MITUMBA CONSORTIUM ASSOCIATION OF KENYA

The Second-Hand Clothing Industry in the East Africa Community

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The Second-Hand Clothing (SHC) industry employs an estimated 3.4 million jobs in East Africa and sustains livelihoods of millions of households

This paper makes the case that the Second-Hand Clothing (SHC) sector is vital to the economic and social future of the countries that comprise the East African Community (EAC). Growing the SHC and apparel industry is a win-win for consumers, governments and the environment. Instead of imposing regulatory and legislative barriers on SHC businesses, the EAC and national governments should develop strategies to ensure the gains generated by the sector are widely shared. On average, every ton of SHC imported into EAC countries creates around 7.58 jobs. Imposing restrictions on the SHC sector would put an estimated 3.4 million jobs in East Africa at risk that currently help to sustain the livelihoods of millions of households. Not only does a growing SHC industry work in the interests of regional economic development, crucially, the sector makes a vital contribution in driving the transition towards a more circular and sustainable economy. SHC increases the reuse rate for textiles and ensures more material will be used for recycling. At present, the production of lost cost new clothing through the textile industry generates carbon emissions while consuming vast quantities of scarce resources. The global transition from low cost 'fast fashion' to a circular production model is an urgent imperative: East Africa has the potential to lead the way.

The core argument is that expanding the SHC industry in EAC to grow a stronger and greener economy requires active government involvement to promote innovation and competitiveness. Governments shape the business environment and facilitate the spread of innovation and entrepreneurship in SHC markets. At the same time, maximising the potential of the sector requires a multilateral approach, ensuring that states in East Africa cooperate to grow markets and supply-chains where it is in their self-interest.

Moreover, there are long-term threats to the textile industry in the region, given the growing dominance of China and Asian producers in African markets. The most important supplier of textiles into the EAC is currently China whose imports far exceed the United States. Imports of Chinese clothing, both legitimate and undeclared, constitute a growing threat to the East African textile manufacturing sector. While it might be tempting for governments in this climate to impose prohibitions on the importation of SHC, there is little evidence the policy would benefit the development of either the domestic textile industry, or the living standards of ordinary workers. Protectionism more often stifles productivity growth and sectoral innovation.

Although the EAC elected not to prohibit used clothing imports in 2016-17, there are still concerns that EAC states will seek to ban or restrict the sale and importation of SHC. Strategic blueprints such as 'Vision 2050' imply EAC member countries still want to reduce their dependence on second-hand clothes in order to revitalise domestic textile production and spur the growth of the new middle-class.

There is still widespread misunderstanding of the SHC industry and its impact in East Africa. We argue that weakening the used clothing sector in the EAC would merely benefit the cheap garments trade in China. There is little doubt that China is a serious competitor in domestic supply-chains. Yet there is little evidence to support the claim that SHC importation weakens the domestic production of textiles. Moreover, we know that in general, consumers in the EAC region are not in favour of a ban. They welcome the general quality and affordability of used clothing and are often sceptical about new clothes produced in their countries.

The domestic textile production sector and the SHC and apparel sector are in fact complementary. The expanding market in SHC generates a virtuous circle of production: the growth of economic activity leads to increasing consumer purchasing power, widening demand for textile products which in turn creates more employment opportunities and boosts household income. There is no robust economic evidence that trade in used clothing weakens demand for local textile production. Countries that have revived their textile sector have invariably done so by reviving domestic demand, particularly through reforming the procurement strategy of the public sector.

The global transition from low cost 'fast fashion' to a circular production model is an urgent imperative: East Africa has the potential to lead the way

This paper argues the two sectors – new domestic textile production and SHC/used clothing – must work together. The policy response should be for national governments to shape policies that boost SHC businesses in EAC member-states, rather than pursuing protectionist industrial policies that are unlikely to benefit workers or consumers. The expansion of reuse and recycling in textiles means that the entire industry is potentially shifting towards a circular economy production model. Moreover, SHC generates competition that helps to incentivise technological innovation throughout the textile production sector. The SHC industry will remain a continuing source of relatively wellpaid employment, tax revenues and GDP so long as national governments and the EAC ensure there is a competitive operating environment conducive to the sector's long-term growth.

The route to economic growth, enhanced consumer welfare and greater environmental sustainability is pro-actively developing the SHC sector, its key infrastructure and the skills of the workforce. New sorting centres are particularly crucial for the future of the industry. Modernised sorting facilities will allow countries to export clothing more efficiently to high-demand markets. 'Sorting facilities will help realise the East African nations' goal of becoming among the leading high-value, high-wage, and high-skill economies in Africa', according to Teresia Wairimu, the chair of the Mitumba Association of Kenya. The establishment of a series of Sorting Centre hubs in the region has the potential to create a significant number of additional jobs. Evidence for the success of Sorting Centres in Poland and Pakistan indicates that strengthening infrastructure will lead to significant economic gains.

National governments must cooperate across borders to boost the SHC and textile sector throughout the region

The key recommendation of the report is that countries must avoid protectionism in banning the importation of second-hand clothing. Not only do such moves violate trade agreements, particularly with the WTO and United States, but a policy approach in which governments focus on proactively expanding state of the art sorting-facilities while boosting skills and entrepreneurship is far more likely to deliver growth and jobs in the future. Other improvements are needed to grow the SHC sector, not least reliable power and energy supplies alongside digitalisation. For domestic textile production, the priority is not to ban SHC imports but to address core challenges of competitiveness and modernisation.

There is a crucial role in this process for the EAC itself. Memberstates across the region must follow a coordinated strategy. National governments must cooperate across borders to boost the SHC and textile sector throughout the region. Not only are the gains for the economy in terms of jobs and rising living standards likely to be very significant; such policies will drive the transition towards a more sustainable, circular economy.

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