



# The Impact of the Importation of Second-hand Clothing in the Philippines

Fashion Revolution Philippines  
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This study is published as a part of the **British Council x Fashion Revolution Policy Dialogue project** which aims to shed light on the multiple perspectives of a particular issue through a series of evidence-based discussions, interviews, and workshops. This can lead to a better understanding of the policies at play and bring about meaningful improvements to policies. The ultimate goal of the Policy Dialogue is to inform policymaking processes in our respective countries by enabling a wide range of voices to engage in a debate about the social and environmental impacts of the fashion industry in our country or region.

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**Clothes aren't going to  
change the world.  
The women who wear  
them will.**

**- ANNE KLEIN -**

## Foreword

Sarah Ditty

Policy Director, Fashion Revolution Global

Fashion Revolution started as a direct response to the Rana Plaza garment factory collapse in Bangladesh that killed over 1,100 people on 24th April 2013.

The victims were making clothes for well-known multi-national fashion brands and retailers. Many of these companies didn't know their clothes were being produced there. We saw this lack of transparency as a fatal flaw of the industry and knew that it needed urgent change.

We wanted brands and retailers to be more transparent about where they were sourcing, who was working in their supply chains and under what conditions.

Since then we have been advocating for global, systemic change at three levels: industry, culture and policy. Thus far our policy change efforts have focused predominantly on countries in Europe, and as a result, we have helped make some significant impacts.

We have seen the UK Modern Slavery Act pass into law in 2015, which means that companies with operations in the UK over £36 million turnover must publicly report on what they're doing to root out forced labour in their supply chains. We were one of the groups that pressured the government to include mandatory public reporting in the legislation.

In 2015, the European Union launched the flagship initiative on responsibility in the garment sector, in which we have been involved since its inception. In fact, I gave evidence to the European Parliament in April 2017, the day before the European Parliament took a key vote to pass a resolution that committed the Commission to exploring a number of legislative interventions and tools. The resolution passed by 505 votes against 49 with 57 abstentions.

In 2018, the powerful UK Environmental Audit Committee launched an inquiry into the impacts of the fashion industry, which they told us was inspired by Fashion Revolution. I was invited to testify in front of the Committee in the Houses of Parliament and give evidence on the findings of our transparency research. Many of our recommendations to the Committee were included in their published report.

In February 2019, the German Government announced that it is planning to take the lead where the European Union has moved slowly on these issues. In 2020 when Germany takes up the EU presidency for the year, they plan to make responsibility and sustainability in the global garment sector one of their three core topics.

And now, we seek to explore what positive and constructive policy change might look in other countries where Fashion

Revolution teams are doing good work. This was the ambition of the partnership between the British Council and Fashion Revolution through the Policy Dialogue project.

The research conducted by Fashion Revolution Philippines into ukay-ukay will feed into Fashion Revolution's global policy advocacy strategy going forward. The importation of second-hand clothing is an issue affecting countries all over the world in varied and complex ways, and we are grateful that our team in the Philippines has embarked on this fascinating journey to understand more about it. We hope that these insights and recommendations prove useful not just to us but also to the wider Filipino and global fashion and textiles industry.

## Executive Summary

In 1966, the Philippines enacted RA 4653, an Act that declares it illegal to commercially import used textiles into the country. The rationale behind the Act is to safeguard the health of the Filipino people from potential health hazards used clothing may carry, and to maintain the dignity of the nation by refusing to receive the discarded items of other nations. Despite this law, imported second-hand clothing (SHC) locally known as ukay-ukay is widely and openly patronized all over the country. Known for its garment piles and cramped clothing racks, ukay-ukay is a source of affordable clothing for many, particularly those from lower income groups. Nowadays, ukay-ukay has transcended its purely practical, economical appeal: fashion designers and consumers from higher income groups have begun to celebrate ukay-ukay for its uniqueness, sustainability, and even thrill.

The discrepancy between the supposed ban and the popularity and prevalence of ukay-ukay raises several questions that this study aims to shed light on. Specifically, we focused on the impact of ukay-ukay on the economic, cultural, social, and environmental spheres of Philippine society, with a particular focus on how it affects the local fashion industry. In doing so, this study examined the implementation of RA 4653, inspecting where it fails and where it succeeds, in order to formulate recommendations for a policy on ukay-ukay that is relevant, effective, and progressive.

