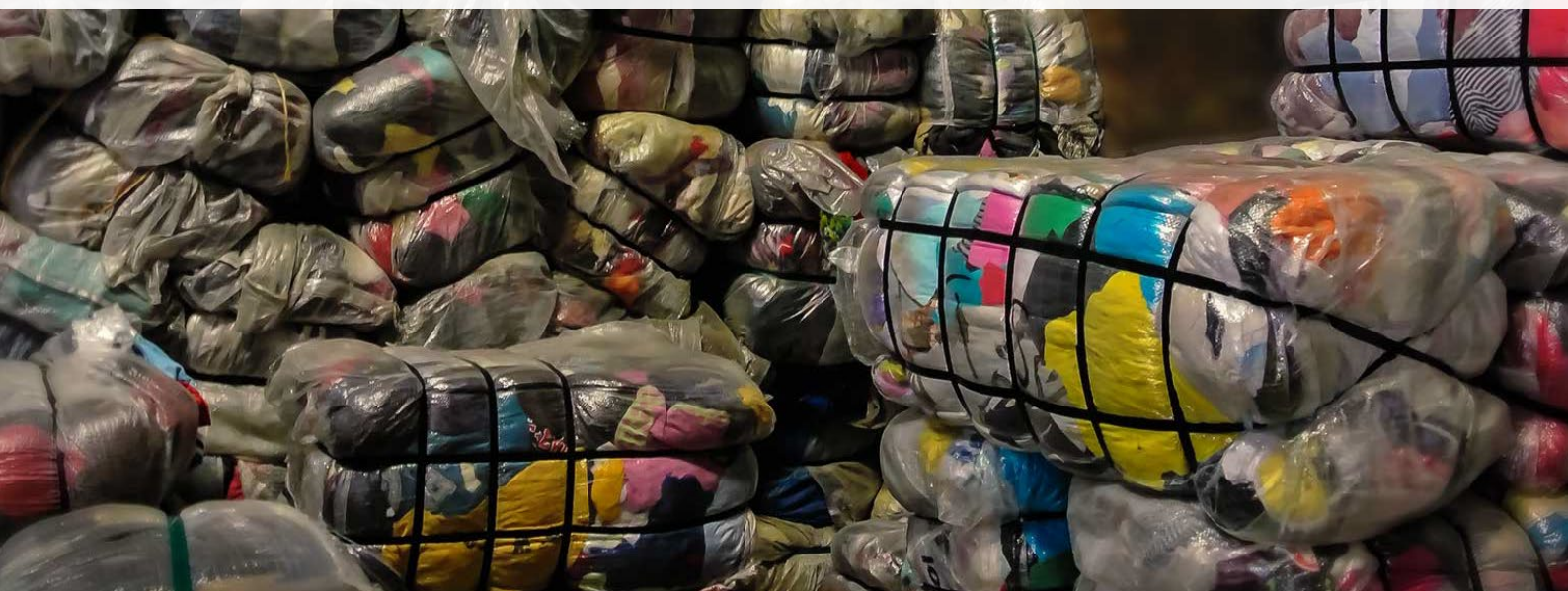


## Trade in Used Clothing in Africa – implications for developing a textile and clothing regional value chain in Africa

Taku Fundira



### TRADE BRIEF

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### ABSTRACT

The textile and clothing industry in Africa has been identified as one of the sectors that has the potential to drive Africa's industrialisation and create employment opportunities across the value chain. Estimates show that up to 600% of value can be created along the cotton value chain: from cotton production, spinning and twisting into yarn, to weaving and knitting into fabric, followed by dyeing, printing, and designing. Despite the potential the sector exhibits, it is important to note that over the past decade, this sector has been on a decline due to competition from mostly low-cost Asian producers. The high prevalence of poverty has also led to a growing demand for used clothing (UC), which has become a thriving business in several countries in Africa, most notably in East, West, and Southern Africa. African countries over the years have tried to contain the influx of UC into their domestic markets through levying high tariffs and in certain instances outright bans on used clothing imports. It is undeniable that trade in UC is big business and currently, Africa is the biggest market for UC. It is against this background that this trade brief provides an update on Africa's trade in UC for the review period 2016-2020.

