* system is a long-established merchants' financial system underpinning transnational trade across South Asia (Markovits, 2000, 2008), Africa and the middle East; based on trust, it is an alternative to more formal modern banking systems. It is not an 'ethical instrument': as Martin points out (2009), this trust is not altruistic trust based on benevolence or idealism, but rather is rational calculative trust, based on codes of honour, reputation, flows of information, and the result of weighing up the costs and benefits of a transaction and the risks involved. It is not known how widespread the current use of the *hawala* system is for trade with South Asia; the system itself is not criminal but it can be exploited for invoice manipulation, tax evasion, money laundering, political corruption, funding terrorism and for illegal trade such as human trafficking, gold and drug smuggling. Just as colonial officials treated alternative trading mechanisms throughout the Indian states with suspicion, *hawala* has attracted attention from modern international regulatory authorities, in particular the US government (Jost and Sandhu, 2000). *Hawala* has been implicated in prosecution cases, for example in *Operation Sparkle*, a UK court case in 2006 that was eventually dismissed as key evidence was ruled inadmissible (Martin, 2009). The defendants were believed to be laundering proceeds of drug trafficking by buying up second-hand clothing in the UK and shipping them to Pakistan, where it was sold legally.

A smaller dealer in Azad market who buys indirectly from importers via agents, Jitendra explained that it is a handful of shoddy mill-owners who are the really big players in the game, controlling the Kandla licences. According to the local manufacturers' association, in 2009 approximately 1200–1300 containers of SHC and rags came into Kandla every month, and about 75% of that found its way into India and Azad market. Ajay claimed that he supplied over 70% of all the mutilated 'rags' needed by the town's 300 shoddy mills, or about half of the 100,000 tonnes of rags legally imported every year into India, as well as substantial amounts

of SHC. But this was actually only a very small fraction of his international business importing used goods into India, estimated at over 70,000 containers annually of old clothing, shoes, fabrics, materials, computer equipment and so on. He complained that it was actually quite difficult to make much money from SHC since so much repeated sorting was involved, but laughed and made it clear that he was decidedly against re-opening up the trade as that would 'spoil' his control of the market.

Jitendra contended that it was the Indian *barra log* (big men) who put a stop to the easy importing of old clothing. He complained that the 'black market is a game which the big men try and control, squeezing out the smaller people.' SEZ licence-holders are well connected politically, and they control the supply of SHC entering the national market, which had resulted in a 30–40% increase in prices to middlemen at a time when the global price of SHC was steady or falling. Jitendra complained that the government loses out on tax, while smaller traders find their shipments endlessly delayed or impounded by customs officials, making it a very risky business to invest larger amounts of capital directly when all might be lost. He estimated that whereas a few years earlier maybe 100 direct importers were doing relatively good business through Kandla, by 2009 there were thought to be only about 10 really big importers, backed by invisible sleeping partners, who doing very well indeed. Indeed, according to him, the biggest players are businessmen who can 'do any business,' they are not restricted just to old clothes dealing, or even trading in used goods. They play in share-marketing, property, depending on whom they have access to.

'The big men create a 'setting' for the game, play it, then run, without leaving a stain on themselves... A big man sitting in the seat has to control everything one way or another to play the game. For example an MLA (Member of the Legislative Assembly) will have several people working for him, one taking care of doing the fighting for him, another making investments in finance and property, etc. and his power is managed as part of a much bigger game, manipulating things the right way, the wrong way, to achieve certain ends, such as the bringing down of a rival...'

Azad market was established shortly after Independence as a *kabari* (waste) market auctioning off government surplus and selling used dhotis, saris and Indian clothing (see Fig. 1). By the 1950s the grandparents of Karan, one of today's medium-sized traders, were buying up North American cast-offs for re-sale. These families have extensive networks with the industrial textile recycling industry in Panipat, and their hold on the import of used textiles was connected to the control of import licences (permits) prior to the dismantling of the infamous 'Permit Raj' after economic liberalisation in the early 1990s (Norris, 2005). In 1999 wholesalers in Azad market reported that South Asian families had largely taken over the used-clothing export trade on the U.S. Eastern seaboard; they are now expanding these networks globally (Brooks, 2012; Hansen, 2010; Milgram, 2008), and are predominant in Vancouver, reportedly the world's largest textile recycling hub (Hawley, 2011). Members of these extended families are commercial recyclers, agents, brokers, mill-owners and sales agents with connections across North America, Europe and the whole of Asia.

#### 4.3. Wholesale dealers: Jitendra and Karan

Azad market comprises two streets just behind a main road in New Delhi. Rows of small shops sell unopened bales of clothing, and there is a small covered section in the middle selling mostly remanufactured nylon trousers. Wholesale dealers buy sorted and unsorted consignments from a small number of importers and their agents, and sell bales to smaller dealers who specialise in selling certain types of garments into particular regional Indian cultures and climates: SHC is sold in the large Sunday





Fig. 1. Azad market wholesale traders.