What became evident in our research is that ukay-ukay is a widely prevalent industry and cultural phenomenon because of numerous vested interests: it answers consumers' demand for affordable yet trendy clothing; it opens up creative possibilities for fashion designers; it provides Local Government Units (LGUs) revenue, and; it offers entrepreneurs an easy, low-cost, and lucrative business opportunity. Regarding the potential health hazards of ukay-ukay, our research finds that most ukay-ukay items do not actually carry significant microbes. Consumers, moreover, are willing to take that small, albeit still present, risk because the perceived benefits of ukay-ukay (i.e. affordability, style, novelty, convenience) outweigh the slim possibility of a health hazard. Given this, RA 4653's rationale of protecting the health and dignity of the Filipino people becomes irrelevant when ukay-ukay evidently meets the people's demands. There is a clear need to revise the policy according to the needs of the times.

On the contrary, ukay-ukay also has negative effects: it is still potentially hazardous to public health; it highlights price as the primary source of value of a garment; it can be a source of shame for some people; it is wasteful because of its mass volume, and; it promotes rapid disposal of clothing. While ukay-ukay does have very clear benefits, its negative effects should not be overlooked.

In the first place, the ukay-ukay industry is made possible by flawed implementation. First, the law prohibits the importation of SHC, so the responsibility to curtail ukay-ukay falls primarily on the Bureau of Customs (BOC). But because the current

screening or monitoring system is done manually, the process is vulnerable to corruption. Accounts of bribing schemes within the BOC are common, demonstrating how flawed the system currently is. Corruption aside, suppliers themselves also utilize different means of smuggling SHCs into the country, such as through misdeclaration/underdeclaration, as donations from NGOs, or as *pasalubong* (souvenirs).

Because only the importation itself is prohibited, once the shipments are cleared for entry, the sale of SHC is technically legal by all means. It has been raised that the government's raiding of *ukay-ukay* stores is unjust because the retailers legitimately purchased their inventory and acquired the necessary business permits from their LGUs; punishing the retailers does not bring accountability to the importers who are the ones actually committing the crime.

As for *ukay-ukay*'s impact on the local fashion industry, our research finds that *ukay-ukay* is either only a minor threat to the local industry, or, counterintuitively, a complementary one. First, these two industries have different markets, so *ukay-ukay* does not compete with the local industry for consumers. The decline of the local fashion industry is also often attributed to the rise of *ukay-ukay* in the country, but our research shows that the two do not have a causative relationship; they just happened to occur at around the same time period. While the SHC trade certainly played a role in the collapse of the local industry, international trade agreements and the inability to keep up with the rapid globalization of the 90s were

the main factors for the local garment industry's decline—not *ukay-ukay*. In other words, the claims that *ukay-ukay* cuts into the market of the local industry, and in doing so deprives Filipinos of jobs and contributes to the industry's decline, are not founded on any conclusive evidence. One stakeholder even remarks that, nowadays, *ukay-ukay* can be a complementary tool to the fashion industry because it brings awareness of different clothing brands and styles to everyday consumers. From this awareness, he claims, consumers will still be lured by the convenience offered by legitimate retail brands.

While *ukay-ukay* is not the main reason for the local industry's decline, it does, however, discourage investment in, and thus development of, the local garments industry because it is easier, cheaper, and more lucrative to invest in *ukay-ukay* rather than in the local production and manufacturing of clothing. *Ukay-ukay*'s impact on the local industry is thus neither simply good or bad; the relationship between the two industries is more complex than it appears.

In light of these findings, our research team came up with the following general recommendations:

1. Build on the discourse on the local SHC trade by conducting an impact assessment of *ukay-ukay* on the local garments industry
2. Categorize *ukay-ukay* by type and quality
3. Encourage appreciation of Philippine



garments and textiles through better education

4. Strengthen local industry through innovative solutions based on the country's available technology and resources
5. Reduce textile waste through systemic upcycling/recycling of old and waste fabrics

Should the policy swing towards legalization, we recommend:

1. Strictly regulate the entry of imported second-hand clothing
2. Impose quota restrictions
3. Tax ukay-ukay

In the case of better implementing the present prohibition:

1. Phase out ukay-ukay by category
2. Provide alternative livelihood for those involved in the industry

Our research cannot, at this point, definitively say if legalization or a revised prohibition would best serve the interests of the nation, hence our recommendations for either cases. For instance, while the transparency that comes with legalization sounds ideal, various stakeholders consulted for this research believe that ukay-ukay business owners would still try to conduct their transactions underground so as to avoid the burden of taxation. More dialogues and studies, particularly quantitative ones, would be necessary to arrive at a more informed decision. Seeing how prominent the ukay-ukay industry has become, what is unquestionable is that RA 4653 is an outdated law that, for it to actually best meet the nation's interests, requires revisions and further examination.