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## Trade in Used Clothing in Africa – implications for developing a textile and clothing regional value chain in Africa

By Taku Fundira

### Introduction

The textile and clothing industry in Africa has been identified as one of the sectors that has the potential to drive Africa's industrialisation and create employment opportunities across the value chain. Estimates show that up to 600% of value can be created along the cotton value chain: from cotton production, spinning and twisting into yarn, to weaving and knitting into fabric, followed by dyeing, printing, and designing (Moungar, 2018). Despite the potential the sector exhibits, it is important to note that over the past decade, this sector has been on a decline due to competition from mostly low-cost Asian producers. The high prevalence of poverty has also led to a growing demand for used clothing (UC), which has become a thriving business in several countries in Africa, most notably in East, West, and Southern Africa.

African countries over the years have tried to contain the influx of UC into their domestic markets through levying high tariffs and in certain instances outright bans on used clothing imports. For example, in South Africa, imports of UC are controlled and subject to import permit requirements. They are also levied high tariffs of up to 164% ad valorem equivalent (ITC MacMap, 2022). In Zimbabwe, used UC imports were banned in 2015, but in 2017, the restriction was relaxed. To date trade in UC in Zimbabwe has become a thriving business in the informal sector and where most economically pummelled families are sourcing their clothing needs (Moyo, 2021). In East Africa, the decision to ban trade in UC was aimed at boosting the cotton, apparel, textile, and leather sectors whose industries could not effectively compete with the influx of UC into the region. This, however, received backlash from both domestic players and the international community with the US threatening to remove from eligibility of the preferences accorded to African countries under the Africa Growth opportunity Act (AGOA). Countries such as Kenya buckled to the pressure, while the decision by Rwanda to remain steadfast and implement the ban led to its loss of eligibility to preferences under AGOA (Katende-Magezi, 2017).

It is undeniable that trade in UC is big business and currently, Africa is the biggest market for UC. It is against this background that this trade brief provides an update on Africa's trade in UC for the review period 2016 – 2020. The paper first looks at the access to quality trade data. This is followed by an overview of the UC value chain and then the focus of the paper shifts to cross-border trade in UC. Here a global trade overview is provided and then a look at UC trade in Africa. The next section provides a summary of how UC trade is regulated in select countries in Africa. This is then followed by how UC impacts textiles and clothing regional value chain development. A conclusion is provided thereafter.

