

How to Regulate Used Clothing Trade: Lessons from the U.S.-East Africa Trade Dispute on Used Clothing Import Ban

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The world used clothing export has significantly increased from only \$1.6 billion in 2006 to \$3.2 billion in 2017 (UNComtrade, 2018). While existing studies have attempted to evaluate the economic and social impacts of used clothing trade or consumers' purchasing behaviors for secondhand clothing, the academic literature on the design of appropriate government policy regulating used clothing trade remains limited (Hansen, 2004; Brooks, 2015).

To fulfill the research gap, this study investigated a recent high-profile trade dispute between the United States and the East African Community (EAC) on used clothing import ban. In 2016, East African Community (EAC) decided to phase out imports of used clothing so that its nascent local textile and apparel industry would have the chance to develop and grow (United States Agency for International Development [USAID], 2017). However, in defense for the commercial interests of its used clothing exporters, the U.S. government suspended some EAC members' eligibility to export apparel to the United States duty-free under the African Growth and Opportunity Act (AGOA) (Office of the U.S. Trade Representative [USTR], 2018a). Notably, as a flagship trade preference program established in 2000 by U.S. Congress, AGOA aims to *help* EAC and other developing countries in Sub-Saharan Africa (SSA) grow their economy through expanded exports to the United States, particularly apparel (USTR, 2018b).

Reviewing the existing literature shows that regulating the used clothing trade faces two unique challenges (Brady, S., & Lu, S., 2018). On the one hand, developed economies are the world's dominant suppliers of used clothing, whereas developing countries, especially the least developed ones, absorb the majority of used clothing imports (UNComtrade, 2018). On the other hand, while sustainability and recycling-related businesses are increasingly regarded as a new economic growth engine in developed countries, the low-skill and labor-intensive apparel-manufacturing sector had played a significant role in promoting many developing countries' initial industrialization in history (Dickerson, 1999; Paras, Pal & Ekwall, 2018). The highly unbalanced trade pattern and the competing interests suggest it could be particularly sensitive and consequential to regulate used clothing trade (Brooks & Simon, 2012; Norris, 2015).

To better understand the policy objectives, challenges, and effectiveness of regulating used clothing trade in practice, this study focuses on three research questions through analyzing the U.S.-EAC trade dispute: 1) why did EAC countries propose the used clothing import ban? 2) How to interpret the U.S. response to EAC countries' used clothing ban? 3) What debates remain unsolved regarding regulating the used clothing trade? The findings of the study help us gain more insights into the complex factors involved in

the design of used clothing trade regulations and better understand the patterns of used clothing trade. The findings also offer valuable inputs for related policymaking.

Because of the exploratory nature of the study, we adopted the qualitative research method to obtain a richer in-depth understanding of the research questions (Maxwell, 2008). Based on purposive sampling suggested by Robinson (2014), in summer 2018, we conducted ten in-depth interviews with decision-makers and stakeholders directly involved in the trade dispute, including senior U.S. trade policymakers for textile and apparel, the leadership of U.S. used clothing exporters and industry representatives from EAC countries. The interviews were semi-structured to meet the needs of addressing the research questions without losing the opportunity of obtaining meaningful information (Maxwell, 2008). Each interview lasted 1-1.5 hours, and the transcribed interviews were analyzed by NVivo12 (Bazeley & Jackson, 2013). The analysis of the interviews reveal several common themes:

First, the motivations behind EAC countries' used clothing import ban are multiple. For example, economically, EAC countries want to develop their local textile and apparel industry and see the surging used clothing imports a significant threat. Notably, helping EAC countries develop their economy through "trade not aid" was also the main objective set by the U.S. government in AGOA. One interviewee said, *"trade-led growth was believed to be more sustainable and mutually beneficial than simply "donating money" to Sub-Saharan African countries."* The principle of dignity is another major cause of EAC's used clothing import ban. One interviewee noted, *"the colloquial term for used clothing in many EAC countries is 'Mitunda'...However, this word carries a deeper connotation that the used clothing is sent from a rich western country to a poor African country—this hurts the national pride."*

Second, the U.S. government took a carefully "measured response" to EAC countries' used clothing import ban. For example, while five EAC members proposed the ban, eventually the United States only took the retaliatory action against Rwanda. Also, instead of terminating Rwanda's AGOA status permanently, the U.S. government chose to *suspend* Rwanda's AGOA benefits. *"If Rwanda decides to comply by discontinuing their used clothing ban, there are ways that their apparel benefits under AGOA will be reinstated,"* one interviewee said. Likewise, one interviewee said: *"Rwanda only exports a small amount of apparel (to the United States), therefore suspending their apparel benefits does not affect a large portion of goods exported under AGOA."* Further, according to interviewees, the competing opinions among different stakeholders in the United States is a critical factor behind the "measured response".

Third, neither the import ban nor the suspension of EAC's eligibility for AGOA seems to be the real solution to the problem. Some interviewees questioned the effectiveness of the used clothing import ban on promoting the development of the local textile and apparel industry in EAC countries, *"used clothing is NOT the only competition faced by the textile and apparel industry in EAC countries...the import ban would do little to alleviate the competition with cheap new clothing imports from Asia."* Some interviewees also pointed out that how to make AGOA work better is even more critical to the future

development of the textile and apparel industry in EAC countries than the debate on used clothing import ban itself.

Findings of the study reveal the complexity of regulating used clothing trade, which involve economic, social, legal and political considerations that go far beyond used clothing itself. How to modernize and improve the effectiveness of trade preference programs, such as AGOA, as an economic development tool for EAC and other developing countries struggling with used clothing imports will be something meaningful to study in the future.

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