Image: George Buid

## 1. Background of the Study

In the discourse on sustainability, buying second-hand clothing (SHC) is touted as a solution to the excessive production and consumption in the fashion industry. Mass production and consumption of fashion, which is currently the popular industry model, means that clothes are being bought and thrown away at a fast rate. This results in tons of textile waste every year: in 2017, it was reported that the EU textile industry generates textile waste estimated at 9.35 million tons per year (Bell et al., 2017). Meanwhile, in the United States, 10.5 million tons of textiles ended up in landfills in 2015 (EPA, 2018). Turning to second-hand clothes is then generally regarded as the more sustainable option

as it extends the lifespan of garments and keeps them from turning into textile waste. However, the impact of buying and selling second-hand clothing varies across the globe. For instance, in many sub-Saharan African countries, second-hand clothing comprises 30% of the total value of imports, and over 50% in terms of volume (Baden and Barber, 2005). While the SHC trade here clearly has consumer benefits, it is said to play a significant role in the undermining of industrial textile/garment production in the sub-Saharan region because of the competitive volume of the imports (Baden and Barber, 2005). In this case, sustainability is questionable due to the large volume of SHC regularly being imported into the country. Meanwhile, in the UK, one of the most common second-

hand stores is the charity shop (Statista, 2017), suggesting that the SHC circulating in the country is mostly, if not only, domestic. The UK's prominent role in the global SHC trade aside, as one of the major exporters of SHCs, the SHC trade in the UK can be considered actually sustainable because of the domestic SHC circulation. The object of this study is the second-hand clothing industry in the Philippines, locally known as the ukay-ukay, and the question of its economic and environmental sustainability.

In particular, this study aims to examine the impact of imported second-hand clothing on the local fashion industry by understanding how the the local SHC trade, colloquially known as ukay-ukay, functions in the first place. Despite the presence of RA 4653, the law prohibiting the importation of second-hand textiles and clothing, how come SHC is consistently imported into the country? Where and why are they being allowed to come in? Where are they usually sold, and who is the market for ukay-ukay? What happens to these clothes when they are not bought, and do we have records of this? In light of all these, how does ukay-ukay affect the local fashion industry, if at all?

Through this research, we seek to assess and evaluate the implementation of RA 4653, identify the stakeholders and challenges of the ukay-ukay and local fashion industries, and provide recommendations that would overall promote a more sustainable fashion industry in the country.

## 1.1 Objectives

Through this research, we aim to (1) understand the impact of imported second-hand clothing on the local Philippine industry by examining the relationship of all stakeholders to the ukay-ukay industry through a combination of literature review and first-hand accounts from stakeholders, and (2) to assess and evaluate the implementation of RA 4653 and offer recommendations to address the problems and promote a more sustainable local fashion industry.

## 1.2 Scope and Limitations

While this study attempts to consider the entire Philippine context, it focuses primarily on Metro Manila and nearby provinces regarded as ukay-ukay hotspots, including Baguio, Subic, and Clark. Moreover, it should also be noted that this research is greatly lacking in local statistics on the ukay-ukay industry. Due to the illegality of ukay-ukay, there are no public records of important quantitative data, such as the exact volume of clothes being imported into the country daily, and their total net worth. In lieu of such data, this study works with approximations based on various studies, news reports, and first-hand accounts.

## 1.3 Methodology

In developing the study, we reviewed related literature (such as from the UN Comtrade and local government reports), conducted personal interviews with major

stakeholders in the industry, and organized a policy dialogue as well. The dialogue, which was conducted on 23 February 2019, consisted of 11 stakeholders who engaged in a structured discussion about the issue in question. The participants in the dialogue included government officials from relevant departments, including the Department of Trade and Industry, Philippine Ports Authority, Philippine Fiber Industry Development Authority, and the Philippine Textile Research Institute; several designers and brands working with ethical and slow fashion, and; academics who have previously published research into the SHC trade in the Philippines.