## Trade data issues

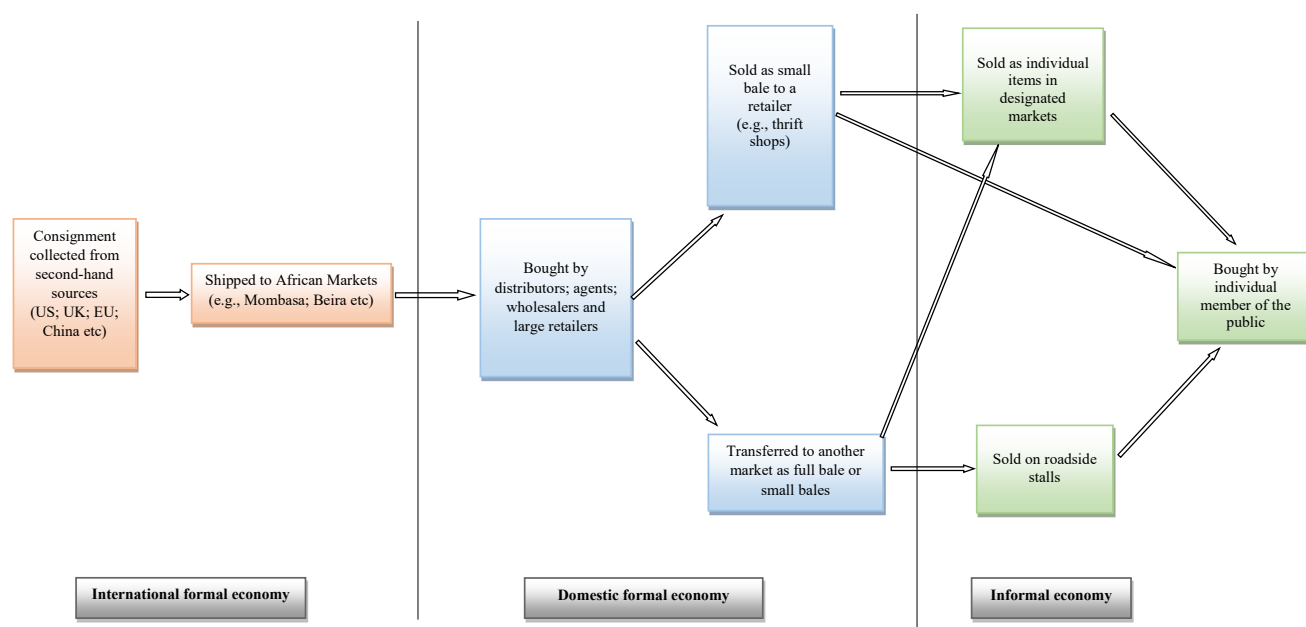
For the purposes of this analysis, the International Trade Centre (ITC) TradeMap database, which uses the Harmonised System (HS) of classification of trade to record cross border trade flows, is used. The review period is from 2016 to 2020. It is important to note that there are limitations to trade data and, for this analysis especially, access to reliable African trade data is not always available, and this does impact on the analysis. Furthermore, as trade data may be distorted or simply not reported for a given year, we only considered a review period for the years where complete data was available. In this case, the latest available year for data sourced from UN ITC TradeMap is 2020. Smuggling is prevalent for this product group, which may well be associated with bans on imports or the high tariffs levied. We must therefore treat the analysis as indicative of trade flows over the review period.

## Used Clothing Value Chain

Although the UC industry is a part of the broader fashion industry, it has its own supply chain and distribution channels. Typically, these goods are not available from local producers they are imported and distributed through different outlets and are significantly cheaper than new products. The value chain usually starts with UC collected from donors by commercial companies abroad which specialize in sorting them into different categories for export. This sorting process involves first dividing the clothes into rags, clothing, and fibre, and then these are further classified according to the type of product.

The clothes are then packed into large bales which are loaded into containers and shipped to final destinations. The key thing to note is that this clothing originates as a donation, it is then commercialized by companies and legally sent to export destinations, as formal trade from one country to another. Figure 1 outlines a rough value chain of the UC trade. In this value chain, there is an intermingling of formal and informal economy enterprises, with these goods moving in and out of registered enterprises as they make their way from the point of import to the end consumer.

**Figure 1: Example of used clothing value chain from point of import to the end consumer in Africa**



Adapted from Holt and Littlewood (2014)

## Trade Overview

ITC TradeMap data reveals that the global trade in used clothing was estimated at over US\$4 billion in 2020 having increased by a compound annual growth rate (CAGR) of only 1% over a five-year period from 2016-2020. The Covid-19 pandemic which disrupted trade is mainly attributed to the low growth as trade declined by 11% from US\$4.5 billion in 2019 to US\$ 4 billion in 2020. Sources of used clothing are mainly wealthy developed countries where used clothes occupy a niche market. In these countries

as already highlighted clothes are mostly donated as a charitable gesture but are ultimately sold at a profit in mostly developing countries where demand is high.

