

## **Is the Banning of Importation of Second-Hand Clothes and Shoes a Panacea to Industrialization in East Africa?**

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### **Abstract**

The objective of this study was to investigate if the banning of importation of second-hand clothes and shoes is a panacea to industrialization in East Africa. Qualitative and quantitative secondary data were employed to validate the research objectives. The study found that most people used second-hand clothes and shoes because they were cheaper, good quality and fashionable. Likewise, the trade of second-hand clothes and shoes created employment, generated revenue and filled the gap during shortage. Nevertheless, the second-hand clothes and shoes trade contributed to the collapse and hamper the current initiative to revive the textiles and leather industries. Similarly, the trade has been associated with some skin diseases, had negative impact on self-esteem of the consumers and conflicted with some African values and traditions. Besides, there were some socio-economic and technical factors, influx of clothes and shoes from Asia as well as un-competitive local environment which contributed to the collapse of the former industries. In view of the above, the following were recommended: First, the phase-out of second-hand clothes and shoes should be gradual and implemented over a longer period of time (5-10 years) to lessen the impact of the ban on the lives of the consumers and traders. Second, the governments should put in place effective policies to control unfair competition of Asian products. Finally, the governments should rectify all factors that led to the collapse of the former industries and put in place a conducive business and investment environment necessary for the growth of the new industries.

**Key Words:** Ban, second-hand clothes and shoes, industrialization, conducive environment.

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## **1. Introduction**

In the 1960's to the early 1980's, the clothing and shoes industrial sector in East Africa<sup>23</sup> thrived and produced for both the local markets as well as the export market, and employed thousands of people (Katende-Magezi, 2017). The value chains in the industrial sector were well established right from the production of raw materials to the finished products (ibid.). This means, the production of cotton, ginning, spinning, weaving, tailoring and marketing were all done within the region. However, following the economic liberalization policies in the early 1980's, most of the clothing and shoe industries closed due to among other reasons, the emergence and thrive of used clothes and shoes business (popularly known as Second-Hand Clothing - SHC)<sup>24</sup> in East Africa (Brooks and Simon, 2012; Katende-Magezi, 2017). By the early 1990s, the trade in used clothes and shoes had evolved into a thriving sub-sector of national economies in East Africa (Kabanda, 2016).

As a result, majority of the population in East Africa today source their clothing needs from the informal sector, which has curtailed efforts to revamp the clothing and shoes industrial sectors in the region (Brooks, 2016; Katende-Magezi, 2017). Currently, the East African Countries (EAC) imports considerable amounts of second-hand textiles and footwear (Calabrese, 2016). Despite being a small region, its imports increased from \$100 million in 2001 to over \$300 million in 2014 - a quarter of what the entire African continent imports (\$1.2 billion in total) (ibid.). Brooks (2016) put the value of SHC entering EAC up to \$151 in year 2015 alone. The reasons for the raise in that business is because the SHC are cheaper and of better quality than the new clothing available in the market (Calabrese, 2016).

The consequence of too much reliance on imported SHC compared to locally produced clothes and shoes are that the East African Countries have been unable to establish their own industries to produce clothes and shoes to cater for the region needs (Calabrese, 2016). Uganda for example, which is a cotton producer, has around 30 garment and footwear producers (ibid.). Kenya's apparel industry employs around 30,000 people, and Rwanda has made plans to set up a garment factory with the support of foreign investors. In Tanzania, 22 cloth industries out of 24 collapsed in the 1990s (Mashindano, 2017). Currently, few textile industries which exists are involved in dyeing, spinning, weaving, printing Khanga and Kitenge, bed sheets, garments, knitting, woven blankets and socks (Kinabo, 2014).

The realization that the growth of a stable economy depends on the establishment on industries and its ability to export goods (Moses, 2016; Mashindano, 2017) has made the EAC to set modalities to revamp the textiles and leather industries in the region while at the same time intends to stop the importation of used textiles and leather products from outside the region (EAC Secretariat, 2017). The modalities provide a roadmap of action necessary for the phase-out of importation of SHC into EAC market within the 2017 - 2019 period (ibid.). The aim of the move is to promote a self-sustaining and balanced industrial growth, and to improve the competitiveness of the industrial sector so as to enhance the expansion of trade and export of industrial goods within and outside the community (ibid.). In so doing, it is anticipated that the region would foster overall social and economic development in the partner states and encourage the development of indigenous entrepreneurship (ibid.).

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<sup>23</sup> Sometimes referred to as the "region" in this paper.

<sup>24</sup> Second-hand shoes are included in the category of SHC.

The East African Countries can realize their individual national dreams - declared through Visions (Uganda Vision 2035; Kenya Vision 2030; Burundi Vision 2025; Tanzania Vision 2025; and Rwanda Vision 2020) that are in line with the EAC objectives, African Union (AU) Agenda 2063, and United Nations (UN) Sustainable Development Goals (2015 - 2020) of achieving middle income economies (Bee, 2016). The visions can be achieved if they pursue an all inclusive socio-economic development strategy based on industrialization. Since industrialization has significant impact on the wellbeing of the local people, it has higher impact on social and economic development if promoted vigorously and given appropriate environment to operate - policy, legal and relevant support framework.

One of the strategic industries that were earmarked for priority development by the East African industrialization Policy (2012 -2032) was the agro-processing (textiles, leather and dairy) industry (EAC Secretariat, (2017). The industry has been identified as the biggest direct employer of all manufacturing industries with a huge employment potential in the service sector through backward and forward linkages (ibid.). In the EAC, the cotton, apparel, textile, and leather sectors are such sectors (ibid.). The EAC's textile industry has comparative advantage on production of cotton and leather, they boasts a large market and an emerging middle income class, with lower wages and power costs. They enjoy duty and quota-free access to the US market through the African Growth and Opportunity Act (AGOA) and the strong support from the governments for industrialization. The goal of the SHC phase-out is therefore to boost the cotton, apparel, textiles and leather sectors whose industries cannot effectively compete with the influx of SHC into the region (ibid.).

Although various studies have been carried out to examine the impact of SHC on industrialization in EAC (Brooks and Simon, 2012; Calabrese, 2016; Katende-Magezi, 2017), not much have been investigated to determine whether the banning of SHC is a panacea to industrialization in the region or not. This paper hereby postulate that although banning of SHC might be a viable strategy, it need to be supported by other strategies like banning of new but cheap products from Asia and the creation of conducive and competitive business and investment environment through which the intended industries would grow.