## 2. The Ukay-ukay Phenomenon: Definitions, History, Context

“Ukay-ukay” refers to the local industry that caters to the sale of imported second-hand garments (Abueg, 2005, p. 54). Derived from the Filipino word “hukay,” meaning to dig up (Locsin, 2007, p. 371), ukay-ukay is known to have originated from Baguio City, where it was also called a “wagwagan,” meaning the act of “dusting off a piece of clothing by taking hold of one end and snapping it in the air. The industry earned this name because of how the items on sale are either simply displayed in large piles or very tightly cramped clothing racks, requiring consumers to really dig through the clothes to find an item they like. Moreover, the term “ukay-ukay” can refer to the article on sale, the shop or venue in which it is bought, or even the event of buying itself (Abueg, 2005, p. 371). The used clothing trade in the Philippines

has been active for approximately 50 years, growing right after World War II due to the UN’s Relief and Rehabilitation Administration (UNRRA) provision of billions of dollars in relief to Asia between 1943 and 1949 (Isla, 2014). This industry then flourished in the 80s (Isla, 2014), when non-government organizations (NGOs) “started selling tax-free clothing as a means to fundraise” (Ladrido, 2018, n.p.). Diaspora and migration also played a factor in the flourishing of the ukay-ukay industry, since it has been studied that “enterprising Hong Kong-based Filipino domestic helpers are founders of the industry” (as cited in Isla, 2014, p. 230). These Overseas Filipino Workers (OFWs)—specifically women, it should be emphasized—would acquire old clothes, whether their personal items or Salvation Army thrift shop finds, and resell them in Baguio (Locsin, 2007). As Lynne Milgram illustrates, Filipina entrepreneurs in Hong Kong have acted resourcefully in the SHC industry to construct their own trade networks. Because of social and economic limitations, these women have had “to carve out their particularized domain of middleness [between Hong Kong and the Philippines] by continuing to refashion the cultural, economic, and (il)licit parameters of their work,” and in doing so, have created livelihood spaces for themselves with based on their own values (Milgram, 2008, p. 39). Since then, Hong Kong’s role in the ukay-ukay trade in the country has diminished greatly: in the year 2000, 35% of the imported SHC in the Philippines came from the United States, and 2.5% were from Hong Kong. 17 years later, as the sixth top importer of used clothing in Asia, the Philippines imported most of its SHC from South Korea (Fig. 1) with only .15% coming from Hong Kong.

**PRIMARY SOURCES OF USED CLOTHING  
PHILIPPINES, 2017**  
Source: OEC, 2017

| RANK | COUNTRY       | PERCENTAGE |
|------|---------------|------------|
| 1    | South Korea   | 41%        |
| 2    | Japan         | 15%        |
| 3    | China         | 9.9%       |
| 4    | United States | 7.8%       |
| 5    | Malaysia      | 6.7%       |

Figure 1. Primary Sources of Used Clothing, Philippines, 2017

Despite the prohibition, used clothing is said to enter the country primarily through three ways: (1) as relief goods donated through local or international organizations; (2) as *pasalubong* (souvenirs), or; (3) as smuggled goods (Abueg, 2005, p. 73). In an interview, researcher Ma. Rina Locsin further reports that nowadays most SHC come from Subic, Clark, and Cavite—three of the country’s Special Economic Zones (SEZ). Because raw material importations within SEZs are tax-free—provided that the raw materials within the SEZ are re-exported as finished products—it becomes a location ripe for smuggling. Locsin reports that either (1) SHC importers negotiate with Customs officials for the release of their imports, or (2) locators within the SEZs misdeclare imported SHCS as scrap material. Chairman of the Federation of Philippine Industries, Dr. Jesus Arranza adds misdeclaration at these SEZs as another method of smuggling. For instance, in Arranza’s investigation, he and his team discovered that in one locator’s shipment, the company “underdeclared its importation of 22 metric tons of used clothing to only 10 metric tons,” allowing the undeclared 12 metric tons to be

smuggled into the country without a trace (Arranza, 2017).