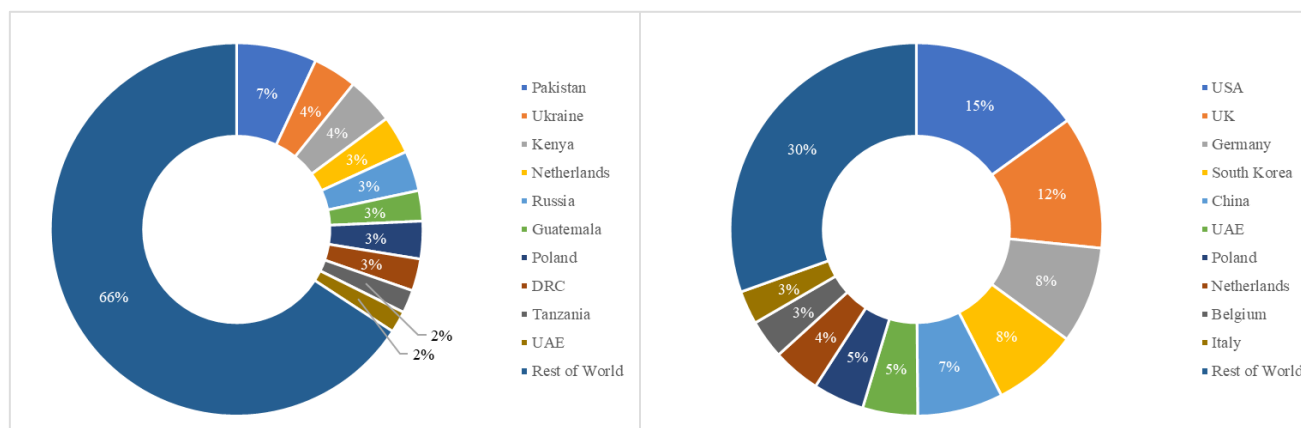
The largest exporters of UC are the USA, followed by the UK, Germany, South Korea, and China. This trend has not changed since 2016. These top 5 countries accounted for 50% share of total global exports with the US alone accounting for 15% and the UK another 12% share in 2020. Commercial sorting and grading hubs have developed in South Asia, Canada, Belgium, the Netherlands, and Hungary.

Top destinations are mainly in Asia and Africa, although some UC are also destined to South America and Eastern Europe. Unlike top exporters who are concentrated among a few suppliers, the importers are quite diverse, with the top 10 accounting for less than 40% share of imports. Figure 2 provides a picture of the top global importers and exporter for 2019. Note that 2019 data is used as opposed to 2020 data as the Covid 19 disruptions of trade make 2020 an outlier and may not reflect actual trade dynamics given that different countries implemented varying lockdown measures. From Figure 2, the following can be noted:

- Top importers and their market share include Pakistan (7%), Ukraine (4%), and Kenya (4%) feature in the destinations.
- DRC (3%) and Tanzania (2%) are the other African countries featuring in the Top 10.
- From Eastern Europe Russia (3%) and Poland (3%), while Guatemala (3%) from South America; and
- United Arab Emirates (UAE) was the only country featuring in the top 10 from the Middle East accounting for 2% share of global imports.



Figure 2: Top 10 Global importers (left) and Top 10 Global exporters of used clothing (right) in 2019