## **2. Literature Review on Second-Hand Clothes and Shoes (SHC)**

### **2.1. The concept of SHC**

SHC are referred to as clothes and shoes items that have already been used by one person prior to the present user (Chipambwa et al., 2016). SHC are locally known as “*mitumba*” in Tanzania and Kenya, “*mivumba*” in Uganda, and “*mutunda*” in Rwanda (Kabanda, 2016). *Mitumba* is a Kiswahili term, literally meaning “bundles”, referring to plastic-wrapped packages of SHC from the West arriving in bundles (ibid.). Historically, SHC were sent to Africa for the poor as donations (Chipambwa et al., 2016). In the wealthy West, used and pre-owned clothes occupy a niche market, while in third world countries, second-hand clothing imported from the West, are a staple or primary source of clothing (Bradley, 2013).

Principally, the issue of SHC has risen because the world consumption of clothing has increased due to the fast changing fashions and the existence of cheaper clothes with reduced quality (Katende-Magezi, 2017). So, consumers in the West have found themselves with more clothing than they need, with a purchase going out of style in a matter of weeks (ibid.). Since people in the West can afford to buy new clothes, they get rid of outgrown, unfashionable or worn out garments and discard them as waste, or dispose of them for recycling or donate them to charities (Cline, 2012 as quoted by Katende-Magezi, 2017).

Consequently, this has often led to more supply than the existing demand in the West, hence created the need to transfer the clothes and shoes, as donations, to the developing countries (Katende-Magezi, 2017).

The primary source of Second-Hand Clothing (SHC) to Africa is the United States, the United Kingdom and Germany (Bazzi, 2012; Brooks, 2016; Katende-Magezi, 2017). For instance in 2013, the United States, the United Kingdom and Germany SHC exports were worth more than \$685 million, \$600 million and \$500 million respectively (ibid.). The other main SHC exporters are South Korea, the Netherlands, Belgium, Canada, Poland, Italy, Japan and China (ibid.). The top SHC export destinations in Africa are Uganda, Tanzania, Angola, Ghana, Cameroon, Benin, Kenya and Togo (Bazzi, 2012).

## **2.2. SHC starts with charity/aid**

During the colonial days, SHC were exported to the colonies and, locally, charity shops catering for the poor sprang up (Moses, 2016). SHC was mainly imported by charitable organizations and churches for donating to the poor people (Kinabo, 2004; Bradley, 2013). The SHC were by then freely distributed by charitable organizations or churches to the people in need (ibid.). Charity Organizations, like the Salvation Army, Goodwill and Oxfam were the largest contributors to the second-hand and pre-owned clothing categories. These organizations collected clothes and donated them to the poor beyond their country's borders or re-sell them in brick and mortar retail shops as a fundraising strategy (Bradley, 2013).

In the beginning, the donation of SHC appeared to be a win-win situation for everyone involved. The Western charities receive the much-needed revenue to run their affairs, the African buyers with weak purchasing power got low-priced, well-made clothing, and the merchants find eager customers for their merchandise (Bradley, 2013). Unfortunately, the receiving countries did not know that SHC donation or aid was employed by the West to foster their ends. It was too late to realize that underneath such aid there were often a hidden agenda. The agenda were that the donating country created a dumping ground for their waste materials in order to protect their home environment, created market in the receiving country for their products and maintained trade surplus (Milner, 2014). Kabanda (2016) summarized it as "*white imperialism*". It is in view of the above that the donation of SHC started. So, the transfer of SHC to Africa started under the auspices of charity or aid (Milner, 2014).

## **2.3. SHC ends with trade**

Though historically SHC were sent to African countries for the poor communities as donations, the recipients realised that they could earn some income through selling them (Kinabo, 2004; Chipambwa et al., 2016). This resulted in the trade of the SHC globally (ibid.). The SHC trade flourished because it benefited both the exporting and the importing countries. The exporting countries gained revenue, jobs, and assured markets for their new clothes and shoes after killing the local textiles and leather industries in the importing countries (EAC Secretariat, 2015; Kelley, 2017). Also, the donating country protected their home environment, and maintained trade surplus. The receiving countries gained cheaper, quality and fashionable products which represented value for money, created jobs for the local people and revenue to the government (EAC Secretariat, 2015; Katende-Magezi, 2017).

During the crisis of the economy and the decline of performance of the textile and leather industry sector after the 1980s, SHC became very popular in East African Countries (Kinabo, 2004; Kabanda, 2016). SHC were no longer only for the poor people but they were demanded

by all categories of people. The Status of SHC became high and those who wore them were appreciated and praised (Kabanda, 2016.). It was then that most of the SHC were smuggled from neighbouring-countries into countries, which prohibited them. However, after the liberalization of the economy, the importation of SHC was no longer restricted (ibid.).

In the West, people can buy more fashionable items as they can afford these goods which directly translates to more clothes (still in good condition) to be donated (Hansen, 2014). Thrift shops in the West ended up having excess stock which they had to resell at bulk prices to commercial second-hand dealers who then export to African countries (ibid.). Some of the commercial recyclers of SHC in the West argue that they are providing clothing to some of the world's poorest as they can afford to buy these clothes cheaply (ibid.).

Although the second-hand clothing trade has a long history, its economic power and global scope grew vastly during the early 1990s in the wake of the liberalization of many developing economies and rising demand from former Eastern Block countries (Hansen, 2014). So it is in that way that SHC ended up becoming one of the most important tradable products and an instrument of fostering West's interests. Often the US has used trade deals such as the one involving SHC as a negotiating tool to meet its interests.

In the short run, the donation of SHC seem to meet the immediate needs of the poor East Africans, but in the long run it evolved into a big global trade which contributed to kill East African industries and dominated the market (Bradley, 2013). So, what was formerly thought to aid East Africa, played a significant role to kill the East African economies. In view of the above, the donation or the trade of SHC do not aid the receiver but the donor and its allies.

