

# Why is the used clothing trade such a hot-button issue?

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**Apparel exports from Rwanda to the United States lost their duty-free benefits under the African Growth and Opportunity Act (AGOA) after the country refused to lift a policy that effectively bans imports of used clothing. Here, Shannon Brady and Sheng Lu from the University of Delaware offer some insights into world used clothing trade – and share their thoughts on why it deserves more attention.**

Back in March 2018, the Office of the United States Trade Representative (USTR) announced plans to suspend the preferential duty treatment for all AGOA-eligible apparel products from Rwanda because of its refusal to lift an embargo on used clothing exports from the US. Several other African countries, including Kenya, Tanzania and Uganda, could have faced the same fate if they had decided not to reopen their second-hand clothing market to the United States.

So why has used clothing trade become a hot-button issue? Where do used clothes come from and where do they go? What does the pattern of the world used clothing trade look like? And ultimately, why does the used clothing trade deserve more attention?

**The value of world used clothing trade has risen from \$1.8bn in 2006 to \$3.7bn in 2016, an increase of 106%**

**#1: World used clothing trade has grown significantly over the past ten years**  
Statistics from the United Nations show the value of world used clothing trade (HS code 630900) has risen from \$1.8bn in 2006 to \$3.7bn in 2016, an increase of 106%. Between

2006 and 2016, it enjoyed a 7.6% compound annual growth rate (CAGR), which was almost double the 3.4% CAGR for new clothing trade (HS chapters 61 and 62) over the same period. According to industry sources, by quantity, the world used clothing trade also has grown more than tenfold since the 1990s to reach more than 2.8bn pounds annually.

**#2: The world used clothing trade flow is highly unbalanced** *On the one hand, developed economies are the dominant suppliers of used clothing.* In 2016, nearly 40% of the world's used clothing exports came from three countries alone: the United States (15%), the United Kingdom (13%) and Germany (11%). Data also shows that the European Union and the United States together accounted for as much as 65% of the value of world used clothing exports between 2006 and 2016. The other country worth mentioning is China, which is quickly becoming another leading used clothing exporter. In 2016, China's used clothing exports totalled US\$218m, up from only US\$0.32m in 2006 – an increase of more than 684%!

## **In 2016, sub-Saharan Africa imported around 20% of the world's used clothing, far more than any other region in the world**

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*On the other hand, most used clothing exports end up being sold in developing countries, especially the least developed ones.* For example, in 2016, sub-Saharan Africa (SSA) imported around 20% of the world's used clothing, far more than any other region in the world. By value, the top three individual importers of used clothing in 2016 were all developing countries as well: namely Pakistan (6.0%), Malaysia (5.8%) and Ukraine (4.9%).

**#3: Multiple factors have driven the rapid growth of the world's used clothing trade** *One major cause is Western consumers' increasing awareness of sustainability issues associated with apparel.* Another is the meteoric rise of “fast fashion,” with ever-increasing amounts of cheap garments produced for short periods of wear resulting in an enormous surplus of used clothing; far too much to be sold in US domestic thrift stores. According to industry sources, roughly 60% of used clothing collected in the United States was sent abroad. Further, for US companies that collect donated used clothing, the for-profit export business is often their single largest source of income that supports other non-profit activities (such as philanthropic initiatives).

## **In Rwanda, the price of used clothing, in general, is only about one-fifth of the price of new clothing locally made**

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*Another critical factor behind the booming trade in used clothing is the genuine import demand in some of the world's poorest countries.* For example, the East African Community (EAC) includes several of the world's largest used clothing importers such as Kenya, Rwanda and Uganda. According to a 2017 EAC report, used clothing imported by its members is both cheaper and of better quality than the new clothing produced by local apparel factories. In

Rwanda, the price of used clothing, in general, is only about one-fifth of the price of new clothing locally made. At least 80% of Rwanda's population cannot possibly pay to clothe themselves if they have to depend on new clothing alone.

It should also be noted is that the used clothing trade is not a charity but a monetised industry in the importing countries. Since very limited economic opportunities are available in least developed countries, the buying, selling, repairing and altering of imported used clothing creates thousands of jobs and provide a means of living for local people.

## **Of the total 180 countries covered by the WTO tariff database, 115 (or 64%) set an equal or higher tariff rate for used clothing than new**

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**#4: Trade policies regulating used clothing trade are often controversial** While trade barriers on new clothing attract much public attention, the used clothing trade faces even heavier and trickier restrictions of various kinds. World Trade Organization (WTO) data shows that in 2016 the average applied tariff rate for used clothing imports was 19.3% – higher than the 15.4% on new clothing (HS Chapters 61 and 62). Of the total 180 countries covered by the WTO tariff database, 115 (or 64%) set an equal or higher tariff rate for used clothing than new.

Further, it is not rare to see extremely high import tariff rates and other quantitative restrictions applied to used clothing trade. For example, in 2016 the applied most-favoured-nation (MFN) ad valorem equivalent tariff rate for used clothing was as high as 356.9% in Uzbekistan, 167.3% in Zimbabwe, 149.2% in South Africa, 116.8% in Rwanda and 100% in Vietnam. Several countries, including China, also explicitly discourage or even embargo used clothing imports based on concerns ranging from environmental degradation and sanitary worries, to the negative impacts on local textile and apparel production.

*Because of the complicated social, economic and political factors involved, how to regulate and manage the used clothing trade remains a key challenge facing the world community.* Take the used clothing trade dispute between the US and EAC for instance. It is understandable that as a least developed country Rwanda would like to phase out used clothing imports to help its domestic apparel manufacturing sector develop and grow. Indeed, neither economic theories nor any empirical evidence suggests that relying on imported second-hand goods could provide a foreseeable path to industrialisation and sustainable economic development. However, even with a used clothing ban in place, the apparel manufacturing sector in Rwanda may still find it hard to survive because of competition with cheap new clothing imports from Asia.

Likewise, should Western consumers be encouraged to donate their used clothing in the name of sustainability, if eventually most of these “free giveaways” are exported to the developing world for a profit? Do the least developed countries have the right to reject used

clothing from developed countries, or should the principle of “free trade” apply? None of these questions has an easy answer. However, the next time we discard our used clothing, there are certainly more things to take into account.

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