Source: ITC TradeMap

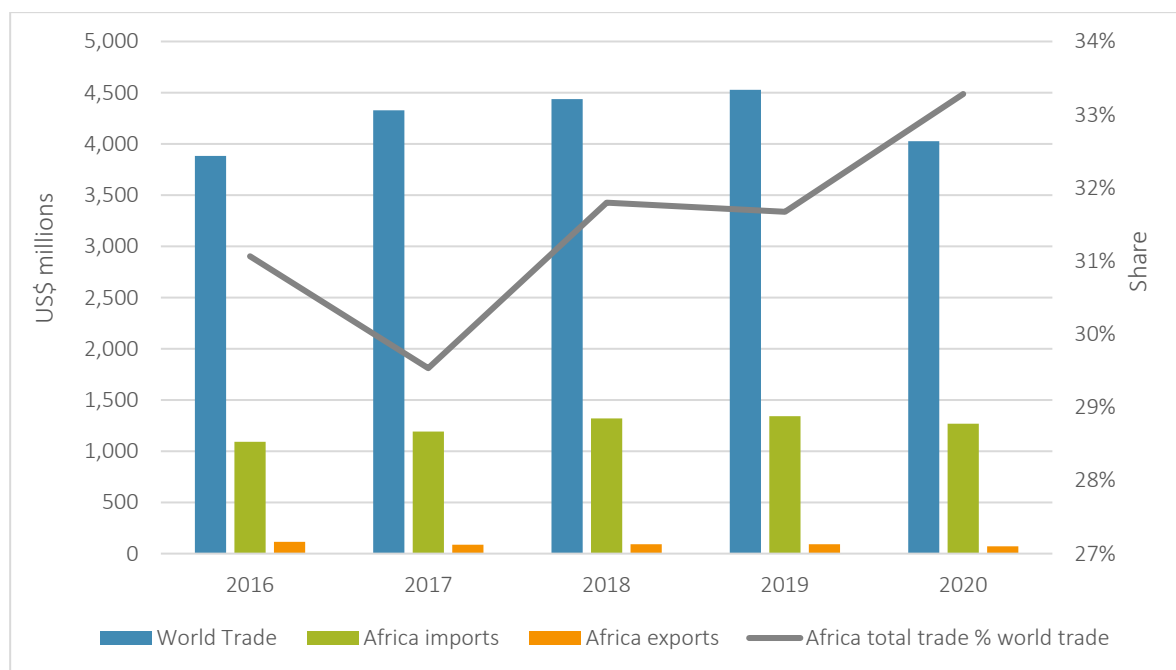
In Africa, UC trade has been booming over the past decade mainly because the set price of goods is usually so low that the price sensitive poor consumer even feels less compelled to bargain for any cheaper price. This together with the availability of cheap new garments from East Asia has however, had a negative effect on local textiles industries in Africa which are reportedly failing to compete under such conditions.

About 33% of global UC trade was destined for Africa in 2020. This translated to about US\$1.3 billion having remained just above US\$1 billion since 2016 and a growth of 4% (CAGR) over the five-year review period 2012-2016 at the continental level (Figure 3).

The African market is dominated by few suppliers with China accounting for 25% of Africa's UC imports in 2019. The US (9%); Pakistan (7%) and UAE (6%) follow China. Combined the top 4 countries accounted for almost 50% of Africa's total UC imports. Compared to 2016, China surpassed the UK which was the major supplier accounting for 20% share of Africa's imports at the time. The UK in 2019 accounted for only 6%. Germany also lost market share from 10% in 2016 to 6% in 2019 (Figure 4).

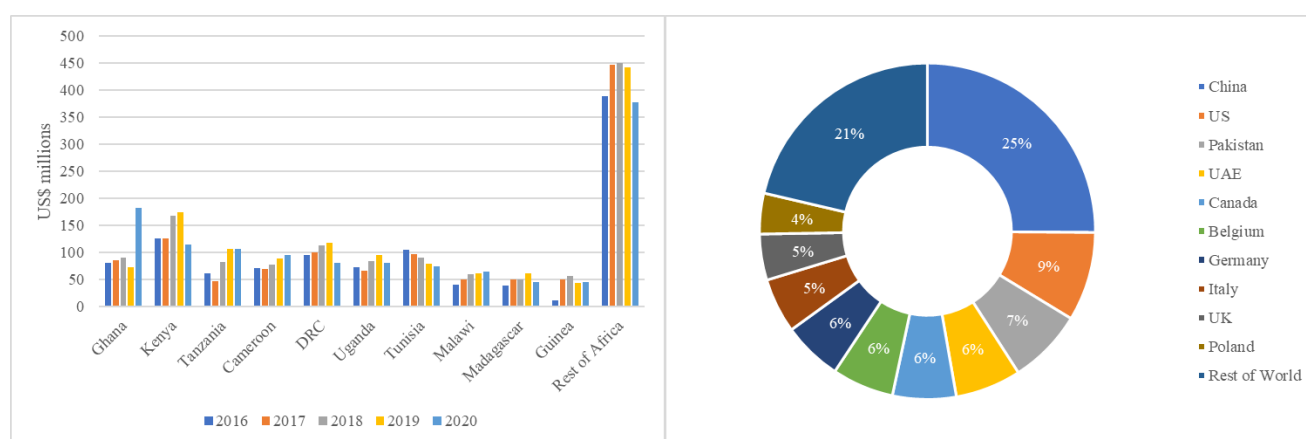


Figure 3: Africa's used clothing trade performance (2016-2020)