### **The users of SHC will be hit hard by the ban**

The beneficiaries of SHC trade contend that the ban of SHC will affect the wellbeing of various groups in the exporting as well as the receiving countries. This would occur because to effect the ban, the EAC would impose a Common External Tariffs (CET) on SHC gradually. At present, SHC attracts a CET rate of 35% or \$0.30 per kg, whichever is higher (EAC Secretariat, 2017). This means that the existing EAC regimes already discourage the importation of SHC into the EC owing to the higher duty imposed on its importation, unlike other goods that enter the EAC at the normal CET rate of 25% or less (ibid.). Despite such high CET rates, the importation of SHC into the EAC has been on a rise, which means an increased CET rate needs to be imposed to effect the ban. This move will hit hard the users.

It was planned that the ban would only come in effect, after an increase in local textile production (Kabanda, 2016). But in Rwanda, even before a ginnery was constructed, taxes on SHC were increased from \$0.2 to \$2.5 per kg and \$0.2 to \$3 per kg, an increase of 12 percent and 15 per cent respectively in the 2016-17 financial year. "Taxes on used clothes and shoes will increase as a way of supporting locally made products and industries... within three years, the EAC will not just levy taxes, but effect a total ban," Opposers of the ban claim that people buy and wear SHC out of practical economics and necessity, and the increased taxes will hurt the poor rather than support industrialisation (ibid.).

### **The Gap**

While the importation of SHC might be the cause and hinder industrialization in the EAC, it is not the only reason. There are other significant factors which need to be addressed if EAC is to take a smooth path of industrialization. This paper is meant to fill that gap.

### **3. The Main Objectives of the Study**

This paper was intended to investigate if the banning of importation of second hand clothes and shoes is a panacea to industrialization in East Africa.

#### **Specific objectives of the study are:**

1. To find out how the imported second-hand clothes and shoes is a hindrance to industrialization in EAC;
2. To ascertain how the importation of new clothes and shoes from Asia is a hindrance to industrialization in EAC; and
3. To examine how the business and investment environment is a hindrance to establish competitive cloth and leather industries in East Africa.

### **4. Methods and Materials**

The data for this paper was obtained from desk review relying on secondary data. In doing so, the information from different published literature like articles, proceedings, research outputs and unpublished (gray) literature were examined. The impact of importation of SHC on textile and leather industries were assessed. Finally, other factors that might hinder the revival of textile and leather industries in the region were analyzed.

### **5. General Benefits of Industrialization**

Industrialization is essential for economic growth, and for long-run poverty reduction (Msambichaka et al., 2015; Simbakalia, 2015). The ‘Traditional Economists’ believed that there was a direct linkage between industrialization and economic growth and poverty reduction. The linkage was clear: that industrialization enables economic to growth. Once the economy grows, there would be some benefits that will accrue to the population through “*trickle down*” mechanism. In other words, it will create the necessary conditions for the wider distribution of the economic and social benefits of growth (Todaro, 1977). In the same line Msambichaka et al. (2015) emphasizes that there is no country in the history of economic development that has become prosperous without having a well established industrial sector. The benefits of industrialization would then ‘*trickle down*’ to the people in various forms:

First, through job creation. As the emergence of various new and expansion of the existing industries and other economic activities produce more outputs, their internal requirement for people gradually increases. As a result, they will bring in more people to work, thus increasing the rate of employment. The employees with different levels of education and skills will then earn income and income poverty will be reduced considerably. Also, as the emergence of the industries benefits more of the semi and non-skilled workers, it will reduce income inequality within the community. While this may seem to be true, experience has shown that for it to happen, it would depend on the type of industries established (capital vs. labour intensive), location of the industries (urban vs. rural areas) (URT, 2011), the qualification of the employees (educated or non-educated, skilled or semi/non-skilled) and the existence of forward and backward linkage of the industries and other sectors (ibid.).

Second, through increasing the availability of goods and services. The emergence of new and expansion of industries and other bussiness entities would produce more goods and services and of different qualities. This means more goods and services would be available for consumption locally anf for exports. This would widened the choice and as a result improve the standard of living, reduce inequality and poverty. The extent to which an increase of

goods and services will have impact on the welfare of the people will depend on the availability of goods and services, quality of the products, their prices and people's taste in favour of the goods and services produced. In a country where most people, particularly, the poor consumes SHC and the elite and the well-to-do prefer the consumption of imported goods and services to local goods and services, it is unlikely that the locally produced goods and services would have any significant benefit to the community.

Third, through increasing government revenue. An increased government revenue will enable the government to provide more social and economic services like water, education, health, housing, electricity, roads and more opportunities for the majority poor who can not pay for the above public goods. Also, the revenue collected would enable the government to establish various developmental projects. Both attempts would reduce poverty and inequality within the community. The extent to which this will be realized will depend on whether the revenue is actually collected and is used for the poor or not. In countries where corruption is alarming, it is unlikely that more revenue will be collected and would be used for the poor.

Fourth, through increasing income as a result of expanding of economic activities (business/trade) across various sectors (due to interlinkage of sectors). The employees in the new emerged and expanded industries and other emerged business and service sectors would demand more goods and services produced by other sectors. For instance, more food and raw materials would be demanded by the manufacturing and service sectors. This would stimulate the agriculture sector to produce more goods and services to meet the emerged demand. However, to be able to do that the agriculture sector would need more inputs like insecticides, seeds, pesticides, fertilizers, machines and other tools from the manufacturing sector.

The service sector would also be required to provide services like transportation, extension services, banking, insurance, health and education to the agriculture and the manufacturing sectors. Such interlinkages of sectors would be beneficial to the employees of all sectors and the economy as a whole. This would happen if and only if the production content of the manufacturing sector is largely dependent on the locally available raw materials and the major consumption preference of the urban population is for the locally made products. In a country where the local production content is highly dependent on imported raw materials and the consumption of the majority population is in favour of imported goods and services, it is unlikely that this benefit will be realized.

It is based on the above grounds that the EAC aims to develop a vibrant industrial sector (Calabrese, 2016). Garment manufacturing is a great starting point, it uses simple technology, requires little capital to start production and can offer employment to many people (ibid.). For instance, the garment sector in the United Kingdom was the first step towards industrialization (ibid.). Beyond that EAC can diversify their production into other sectors.

## **6. Second-Hand Clothes and Industrialization in East Africa**

### **6.1. The arguments in favour of SHC**

The supporters of SHC argue that SHC have significant benefits to the exporting as well as the importing countries. So, banning them will be bad to the economy than good.