Fig. 2. Remanufactured nylon trousers.

markets in mega-cities through to the weekly markets in small towns in Kashmir, Kutch, Tamil Nadu and Assam. Unlike many African markets, for example, India is a major world producer of cloth and clothing for local and export markets, and, for cultural reasons elaborated below, the consumption of imported SHC has generally been confined to the poorer sections of society, and to men. They are looking for better quality, more fashionable Western clothing than those made for the local market, available at affordable prices.

Culturally it is important to wear new clothing as a marker of status, and most upper and upper-middle class families only wear used clothing from immediate family, although some middle-class buyers admit they might pass off SHC as hand-me-downs (Norris, 2010). New Western-style clothing is now readily available. Western fashion is now worn by many young middle-class women and students, as well as children, and these consumers enjoy shopping at the ever-popular 'export surplus' markets, which sell seconds and cheap fakes. A thriving second-hand market for Indian clothing supplies poorer women who are still expected to wear saris and shalwar kamiz (Norris, 2010). Aside from specific Northeastern markets described below, men's shirts, trousers, socks and winter clothing are therefore the main imported items on sale. As one dealer explained, 'the young want to be able to learn, to lead the college life, they want and need to change their clothes, we give them cheapness and variety, and good quality.' Whereas a new top selling in the market might cost several hundred Rupees, a second-hand one might cost only Rs. 20.

Another market segment is remanufactured clothing. For example, nylon trousers from fatter customers in the US and Europe are re-sized for smaller bodies, waistbands are cut off and elasticated waists attached; stripes sewn down the sides create the appearance of branded sports clothing, apparently popular amongst Punjabi farmers and rural populations. Children's versions are also made out of the leftover fabric, and suit jackets are refashioned into Nehru jackets (see Figs. 2 and 3).

Jitendra also has a shop in Azad market. He comes from a low caste family who migrated from Uttar Pradesh in 1968, and he had started off buying old shirts in the Red Fort Sunday market for Rs. 15.<sup>14</sup> He involved all his family in washing and ironing them, and re-sold them on at Sunday markets for Rs. 25. He began to buy small quantities from Azad market at only Rs. 12 each, earning an extra Rs. 3. Several Northeastern customers asked him for more fashionable women's clothing, and he rented a shop which he now owns



Fig. 3. A trader wears a refashioned Nehru jacket.

outright – officially worth Rs. 600,000, but unofficially 'Rs. 36,000,000 black.' He had long-term relationships with a few bigger dealers who supplied him from KASEZ. Since Jitendra could not afford to import whole containers himself, he depended on the sorters at the port to sell him smaller quantities of specific items, and to include perhaps 4–5 high quality branded items in a bale to off-set those of lower quality. A smaller truck coming out of Kandla might have 9 tonnes of different grades, to be sold on to 3–4 traders. If a dealer buys up mixed original rags, ie unsorted stock, they have to think about where it is coming from and what problems the clothing might pose. The US and Canadian stock can find a market in the

<sup>14</sup> £1 equalled approx. Indian Rs. 95 in February 2015.

Punjab (where people are larger), while the clothing that fits the north-easterners best is from 'thin people' in Japan and South Korea; clothing that is too big needs remanufacturing to make it fit, but expensive items such as bras have to be accurately sourced. Traders can also charge higher amounts for seasonal goods in short supply, e.g. men's socks, but stockpiling is another way in which big importers manipulate the market.

Buyers who have cash can go directly to the importers and get it cheaper, so it is those who need credit that use wholesalers like Jitendra, at a margin of about 10%. There are two types of buyer: those who take a little at a time from several traders at once, and those who go to him exclusively. The latter are riskier since he has to invest a lot of money in them by extending credit, but he gets his return faster. The system has to be based on trust, since there is little to secure the loan, but he has to be constantly aware of dealers trying to undercut him. Curiously, he mentioned a story of a man from Finland who had opened up a small shop in Azad market selling second-hand European clothing who was going to use the profits to help poor people by investing in villages, hand pumps, schools and so on. (In fact, I had heard about this man on my previous visit to Delhi, but no one knew anything more about him and he had apparently vanished); Jitendra said that his stock was too expensive, and he had not known if the man was genuine or false, i.e. he did not have any patron–client relationships.