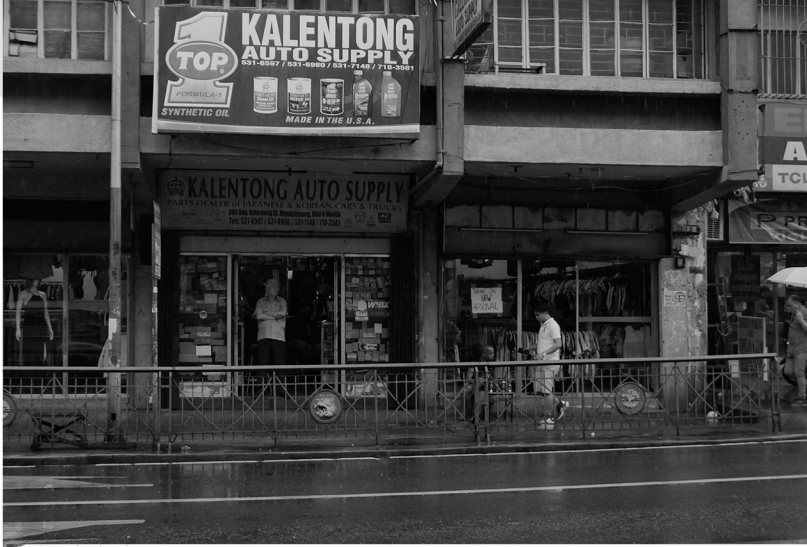
Corruption in the Bureau of Customs (BOC) seems to be quite prevalent. In 2014, a Customs official was arrested for allegedly seeking and accepting a 1.5 million peso (roughly £21,632) bribe to facilitate the clearance of prohibited shipment of SHC (Rappler.com, 2014). Furthermore, according to a 2015 Senate report, BOC insiders describe a particular scheme called “5-20” or “cinco huli, lusot viente” which means that for every 25 shipments of SHC, only five are seized, while the rest are released upon payment of “tara” or grease money (Defensor-Santiago, 2015). Another scheme called “swing” refers to how some BOC or port officials, in exchange for grease money, simply face the other way as *ukay-ukay* or other smuggled goods are carried into trucks waiting at the ports (Esplanada, 2014). As the Philippine Chamber of Commerce and Industry Chairperson Julita Lopez observes, “the exercise of discretion on the part of BOC employees on the matter of assessing/ examining of commodities is the root of corruption” (Philippine Senate, 2004).

In the present, the *ukay-ukay* industry has grown and developed, from “generic street piles in the market area” to “more upscale ‘selections’” in business districts, and even to online stores on the internet such as eBay (Isla, 2014, p. 230). Interestingly, Isla points out that *ukay-ukay* sites in the Philippines are “geographically located according to class: flea or

# MAKATI CITY



# MANDALUYONG CITY



public markets carrying poorer quality items for lower classes and upscale boutiques in business districts carrying branded and vintage items for higher classes” (p. 232). An ukay-ukay seller we spoke with attests to this geographic differentiation of ukay-ukay. He adds that different parts of the metro have a known specialization, so to speak. Some areas might be known for a certain style based on the source of the clothing, or based on the type of items they carry. For instance, his store only sells shorts and blouses, but they also offer pants sometime around December, presumably because the colder weather would necessitate consumers to buy warmer clothing. In contrast, he noted that in Upper Barangka in Mandaluyong City, another ukay-ukay group sells Korean-style clothing, a “specialization” that is instead based on current fashion trends rather than practicality.

As earlier mentioned, the online migration of retail has affected the ukay-ukay industry as well. An ukay-ukay vendor from Bambang, Manila remarks that business is being done more and more through the internet because it is much faster and, sometimes, more profitable given that it provides a wider reach to sellers and requires lower capital. For instance, a quick search would reveal the website Ukay Ukay Online (<http://ukayukayonline.com>), a Cebu-based online ukay-ukay supplier that provides an easy and convenient way for anyone in the country to start their own ukay-ukay stores. Another permutation of online ukay-ukay manifests in Instagram-based online stores that sell “curated” ukay-ukay finds, often charged a much higher price. These stores acquire their inventory in different ways: some source

their items by going through different stores in the metro, while some purchase cheap, trendy clothes in bulk abroad (i.e. Thailand and Vietnam).

Aside from its platform, the market of ukay-ukay has likewise slightly changed. Isla notes that the majority of the ukay-ukay’s market still “belong to lower income groups,” as affordability remains the primary motivation for consumption (Isla, 2014, p. 231), but higher income groups have also begun to patronize ukay-ukay as well. As for those who import and sell ukay-ukay, the now defunct Anti-Smuggling Intelligence and Information Center (ASIIIC) Chief Col. Carlos Holganza “revealed that the most nefarious smugglers are not ordinary criminals but are instead scheming lawyers and shrewd businessmen” (Philippine Senate, 2004).

It is clear that the ukay-ukay landscape has transformed greatly over the years in terms of source, market, and platform, prompting us to reexamine more closely how it, too, has changed the Philippines.