#### **6.1.1. The attractive characteristics of SHC**

##### **Who buys SHC?**

A study conducted by Bazzi (2012) revealed that about one-third of African people in Sub-Saharan Africa are customers of SHC. After the economic crisis, the SHC became popular and were demanded with people of all categories: the young and the old, the educated and uneducated, the rich and the poor, and women and men (Moses, 2016). Kibanda (2016) mentioned that a visit to Kampala's Owino, Kigali's Kimironko, Nairobi's Gikomba, Bujumbura's Marché Central and Dar es Salaam's Manzese market, will testify the extent used clothes and shoes have dominated the regional textile and leather industry.

### **Why do people use SHC?**

The reasons why people buy and use SHC are obvious and make a lot of economic sense: First, the affordability: The lower grades SHC are extremely cheaper to the extent that majority of the poor people can easily afford to buy them (Kinabo, 2004; EAC Secretariat, 2015; Katende-Magezi, 2017). Second, the quality: Most people view SHC particularly from Europe and America as having high quality in comparison with locally produced and new clothes and shoes imported from Asia (Bazzi, 2012; Katende-Magezi, 2017). Due to its high quality, there is a belief among consumers that SHC are more durable and lasts longer.

Third, fashionable: Most consumers of SHC believe that used clothes and shoes are stylish or fashionable than locally produced and imported new clothes and shoes (Bazzi, 2004). On the same line Hansen (2014) was of the view that the chief attraction of SHC is the style and variety, not price, which is why everyone regardless of class, buys SHC. They also believe that SHC fits well and makes a person look elegant (Hansen, 2014). Fourth, famous brand: Consumers of SHC particularly from Europe and America believe that the SHC are made of famous brand that make the wearer famous and popular (Bazzi, 2004).

Five, religion and tradition: Some poor people believe that new clothes and shoes are used only in special occasion like going to churches and during special ceremonies (Bazzi, 2012). This is likely because new clothes and shoes are more expensive and hence the high demand for cheap SHC in comparison to new ones (ibid.). Supporting the above argument, Field (2000) as quoted by Bazzi (2012) noted that the poor people in Kenya and Zimbabwe used SHC for informal occasions and new and expensive clothes and shoes for special occasion. Finally, the uniqueness: The desire for uniqueness, to stand out exceptional, while dressing SHC is another strong motive to buy SHC (Hansen, 2014). Unlike new clothes from Asia, it is rare to find another person wearing the same SHC dress with quality and style like the one you have worn. Most consumers of clothes and shoes like exclusivity (ibid.).

In view of the above, some people believe that the ban of SHC will deprive the East African consumers the freedom to choose imported SHC and will be compelled to buy higher priced local or new products imported from Asia (Brooks, 2016). Kabanda (2016: 3) summarized the views of the people on the ban of SHC as follows "*we have learned to deny ourselves many things including the right to express our views on different things, but denying us the right to choose clothes to wear that suits our pockets is hitting below the belt*". Also, the opposers of this move see three years as too short a period to lessen the effects of the phase-out on the poor and to establish industries which will produce goods to compensate the banned SHC. Katende-Magezi (2017) proposes a ban over a period of 5 to 8 years and some 5 to 10 years.

### **6.1.2. SHC creates employment to the local people**

Supporters of the SHC argue that second-hand clothes and shoes business creates job both in the exporting as well as the importing countries. The jobs are created in areas of transportation, washing, repairing, reconstruction, packaging and restyling (Kinabo, 2004; EAC Secretariat, 2015; Brooks, 2016; Chand, 2016). According to the US-based Secondary Materials and Recycled Textiles Association (SMART), the ban of SHC jeopardizes 40,000 jobs in the recycled-clothing and shoes industry in the USA (Kelley, 2017). Traders of SHC in the EAC were of the view that phasing out SHC imports would cause loss of income to many of them who are small and medium-sized (Kinabo, 2004; EAC Secretariat, 2015). So, the phase-out of SHC would increase the poverty levels and resurgence of anti-social behaviour such as drug abuse and various types of crimes (EAC Secretariat, 2015).

Perhaps because of the low value of SHC in the total clothing business makes the SHC business to be assigned a lesser importance. However, the fact is that although the total value of SHC business comprises only 5.0 % of clothing business, for the poor countries it consists of more than 30% of import value and more than 50% of its volume (Bazzi, 2012). The impact of SHC business especially in the countries with low purchase ability is definite (ibid.). In Uganda, for instance, the second-hand garments account for 81% of all clothing purchases (Goldberg, 2016). In Nairobi's bustling Gikomba market, a trader can make 1,000 Kenyan shillings (about \$10) a day by selling second hand clothes, making a decent living. According to The Economists, many people in the area get about a tenth of that (ibid.).

### **6.1.3. SHC filled the gap of shortage of clothes and shoes**

After the 1980s, some countries in the EAC experienced a shortage of goods including clothes and shoes (Kinabo, 2004). Some clothes and shoes that were produced in the region were not only scarce but were also of poor quality and unaffordable to the poor. For instance, due to shortages of clothes and shoes in some parts of the rural areas, some people wore sacks (Moses, 2016). The sacks became shirts and skirts or something to wrap-up (ibid.). In order to fill the gap, some businesspersons started smuggling used clothes and shoes into the region. It was at this time that the used clothes and shoes business became important and its status rose. This evidence confirms the fact that importation of SHC was not necessarily the cause of the collapse of the textile and leather industries in EAC but rather a result of the collapse. For instance, in Tanzania, the local textile industries were unable to meet the demand in terms of quality and quantity hence, the used clothes and shoes filled the gap (Kinabo, 2004).

### **6.1.4. SHC contributes to government revenue**

Unlike charitable Organizations that are exempted from paying taxes since they provide SHC free to the beneficiaries, all other importers, especially SHC businesspersons need to obtain an importation license and pay all relevant taxes to the government (Kinabo, 2004). In this way SHC generate revenue to government, as they are charged 25% import tax and 20% VAT (ibid.). For instance, Kenya receives an estimated \$4.8 million in import duties annually from SHC (Glorias, 2017). However, some charitable organizations sell the SHC to other charitable organizations in order to meet the costs of transport and clearing but do not pay tax (ibid.).