Key to managing lines of credit in and out was quality assurance of the bales' contents: Jitendra had to supply hard-to-shift stock to riskier customers on credit. The less one has to invest, the more crucial it is to be able to make a profit on each bale, yet once they are vacuum-packed, the quality of the sorting and the actual contents are unknown until the bales are split open and inspected for cleanliness, quality, and style. This information asymmetry in the SHC trade is also known across markets in Africa and Asia (Abimbola, 2012; Hansen, 2000), and results in the high reliance on family networks and developing relations of calculative trust between dealers (c.f. Crang et al., 2013). But Jitendra also understood himself to be in a position of strength in that while he was able to go up the chain and buy a few bales of specific items from each of the importers to build up a big stock, the big importers could not go any higher up their chains.

Street traders in worn clothing, both Indian and imported, can start with very little capital if they can draw on family members to add value to their stock, and lines of credit from regular suppliers, their patrons. In assessing their market, finding niches and obtaining suitable stock, small to medium-level traders operate in a bazaar economy, maintaining credit in strong business networks while searching for creative ways to circumvent blockages in supply. Some of the shops in the market split the bales to sell the contents to local petty traders by weight, or groups of street traders club together to buy a bale, while other buyers are able to afford whole bales to stock their stalls in Delhi's Coat Market, for example. Dealers from the Waghri caste who specialise in used Indian clothing have also moved into this trade, investing profits from their itinerant barter trade into buying bales of imported clothing such as T-shirts, jeans and winter coats (Norris, 2010). These can be washed, mended and trucked up to wintery regions in north India where they provide a cheaper alternative to locally produced clothing.

The only women dealers are Assamese traders; women from the Northeastern states are well-known for wearing Western clothing since the colonial period. A stylish culture of young, fashionable buyers has developed, drawing on fashion magazines, television and the internet, and young consumers are reportedly not concerned about the clothing's origins. For this more developed market, some middle-level dealers in Azad market like Karan were also buying directly from countries like Korea and Japan, using word of mouth contacts and browsing the internet to source new

material. South Korea also imports SHC for sorting and re-export. Karan had travelled to South Korea, and estimated that there were about 100 small to medium dealers in the market sourcing directly from East Asia, and several hundred petty traders buying from them. These dealers used the port of Calcutta instead of KASEZ. In 2009 importers had to pay 10% fixed penalty on their first shipment, with an escalating tax of 10% on each further consignment. However avoidance strategies included frequently changing company names and tax codes.

Karan had a packing list of about 40 types of garment from South Korea and he could afford to buy the bulk quantities necessary to do this, and not be stuck with the un-saleable garments in cheaper mixed bales. He imported 2–3 shipments of 100 tonnes (4 containers) a time from Korea. Even though the goods have to travel from Calcutta to Delhi and back again, it was still essential to be located in Azad market to get the range of buyers he needed. He imports all types of clothing for the Northeastern market: jeans, sweatshirts, tracksuits, ladies sweaters, jackets, T-shirts, skirts, dresses, etc. For example, his Christian customers could buy an imported used wedding dress for about Rs. 500, which he claimed one could not buy new in India for under Rs. 25,000. Some of the bales are pre-sorted, and sorting factory names, alongside the country of origin, function as recognisable brands amongst petty traders, whereas 'mixed bales from Korea' are cheaper.

## 5. Illicit and informal economies

Jha argues (2006) that the Indian informal economy is neither innovative nor full of opportunities, but is a "shock absorber" for the results of increasing competition in a globalised capitalist system (see also Harriss, 2005; Harriss-White, 2003). As Hart comments (2000), the decline of the formal economy in India is directly linked to the deregulation of Indian capitalism, supported by the World Bank and development agencies, with (quite literally in this case), the 'periphery mopping up the waste of the centre.' Regional specialists debate whether this decline either reflects the increasing exploitation of workers or provides better opportunities for economic accumulation (e.g. Maiti and Sen, 2010), but it is clear that both emerge simultaneously in an environment characterised by illegal dealings and increased risk. As Chatterjee points out, the informal is not just the domain of the poor, but a site of accumulation for the non-poor (Chatterjee, 2008).

Indian street-hawkers face the threat of extortion from local officials as part of a wider tendency towards greater control of the marketplace, as fieldwork on trading old clothing in Delhi found.<sup>15</sup> According to Chatterjee's theory of the political society, people earning their living at the margins of legality are dealt with by the state not as proper citizens possessing rights as a legitimate part of civil society, but as particular groups that are the targets of specific policies that tacitly acknowledge illegal practices (Chatterjee, 2004). Traders form associations to argue the case for their rights (which Azad market's wholesale traders in worn clothing have also done); '...this makes the claims of people in political society a matter of constant political negotiation and the results are never secure or permanent' (Chatterjee, 2008: 58).