## 2.1 Global Trade in Second-hand Clothing

Ukay-ukay is part of the global trade in second-hand clothing (SHC), an industry worth billion of dollars each year. In 2017 alone, the estimated value of the global trade in SHC amounted to 3.79 billion dollars (OEC, 2017). Almost all countries deal in the SHC trade, with developing countries, such as the Philippines, Pakistan, and Kenya, being its major consumers, while some countries, like the United States and the United Kingdom, are the primary exporters. (Fig. 2).



**MAJOR EXPORTERS OF USED CLOTHING, 2017**

Source: OEC, 2017

| RANK | COUNTRY                  | PERCENTAGE |
|------|--------------------------|------------|
| 1    | United States of America | 18%        |
| 2    | Germany                  | 10%        |
| 3    | United Kingdom           | 9.1%       |
| 4    | China                    | 7.2%       |
| 5    | South Korea              | 5.9%       |

Figure 2. Major Exporters of Used Clothing, 2017

Supporters of the SHC industry argue that the trade creates employment for the receiving countries, such as in transportation, cleaning, repair, restyling, etc., as well as providing low-cost clothing for those in the lower classes. There are also concerns, however, that the SHC trade could harm the local textile and garment industries, and the livelihoods based on these industries, in these developing countries (Baden and Barber, 2005). This is a notion we will examine further later in this study. Moreover, the case of the SHC trade, and the ukay-ukay trade in particular, might be similar to the impact of big fast fashion stores, such as H&M, Gap, Zara, etc., in terms of sustainability, since both models make clothing cheap enough to lead to an overconsumption (and overproduction) of unsustainable clothing, with developing countries being the most important (and vulnerable) markets to these industries (Cuc and Tripa, 2014, p. 164). As researcher and Baguio-native Ma. Rina Locsin points out, “the single most important driver that fuels the ukay-ukay trade is the fast turnover rate of fashion in the world’s capitals, which unleashes a huge amount of castoffs for the secondary market” (2007, p. 378).

Found in the following page is the general value chain of the global SHC trade as illustrated by K. Raworth in an Oxfam GB Internal Briefing Note (as cited in Baden and Barber, 2005, p. 7). We supplemented this information with data specific to the Philippine context, which highlights the unique and prominent role that diaspora plays into the Philippine SHC industry (Fig. 3).