Based on the above, it is obvious that the idea of banning SHC in EAC is likely to prove very unpopular (Kiruki, 2016) to both the governments and traders in the exporting countries, and

the governments, consumers and traders of the importing countries as well as from experts who think an outright ban won't be sufficient impetus for these countries to restore production at home (Goldberg, 2016). The exporting governments may oppose the ban because of the gain from SHC trade in terms of revenue and employment and, the assured market in the long run for their new clothes and shoes after killing local industries in the importing country.

Also, the exporting country may oppose the move due to protection of its home environment of disposed SHC and as a mean to increase exports for the sake of reducing trade deficit (CBCnews, 2012; Milner, 2014). The receiving country may oppose the move due to revenue and employment gained and due to threats from treaties and acts like African Growth and Opportunity Act (AGOA) and Economic Partnership Agreement (EPA) which are against the ban. The consumers of SHC are likely to oppose the move due to two reasons: First, the consumers thinking (may be the reality) that they are getting good quality, fashionable and famous brand of SHC at a cheaper price compared to locally produced or imported clothes and shoes from Asia. In that sense consumers believe that SHC represents value for money.

Second, is the general perception of the consumers that products from the West are of better quality, stylish, famous brand and represent modernity. The colonialists built this kind of thinking as a way to create and sustain Africa's market for their products. This is why some scholars see the importation of SHC a result of imitation of Western fashion (Hansen, 2014) and the continuation of new colonialism. This is what it means to be "*cloth-minded*" with SHC. This is a deadly disease that once infected, it becomes difficult to be cured of.

This implies that if the region is serious with the intention of phasing-out the importation of SHC, it should be gradual and be done over a long period of time (5-10 years) to lessen its impact on the lives of those who depend on it. In addition, the governments should streamline activities in the industrial sector in such a way that the local textile and leather industries provides affordable, good quality and stylish products (i.e. customer oriented) while at the same time offering jobs (Kiruki, 2016) by establishing labour intensive industries. Similarly, efforts should be made to educate the local community on the benefits of the move.

## **6.2. The Arguments against SHC on Industrialization**

### **6.2.1. The importation of SHC retard industrialization in EAC**

Even though there are many reasons why people buy SHC, price is the most significant reason (Kinabo, 2004; Bazzi, 2012). The price at which the lower grades of SHC are sold is tantamount to dumping (Bazzi, 2012; EAC Secretariat, 2015). In Kenya for instance, a second-hand T-shirt price can be less than one-eighth of its new clothing (Bazzi, 2012). Similar results were also observed in other East African Countries. In Tanzania, while a second-hand T-shirt can be purchased for *Tanzanian Shillings*, or Tshs. 1,000 - 5,000 (\$1 = Tshs. 2,200), a new T-shirt can be purchased for *Tanzanian Shillings*, or Tshs. 10,000 - 20,000. Bearing in mind that the majority of people in EAC are poor, they will definitely go for cheaper products. This did not come as surprise as price and income are the main determinants of demand for any product.

Dumping of SHC has negative effects on EAC economies. First, it kills local textiles and leather industries. In economics, dumping is a practice of selling a commodity abroad at a price lower than that charged for the same product in the domestic market (Mudida, 2009). Dumping makes the price of SHC to be cheaper than the same products produced within the

region (Bazzi, 2012) and therefore undermine the local textile and leather industries (EAC secretariat, 2015). This is implemented purposely to disrupt the economy of the importing country and make the exporting country to gain foothold in the local market. Once the SHC dominates the local market, it stifles the competitiveness of the domestic textiles and leather industries and the respective economies at large denying the regions massive value addition and employment opportunities (ibid.). Once the SHC has won the local market, it becomes impossible for the local industries to emerge and thrive. So, in the long run the exporting country is assured of a market of its new products in the importing country.

It should also be noted that the first grade SHC are just as expensive as new product produced within or imported from the region. Sometimes, first grade SHC are even more expensive than new locally produced or imported products. Even in such cases, some people will buy SHC because of quality, fashion and brand. For instance, even though some first grade used shoes may be sold at *Tanzanian Shillings*, or Tshs. 50,000 - 100,000 and new locally produced or imported shoes sold at Tshs. 30,000 - 50,000, young people still go for the first grade used shoes. The main reason is that the used shoes are of better quality, fashionable, known brand and durable. That is why experts say the vast amount of SHC imports have devastated the local clothing and shoes industries and led the region to rely heavily on the West (Goldberg, 2016).

In addition, farmers growing cotton and skin producers were also affected to a large extent due to unreliable market for their products as a result of collapse of the textile and leather industries (Kinabo, 2004). Recently, in Kahama district - Tanzania, farmers decided to throw their cotton on the road because of the unreliable market (ibid.). Similar results were noted by Katanda (2016) in Uganda where in 2007, hundreds of hectares of cotton turned from white to brown to yellow as cotton ready for ginning into lint rotted in Kasese's Kibuku Irrigation area in Uganda due to lack of a market. The farmers lost and the nation lost (ibid.).

### **Other effects of dumping**

Second, EAC becoming a dumping ground. Due to oversupply of out-grown, unfashionable or worn-out clothes and shoes, and the need to protect their environment, the West transfers SHC to the needy as donations (Katende-Magezi, 2017). In a simple language, dumping is defined as a disposal of garbage, waste, or unwanted material. This connotes that some SHC are unwanted materials in the West which are disposed in the East African ground. This is true as there are many SHC which are completely worn-out and do not worth landing in the region. In most garbage sites, SHC forms a lion share. Milner (2014) put it right that "the West dump their unwanted items in other countries." A question to ponder here is: how long would EAC continue to be a dumping ground for unwanted material?

Third, the importation of SHC worsen the importing country's balance of payment. The bulk importation of SHC is a way of increasing imports and thus creating trade deficit (Milner, 2014). For instance, Tanzania (a popular destination for SHC) runs on average a \$297.25 million trade deficit every month (ibid.). This is despite increasing and promising export figures. Since 2006, Tanzania has not once carried a trade surplus, despite exports of many Western consumer goods. Conversely, in 2012, Canada exported over \$192 million of worn-out clothing and other worn-out textiles articles in developing countries (Milner, 2014). It is not surprising therefore to note why Canada has a healthy balance of payment.