Source: ITC TradeMap

Figure 4: Top 10 African importers (left) and Top 10 Global exporters of used clothing (right) to Africa in 2019



Source: ITC TradeMap

At the country level, the following can be noted (Figure 4):

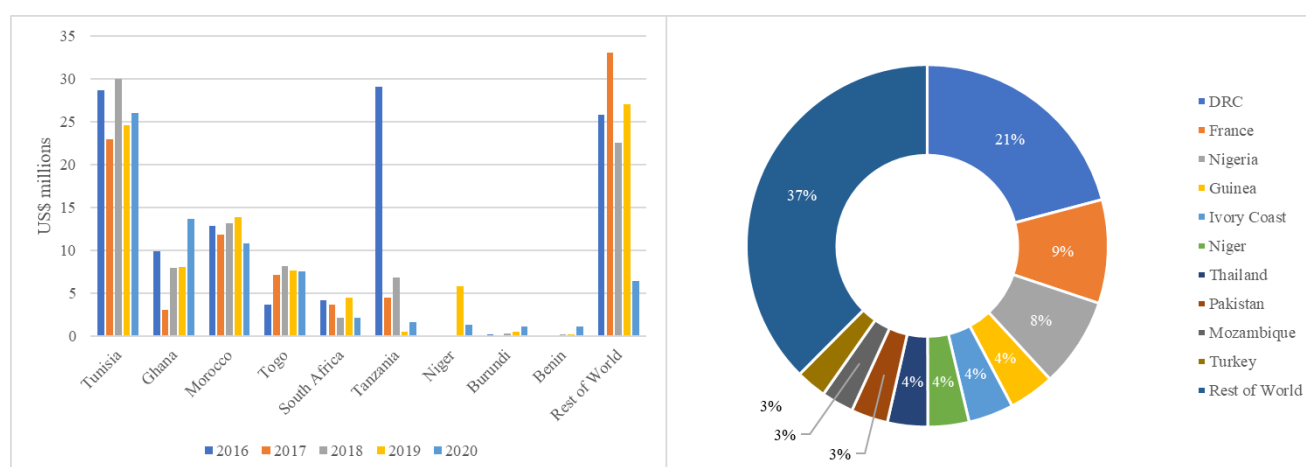
- About 70% of Africa's UC total imports were accounted for by only 10 countries, which translates to about US\$900 million in 2020.

- West African countries in the top 10 destinations account for 25% share of total Africa's UC imports represented by Ghana (14%); Cameroon (8%) and Guinea (4%).
- East African countries that feature prominently as top destinations include Kenya (9%); Tanzania (8%) and Uganda (6%) and accounting for 23% share of total Africa's UC imports of used clothes.
- From Southern Africa, countries that feature in the top 10 importers include the DRC, Malawi, and Madagascar; with a combined 15% share of total Africa's UC imports.
- Only Tunisia from the North features in the top 10 with a market share of 6% of total Africa's UC imports.

It is important to note that the composition of Top UC African importers has not changed significantly since 2016. Only Mozambique which was in the top 10 in 2016 has been replaced by Malawi in 2020. Mozambique was ranked 13 in 2020 accounting for 2% share of Africa's UC imports.

Figure 5 focuses on top African exporters of UC and the respective top global destinations of UC clothes. This is important to demonstrate that some of the UC end up in other African markets as reexports and not necessarily originating from these markets – with exceptions of countries such as South Africa.