My research to date suggests that the further up the supply chain one goes, the more entangled these relationships become with a wider range of actors that enable and control the supply. The SHC trade opens up questions as to the role of corruption in civil society and the entanglement of informal and illicit trades with elite self-interest. As Ajay's interest in keeping the market restricted shows, research into the political motivations behind the recent history of changes in federal trade policy and its

<sup>15</sup> Though the new Street Vendors Act, 2014 is designed to protect vendors' rights.



implementation in this area would be very helpful in determining the relative interests and influence of different political actors and the links between elite commercial and political interests.

In this trade, the SEZ is the borderland (van Schendel and Abraham, 2005), a federal state enterprise whose operation appears to be heavily influenced by high-level consortia of private investors. Neveling points out that instead of identifying Indian SEZs as post-1991 neoliberal institutions connected to the retreat of the state, Kandla was inaugurated in 1965 as a Free Trade Zone (KFTZ), an enclave of neoliberalism that helped prop up the Nehruvian state with foreign exchange earnings in hard currencies such as US dollars and Sterling (Neveling, 2014). Countering Ong's theory of these zones being neoliberalism's 'exceptional' spaces (Ong, 2006), Cross suggests that SEZs are 'better theorized as unexceptional spaces that make legible, legitimate and visible the conditions of informality and precariousness under which most economic activity already takes place in South Asia' (Cross, 2010: 358). The use of cheap migrant labour underpins the ability of business licence-holders and their well-connected sleeping partners to accumulate capital by taking advantage of the state's free trade zones, supporting import restrictions then avoiding regulation and financial penalties. Some Indian SHC traders might agree with Andrew Sanchez' analysis of accumulation in Jharkhand,

'Far from having entered a new corporate age of transparency, professionalism and opportunity, liberalised India is perceived to function on the same corrupt, oligarchic terms as in the past, albeit with an altered cast of victims and a greater variety of business opportunities. ... [W]ealthy entrepreneurs maintained wide networks of corrupt state officials, organised criminal enforcers, accountants, mediators and bureaucrats. Their continued success involves a flair for negotiating between apparently distinct skills and institutions, which is revealing of the relationship between criminality and India's liberalised economy.'

[Sanchez, 2012: 448, 449]

Sanchez discusses the importance of criminality in directing flows of wealth and power, and that the capital flows of corruption and criminality collapse many of the distinctions between formal and informal economies. Widespread public recognition of the links between politics and criminality arises out of the perceived culture of entrepreneurial corruption in Indian public office (Sanchez, 2011); he concludes that corruption and criminality are often integral to the development of capitalism, rather than marginal activities.

## 6. Conclusion

Developing models of clothing sustainability focus upon transforming waste into a resource through closed loop production with incipient producer take-back schemes (Braungart and McDonough, 2002; Chouinard and Stanley, 2012; Rhoades, 2014), or regional circular economies (Ellen MacArthur Foundation, 2012, 2013; Morgan and Mitchell, 2015) as a means to control resource flow and monitor the social and environmental impacts of production and consumption. European policymakers are focusing on fostering credibility and making charity collecting schemes and recycling businesses more transparent at the regional level as a first step to realising these models, but it seems unlikely that exports of SHC to developing markets will fall significantly in the near future. Extending these questions to the ethicality of exports is likely to rise up the political agenda as governments continue to gather evidence and model best practice.

The Indian SHC market operates through every level of society, starting with the political and business elites with international

networks who 'play the game,' creating tariff-free zones and supporting protectionist legislation that enables some of them to profit by facilitating smuggling: the description of the Big Men is familiar from the 'muscular politics' of South Asia described as the 'Mafia Raj' by Michelotti (2010). A small number of key importers appear to exert significant influence on state enterprises in the borderlands, and use their political capital to further their own interests, squeezing smaller dealers out and monopolising certain categories to play the market. Van Schendel and Abraham identify a 'qualitative threshold between the activities of globally organised criminal groups and the scores of everyday forms of lawbreaking that are morally, politically and economically of a different order' (van Schendel and Abraham, 2005: 31), which is surely a key factor in extending the ethicality of the SHC trade into end markets.

This overview of the SHC trade in India supports Chatterjee's politics of the dispossessed and recent ethnographies of politics, power and corruption, suggesting that having a significant network of resources in informal, non-corporate and illicit economies enables people to function effectively in the modern Indian economy, and that operators need to be able to move between these spheres to achieve success. Ultimately the global SHC trade is predicated upon the unsustainable production and consumption of fast fashion that feeds it. As low-paid producers in the global south consume cast-offs from the global north, which they may have made but cannot afford to buy new, the whole cycle is characterised by increasing social and economic inequalities both within and between trading states. To enable traders at the end of the chain to earn a living, those concerned to make an ethical intervention in secondary markets will have to politically engage with local structures of power, and accept that these markets may be messy and unpredictable.

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