In that sense, dumping is a trade strategy employed with a very clear purpose. That is why countries which resist it, are faced with threats of sanctions.

### **6.2.2. Impacts of SHC on health**

Some literature has associated the use of SHC, particularly undergarments, with some skin diseases (Kinabo, 2004; Bazzi, 2014; Chipambwa et al., 2016). Also, during presentation of this paper, some participants claimed to have suffered from some skin diseases on their “secret parts” and foot fingers due to use of SHC. Some participants mentioned that, this was one of the reasons why they were not using undergarments SHC. Supporting the argument Bazzi (2014) mentioned that louse, scabies diseases and generally skin diseases are the most common risks of using these clothing. Consequently, a doctor “specialized in infectious diseases and industry health expert” advised that SHC should not be used untreated due to the high likelihood of transferring infectious diseases (ibid.). However, although some people knew that SHC were unhealthy, they used them because of the aforementioned advantages.

Health specialists have advised that second-hand underwear clothing and shoes should be used only after they have been washed at the temperature of more than 70 to avoid the contact of parasitic and fungal diseases and they should be well ironed (Bazzi, 2012.). Other clothes with high health risks include braziers and socks. Additionally, some people suffered from Eczema due to using strong detergents used to wash these clothes (ibid.). That is why one of the resolutions of Heads of State of EAC is to ensure that all imported SHC should comply with the sanitary requirements (EAC Secretariat, 2017).

### **6.2.3. Impacts of SHC on human/Africans dignity (self-respect/self-esteem)**

One of the reasons why EAC should phase-out the importation of SHC, is to protect their self-esteem (Tamura, 2017). Self-esteem refers to a sense of worthy (value), confidence and self-respect, of not being used as a tool by others for their own ends (Todaro, 1977). All people and societies seek some form of self-esteem, although they may call it authenticity, identity, dignity, respect, honour or recognition (ibid.). The nature and form of this self-esteem may vary from society to society and from one culture to another. If EAC people are worthy and deserve respect, why should they be *clothed* with SHC? Why do they allow to be a dumping ground? Why do they allow other countries to use them as their market? Goldberg (2016) mentioned that there is hope that the ban will instill a new sense of pride in the region’s people, since “no one will go around proudly showing off” someone else’s discards.

In Tanzania and Kenya, SHC is popularly known as “*mitumba*” meaning bales or “*kafa ulaya*” meaning “clothes and shoes of dead white people” (Kinabo, 2004; Tamura, 2017). The later is a very despising name. It is on the same vein that the President of Tanzania Honorable Dr. John Pombe Magufuli said “*it is really unbecoming that EAC countries will produce cotton and animal skin, sell them raw to Europe and America and when the Europeans and Americans have produced cloth and shoes from such materials, worn them or the users have died, they then send those dumps back to us*”!. It is based on the above that Kho (2011) asks a question “*Use clothing: Donate or Dump?*” The answer is absolutely a *dump*.

### **6.2.4. Impacts of SHC on African culture**

The profound cultural influence of the “*whites*” through education and movies on the youth are said to be one of the reasons for the high preference of the SHC (NIE, 2016). This has made wearing of SHC not a social stigma or looked down upon by the people but “is widely

known and accepted - actually there is no shame in it," (ibid.). However, some of the SHC particularly for women do not comply with African culture. Some are too short, too transparent, too tight and some designs keep women's body half naked. This is likely because the physical body of European women is different from that of Africans.

In the same vein, Hansen (2014) mentioned that seeking not to break the African values and traditions, and to provoke men and elders; women feel that their freedom to dress is restrained (ibid.). Women dress should not expose their shoulders and above all, they must cover their "private parts," which in this region of Africa includes their thighs (ibid.). Most of these prohibitions are a normal practice for women in the west. This means that dress length, tightness, and fabric transparency become issues when women interact with men and elders both at home and in public (Hansen, 2014).

The cost of not having own industries, the associated health risks for wearing SHC, the undermining of our value and the conflicting with our culture, is too high to bear. Similarly, the cost of making EAC a dumping ground, a market for their products and to sustain a balance of payment deficit throughout is unacceptable. Bearing in mind that there is no country which has attained sustainable development without establishing strong industrial base (Msambichaka, 2015), the question whether we should industrialize or not, is synonymous to whether we want development or not. Since industrialization can not emerge and thrive in the midst of such unfair SHC trade, SHC should be phase-out.

### **6.3. Threats from African Growth and Opportunity Act (AGOA)**

Due to the competitiveness of SHC and its negative impacts on the economy, on 2<sup>nd</sup> March, 2016, the EAC Heads of State held a Summit in Arusha, Tanzania to analyze the challenges, competitiveness and opportunities in the promotion of textile and leather industries in the region (EAC Secretariat, 2017). The move was meant to discuss the modalities to promote textiles and leather industries in the region and phase-out the importation of SHC in EAC within the three-year period, 2017 - 2019 (EAC Secretariat, 2017). Among other things, it was agreed to: (i) Ensure that all imported SHC comply with sanitary requirements, (ii) Consider banning the exports of raw hides and skins outside the EAC region, and (iii) Phase out the importation of second hand textiles and foot wear within three years - 2017 - 2019 (ibid.).

The decision by East African Countries to ban the importation of worn clothing has elicited strong responses (AGOA, 2017). According to AGOA (2017), the ban is violating the eligibility criteria for the preferential trade programme known as African Growth and Opportunity Act (AGOA). The AGOA stipulate among other things that the participating countries must eliminate "barriers to US trade" or be making progress in that direction (ibid.). The US-based Secondary Material and Recycled Textiles Association (SMART) says the three-year ban of SHC imports, amounts to such barrier (Kelley, 2017). Due to such threat, Kenya which had agreed to implement the ban rescinded the decision. SMART petitioned to exclude Rwanda, Tanzania and Uganda from the AGOA provision (ibid.). It is obvious that the United States often uses the *trade deal* as a *negotiating tool* (Tamura, 2017).