## 2.2 Illegality of Ukay-ukay: Discussing R.A. 4653 and other related policies

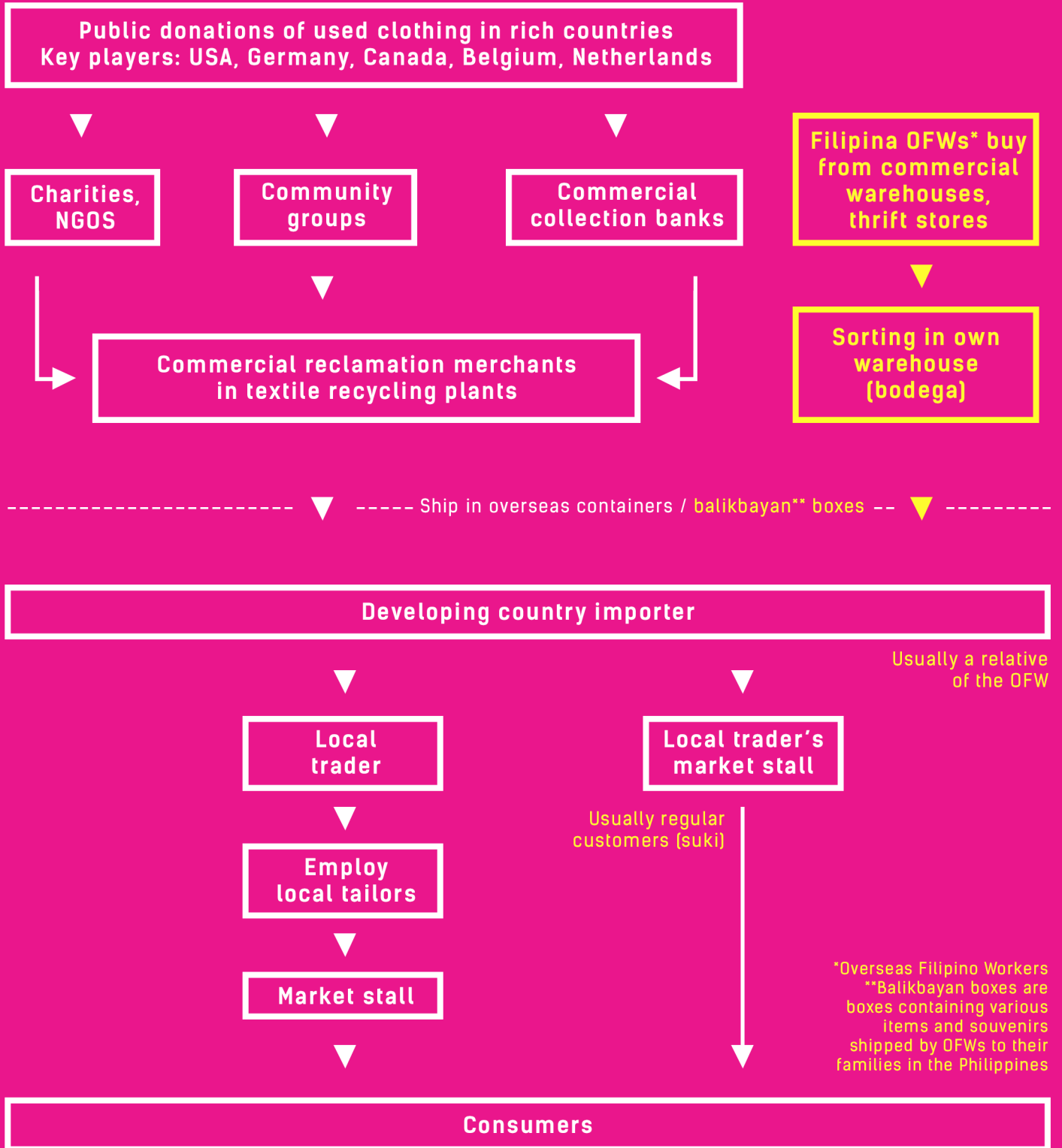
### 1.2.1 Global Context

There is an abundance of available research already done on the laws and regulations implemented in various countries in relation to the second-hand clothing trade. The United States Office of Textiles and Apparel (OTEXA) lists over 40 countries which have imposed bans on imports of worn clothing from their country, including the Philippines, as well as countries in which fumigation and sterilization requirements are imposed as an alternative or complement to bans. Other policies are also in place, such as in Pakistan, where imports must be accompanied by a certificate of cleanliness signed by a physician. In Liberia, only Liberians are permitted to import and sell used clothing. Many of the countries listed, however, allow the importation of donated used clothing.

Figure 3. Value Chain for Global Second-hand Trade

Sources: Raworth (2004), cited in Baden and Barber (2005); Locsin (2007)

- General Global Value Chain
- Specific to Philippine context



For example, in Brazil, donations are allowable, but subject to non-automatic licensing. Peru requires prior approval from certain bodies before receiving donations of used clothing, depending on whether they are made to the public or the private sector. In Argentina, only donations to religious or charitable organizations are allowed. (OTEXA, 2018)

More specifically, in East Africa, a ban on second-hand clothing was imposed by its Heads of State due to the gradual collapse of local clothing and shoes manufacturing industries as a result of the emergence of an informal SHC sector. This was enacted pursuant to Article 79(b) in the Treaty establishing the East African Community requiring Partner States to “take the necessary steps in the field of industrial development to promote 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 by the Community.” The goal of the ban was ultimately to boost the cotton, apparel, textile and leather sectors, which were unable to effectively compete with the presence of SHC in the region (Katende-Magezi, 2017, p. 10).

The implementation of the ban is different in the EAC Partner States. Several of them have imposed bans, while some have only fixed varying restrictions in order to regulate or discourage further SHC importation. In Kenya, there are currently no major laws and regulations that govern trade of SHC, except for a ban on second-hand underwear. The total ban on SHC was lifted in the country in the

early 1990s, and since then, its inhabitants have heavily relied on SHC as a source of affordable clothing. Because of this, the government has been prevented from reintroducing the ban despite the collapse of domestic production of textiles and apparel (Katende-Magezi, p. 15). Similar policies are in place in Tanzania (p. 22). On the other hand, SHC traders in Uganda are licensed by local governments to operate, while working with a 5% environmental levy on used clothing (p. 18). Similarly, in Rwanda, procuring entities abide by a duty increment on SHC.