**Figure 5: Top 10 African exporters (left) and Top 10 Global importers of Africa's used clothing (right) in 2019**



Source: ITC TradeMap

## Regulations impacting used clothing in Africa

The trade in UC in Africa is mostly regulated by levy of high tariffs and in certain instances surtaxes and levies, import permits among others to restrict imports. However, as already highlighted, this has not constrained trade in UC given the low-cost prices even after the duties have been paid.

In the Southern Africa Customs Union (SACU) which South Africa is a member of, used clothing is dutiable subject to an import permit (mostly reserved for charity donations), however in South Africa UC imports are banned. This, however, has not stopped UC trade in South Africa due to among other reasons, donated clothing finding its way into the commercial market, and porous borders that allow for smuggling (Rivoli, 2015). The bulk of smuggled UC originates from Mozambique (Velia, et al, 2006).

In East Africa, the East African Community Customs Management Act (2004, revised in 2009) is among the regional regulatory frameworks governing the trade of UC, however used underwear is banned. The EAC member states agreed in 2016 to a three-year phased approach to banning UC which today has not yielded successful results for countries such as Kenya, Tanzania, and Uganda whose informal economies are fuelled by UC (Katende-Magezi, 2017).

In West Africa, there seems to be no specific regulations on UC as most of these countries do not have vibrant textile and clothing industries after decades of decline and collapse and therefore no to little impact on the domestic textile and clothing industries.

Table 1 outlines tariffs applied by the different African regional economic communities (RECs). From the table, Southern African RECs levy the highest tariffs on used clothing in Africa. This is mainly because, the textiles and clothing industry remains highly sensitive, and this is where the largest exporters of textiles and clothing are located.

**Table 1: Tariffs levied by the 8 African Union recognised regional economic communities (2020)**

	Duty Type	Simple Average (%) AVE	Weighted Average (%) AVE	Minimum Rate (%) AVE	Maximum Rate (%) AVE
AMU	MFN	23	20	20	25
CEN-SAD	MFN	22	20	20	35
	PRF	0	0	0	0
COMESA	MFN	25	23	0	60
	PRF	3	4	0	32
EAC	MFN	10	10	10	10
	PRF	1	0	0	9
ECCAS	MFN	24	20	10	35
	PRF	0	0	0	0
ECOWAS	MFN	19	20	10	20
	PRF	0	0	0	1
IGAD	MFN	31	29	26	35
	PRF	1	0	0	32
SADC	MFN	29	23	0	60
	PRF	3	5	0	25

Source: World Bank WITS (TRAINS) database

## Impact of used clothing trade on textile clothing regional value chain development

African countries aiming to reinvigorate their textiles and clothing industries face huge hurdles and competition from UC especially in low-income African countries. Furthermore, complete bans will not guarantee success of the domestic industries which will continue to face additional competition from cheap imports of new clothing mainly from East Asia. Furthermore, banning tends to promote smuggling thus denying governments much needed revenue from taxes and levies on UC.

According to Katende-Magezi (2017: 33) a study undertaken by Frazer (2008) on the effects of the effects of donated clothes in the African market concluded that: “there exists a negative relationship

between the importing country's textile production and textiles imports; with a 1% increase in UC imports resulting in a 0.61% reduction in apparel production in the importing country".

## Conclusion

De-industrialisation has taken place in the African textile and clothing over the last few decades and raises the need for serious rethinking of national economic policies (Hattem, 2018). If conditions such as high electricity tariffs, the absence of real tax incentives, among others, are not addressed, even banning UC imports will not achieve its intended goal of boosting industrialisation in the region.

Boosting intra-Africa trade and promoting development of regional value chains can go a long way in ensuring that the textile and clothing industry is rejuvenated. This will require infrastructural foundations to be supported by pragmatic probusiness policies. At the national level there is need for concrete steps to be taken to address the problem of cheap imports, under-invoicing, mis-classification of textile imports, and other practices.

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## Databases

ITC TradeMap: <https://www.trademap.org/>

World Bank WITS (TRAINS): <https://wits.worldbank.org/>