Despite such threat, Tanzania, Rwanda and Uganda decided to continue with their intention to ban the importation of SHC into the region within three years. This move was aimed at supporting the regional textile and leather industry and preserving the dignity of the East African citizens (Mwai, 2017). On May 20, 2017, under fire from both internal and external

forces (meaning, the US SHC exporters), the EAC modified its proposal, substituting a phase-out for an outright ban (Glorias, 2017). So, the EAC partner states agreed on a compromise proposal, saying: ...for now, the best approach to phase-out second hand clothes is by supporting local industries instead of banning importation of the clothes once and for all (Glorias, 2017). The phase-out may be helped along by raising import duties on SHC and by adding taxes on purchases of SHC, with the effect of making imports more costly in comparison to locally and regionally designed and manufactured clothing (ibid.).

Despite the benefits that the trade deal between the EAC and the US might have under the AGOA, overall it is heavily skewed in favour of the US (Gumede, 2017). Exports from Rwanda, Tanzania and Uganda through the act totaled \$43 million in 2016, whereas US exports into Rwanda, Tanzania and Uganda totaled \$281 million in 2016 (Mwai, 2017). It is in view of the above that Gumede (2017) indicated that the terms of AGOA reflect the unequal global trade rules and countries negotiating a power balance which is stacked in favour of industrial countries to the disadvantage of African and the developing countries.

It is in view of the above that the former African Development Bank (ADB) President Dr. Donald Kaberuka argued the EAC to remain firm on doing the right thing which is to develop their textile and leather industries and their value chains despite the threats (Mwai, 2017). Unfettered trade liberalization does not aid development rather; a certain amount of protectionism is necessary for countries to grow (Milner, 2014).

### **7. New Products from Asia and Industrialization in East African Community**

While the intention to ban SHC and the goal to promote industrialization in the East African region are commendable, for it to be successful, the influx of cheap products from Asia need to be addressed as well (Katende-Magezi, 2017). The proposed ban on SHC will not work if it does not include the ban of new clothing imports from outside the region (ibid.). For instance, some of the new clothes and footwear imported from Asia are just as cheap as SHC, and often even cheaper than locally produced products (ibid.). In such situation, the ban of SHC will only benefit the Asians producers and retail traders of clothes and shoes rather than to the local textile and leather industries in the region (Kinabo, 2004).

In Tanzania for instance, one can obtain a new T-shirts from Asia for Tshs 5,000, a shirt for Tshs. 15,000, a dress for *Tanzanian Shillings*, or Tshs. 15,000 and shoes for Tshs. 10,000 - 20,000. However, the main feature of these products is that they are fashionable and of course good looking but are of poor quality and therefore do not last long. While these products might be slightly more expensive than the low grade SHC, they are likely to be cheaper than locally manufactured clothes and footwear as has been found in South Africa (Brooks, 2016). This means efforts to ban SHC imports as a way to revamp industrialization are therefore unlikely to be beneficial to the local economy unless there are similar controls on new but cheap and poor quality clothing and footwear imports from Asia (ibid.). So, there is need to change and strengthen the customs laws and regulations, and border controls on these products (ibid.).

The challenge is: would the region be able to enforce the ban of influx of SHC and the new products from Asia? Some countries like Zimbabwe tried but failed as some products still found their way into the country through other country's boarder (Chipambwa, 2016).

## **8. Industrialization Environment in East African Countries**

### **8.1. The potential of textiles and leather industry in EAC**

The EAC has unrealized potential not only to meet the local demand for apparels and footwear but also for export markets (EAC Secretariat, 2015).

First, cotton in the EAC is grown to commercial scale in all partner states except in Rwanda (ibid.). Approximately 70-85% of cotton lint produced in the region is exported, and the spinning and textiles mills in most partner states operate between 40-50% capacities partly due to unavailability of cotton lint (ibid.). Similarly, the EAC region is relatively endowed with raw material for leather and footwear (EAC Secretariat, 2015). Tanzania has a total of 22.8 million cattle, Kenya 17.5 million, Uganda 12.8 million, Rwanda 0.991 million and Burundi 0.74 million (ibid.). All the partner states process leather up to the wet blue stage. Between 80 and 90% of the wet blue leather is exported and only 10% is left for processing to finished leather, which caters for the local footwear and the artisan shoemakers in the region (ibid.). These materials could be used to boost textile and leather industries.

Second, there is significant demand for both clothes and footwear in the region which is not made from within (EAC Secretariat, 2015). For instance, about 80 percent of the region's demand is met through imports out of which almost 60 percent are SHC (ibid.). So, there is unrealized potential for clothes and shoes not only for local market but also for export markets (ibid.). Also, EAC products enjoy duty and quota free access to the US market through African Growth and Opportunity Act (AGOA), tariff free access to the EU market, SADC and COMESA markets and African countries and the world as a whole.

Third, the availability of necessary inputs at relatively lower prices. Wages and power costs in the region are far lower than in many large garments producing Sub-Saharan countries. Low labour costs, combined with reasonable electricity charges, means that East African countries enjoys significant cost advantage over many of its rivals. Due to resources endowment in the region, potential exists to reduce costs of production in these areas.

Finally, strong government support for industrialization in the region. One of the reasons why industries grew and thrived in the region prior the 80s was strong government support. The EAC government's decision to ban the importation of SHC into the region is a clear evidence of government support and will to establish industries in the region.

### **8.2. Collapse of former industries in East African Community (EAC)**

In a bid to revamp the textiles and leather industries in EAC, in-depth studies need to be conducted to ascertain the reasons why the former industries collapsed. This would help the implementers not to repeat the same mistakes. The EAC's governments must be clear on the real causes of the collapse, rather than laying all the blame on the influx of SHC in EAC (Kiruki, 2016). Although the SHC had a weakening role in local textiles and leather industries, it was not the only reason for the collapse. Other causes were:

First, poor leadership and management skills: This is considered to be one of the main reasons that lead to the collapse of the industries. Most people who were given the responsibilities to run and manage the industries did not possess the required knowledge, technical know how and management skills to do so. As a result, corruption, favouritism, bureaucracy, poor working ethics, theft, sabotage and misuse of public equipment's and

funds became a normal practice. These in turn led to inefficiency in operation, increased cost and reduced competitiveness; leading to the total collapse of the industries.

Second, lack of capital: The availability of funds were essential to ensure that the equipment's for repair and maintenance and other necessary inputs were readily available to enable efficient operation of the industries in a competitive manner (Mashindano, 2017). Even when capital was available in form of loan, high interest rates made production cost unbearable. Also, unavailability of foreign currency made it difficult to import equipment's for repair and maintenance of the industries. Third, unfair competition: Undesirable imports of cheap and poor quality products from Asian countries reduced local industries efficiency and competitiveness. Since the local produce was unable to compete with these products, the only option was to "*die a natural death*". One of the reasons why the local produce was unable to compete was caused by the use of out-dated technology. When the local textiles and leather industries were about to die, the influx of SHC nailed the coffin of their death.

Fourth, lack of skilled manpower: Unskilled manpower has a tendency to be unproductive, irresponsive to customers' needs and increases the cost of production; consequently reduce their competitiveness. Labour efficient is a critical success factor that provides countries with competitive advantage. Fifth, lack of inputs: Most of the industries that were established by then were mainly processing, assembling and manufacturing industries that depended on inputs from the agriculture, animal husbandry and fisheries sectors. Unfortunately, the performance of most of these sectors was not convincing and therefore was unable to produce and supply the necessary inputs that were required by the industries. So, most the industries worked under-capacity - increasing the cost of operation and reduced their competitiveness; which lead to their collapse.

Sixth, lack of tax and non-tax incentives: While other countries offered incentives to producers of textiles and leather products, EAC did not. This made imports from trading partners more competitive than same products produced locally. Seventh, poor infrastructure: Poor and/or inadequate communication, transport and power supplies hampered distribution and increased delays in production. This increased the cost of production leading to reduced competitiveness. Eighth, poor technology: While the use of advanced technology in textile industry is a major factor in its competitive struggle, most of the production and information technology employed in the EAC were out-dated. With such technology it was difficult to upgrade their technical and production capabilities so as to compete with SHC on quality, design and delivery, rather than simply advantage on price. Likewise, an out-dated technology could not meet the ever changing and insatiable people's desires - not demand oriented.

### **8.3. The current business and investment environment**

The World Bank (2016) defines a business and investment climate as the opportunities and incentives for firms to invest productively, create jobs, and expand. A poor business environment is the one which is plagued by factors that impose heavy costs, delays and risks which impedes economic development and frighten away investors (ibid.).

#### **The easy of doing business in EAC**

The World Bank rank economies on their ease of doing business, from 1 - 190 depending on the number of countries assessed. A high ease of doing business ranking means the regulatory environment is more conducive to starting and operating of a local firm. Table 1 shows that

EAC rank very poorly among eleven aspects employed to determine the ease of doing business. With the exception of Rwanda, other countries ranked above 100, which means that the environment is not conducive for starting and operating industries.

**Table 1: The world ranking of regulatory environment of doing business in East Africa**

Country	Ease of Doing Business	Starting Business	Dealing with Construction Permit	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading Across the Borders	Enforcing Contracts	Resolving Insolvency
Rwanda	56	76	158	117	4	2	102	59	87	95	73
Kenya	92	116	152	106	121	32	87	125	105	87	92
Uganda	115	165	151	161	116	44	106	75	136	64	111
Tanzania	132	135	136	87	132	44	145	154	180	59	100
Burundi	157	18	169	183	94	175	137	123	160	149	141
South Sudan	186	181	178	188	181	175	179	68	177	73	169

**Source:** World Bank (2016)

### **The Competitive environment in EAC**

The World Economic Forum (WEF) (2017) defines competitiveness as the set of institutions, policies and factors that determines the level of productivity. It employs twelve pillars to assess the competitiveness of different countries in the world. The pillars are: (i). Institutions, (ii). Infrastructure, (iii). Macro-environment, (iv). Health and primary education, (v). Higher education and training, (vi). Good market efficiency, (vii). Labour market efficiency, (viii). Financial market development (ix). Technological readiness (x). Market size, (xi). Business sophistication and (xii). Innovation. Table 2 shows that EAC ranks very poor. With the exception of Rwanda, other EAC were ranked above 100, meaning the existing environment in those countries does not foster competition in the region.

Table 2: The world ranking of competitive environment in EAC

Country/Year	2011/12 (n=142)*	2012/13 (n=144)*	2013/14 (n=148)*	2014/15 (n=144)*	2015/16 (n=140)*	2016/17 (n= 138)*	2017/18 (n=137)*
Burundi	140**	144**	146**	139**	135**	135**	129**
Kenya	102	106	96	90	99	96	91
Rwanda	70	63	66	62	58	52	58
Tanzania	120	120	125	121	120	116	113
Uganda	121	123	129	122	115	113	114

**Source:** WEF (2012; 2014; 2016; 2017)

\*The total number of countries investigated.

\*\*The position of a country in world competitiveness.

The EAC governments' will to industrialize must be reflected by making significant transformation in the afore-mentioned areas. Anything short of banning the imports of SHC and control the competitive products from Asia into the region will continue to marginalize the local players, thereby making the EAC's a market ground of those products. This will certainly stifle industrialization efforts as well as sustainable development in the long run.

## **9. Conclusions and Recommendations**

### **9.1. Conclusions**

The objective of this study was to investigate the impact of SHC on industrialization in East African. The study employed qualitative and quantitative secondary data to validate the research objectives. This study found that the importation of SHC had positive contribution on the lives of the poor namely: SHC were consumed by the poor because SHC were cheaper, good quality and fashionable. Also, SHC created employment and filled the gap during shortage of clothes and shoes in the region. Despite such contributions, SHC had negative impacts: on the revamping of the textiles and leather industries, on health of the consumer, on human dignity and on the African culture. For those reasons, the ban is justifiable and commendable. However, it should be noted that the influx of SHC into the region was not the core reason for the collapse of the former textiles and shoes industries in the region. Rather the reasons that directly effected the collapse of the industries in the region included: poor leadership, lack of capital, lack of skilled manpower, poor infrastructure as well as un-competitive business and investment environment prevailing in the region.

### **9.2. Recommendations**

This study recommends the following: First, the ban should be gradual and implemented over the long period of time. This would lessen the impact of the ban on the poor and will enable

the governments to put in place the necessary conditions required for the rapid growth and sustainability of the new industries. Second, the governments of the region should put in place policies to control unfair competition from the Asian products by imposing import duty and strict border controls. Finally, the governments should rectify all the factors that led to the collapse of the former industries and put in place conducive business and investment environment necessary for the growth and sustainability of the new industries.

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