Interestingly, Katende-Magezi notes that despite consumers believing the ban to be a “huge mistake” (p. 28), under the GATT General Exceptions, it can nevertheless be justified as a permitted restriction meant to protect human life and health (p. 30). In the end, she recommends that a Phased Approach be applied with respect to the ban on SHC. This means that the State distinguishes between (1) actual second-hand clothing, and (2) “as good as new” clothing that are also included in imported bales, as different “grades” or categories of SHC. While the importation of actual second-hand clothing may be fully banned on the basis of protecting human health, the importation of articles and items from the second category may be subject only to restrictions (p. 36). Through this Phased Approach, a compromise between protecting human health and addressing the public demand for affordable clothing may be achieved.

## 1.2.2 Local Legal Framework

In the Philippines, when it comes to the general importation of goods into the Philippines, it is the Bureau of Customs (BOC) that has primary jurisdiction. This means that the whole process of importation, which lasts from the time that goods enter Philippine jurisdiction until the payment of duties and taxes, is subject to the exclusive authority of the Bureau, to the exclusion of all other bodies (Ingles, 2018, p. 598) This then also means that any importation of SHC done into the country is within the jurisdiction and capacity of the BOC.

The present situation of Customs regulation in relation to the importation of SHC has proven to be tricky and problematic. Republic Act 4653, the major law governing the commercial importation of SHC, makes it “unlawful for any person, association or corporation to introduce into any point in the Philippines textile articles commonly known as used clothing and rags.” (Sec. 1) The rationale behind this enactment is that the government seeks to “safeguard the health of the people and maintain the dignity of

**EXCEPTIONS TO THE PROHIBITION FOUND IN REPUBLIC ACT 1937 (TARIFF CODE OF THE PHILIPPINES)**  
RA 1937, Sec. 105

Those exempted from the ban are clothing & textiles brought in by:

- 1 travelers or tourists
- 2 Philippine residents returning from abroad
- 3 persons from abroad coming to settle in the Philippines
- 4 foreign producers for making or recording motion pictures in the Philippines
- 5 emergency relief organizations not operated by profit, for distribution among distressed individuals

the nation,” as laid out in the law’s title. Used and clothing and rags imported in violation of the law shall be burned without forfeiture proceedings (Sec. 2). Exceptions to this prohibition are found in Republic Act 1937, otherwise known as the Tariff and Customs Code of the Philippines (Fig. 4).

Thus, although generally banned, there are three main ways that second-hand clothing can enter the country: (1) as donations from emergency relief organizations not operated by profit, (2) as “pasalubong” (or gifts or souvenirs), and (3) through misdeclaration (Abueg, 2005, p. 73). For example, a 40-foot container belonging to Great Circles Trading was declared as “scales toys and other merchandise,” but was found to contain used clothing, valued at 7.5 million pesos (Aning, 2013). Smugglers often use the vague descriptor “other merchandise” as a scapegoat, claiming that they may or may not be importing any clothing. The first two ways are legal. On the other hand, the misdeclaration of goods, as to their quantity, quality, description, weight, or measurement is declared illegal in the country’s Tariff and Customs Code (as amended by R.A. 10863, Sec. 1400). Pursuant to this, the Code actually metes out surcharges and the seizure of the subject goods in cases of misdeclaration.

However, implementation of these policies haven’t been uniform across all cases of attempted importations of the SHC. Indeed, in the past, there

Figure 4. Exceptions to the Prohibition Found in RA 1937 (Tariff Code of the Philippines)

# ANGELES CITY



# BAMBANG, MANILA



have been reports of the BOC seizing bales of used clothing and rags that have illegally entered the country, which have been later subject to forfeiture proceedings in favor of the government (DOF, 2014; Almonte, 2018). However, many reports have already identified rampant corruption within the Bureau of Customs (BOC) as a major factor in the continued entry of SHC into the country despite the ban. Customs officials are said to be bribed to facilitate the release of shipment containing smuggled second-hand clothing, or to simply look away. For instance, in 2014, a Customs official was arrested for allegedly seeking, and accepting, a P1.5 million bribe to clear prohibited shipment (Rappler.com, 2014).

In other cases, imported SHC items that have initially been halted by the BOC from further entry were diverted to donation efforts for calamity victims. In 2009, then Commissioner Napoleon Morales directed for confiscated ukay-ukay items to be donated to victims of the typhoon Ondoy, via the Department of Social Welfare and Development (DSWD) (ABS-CBN News, 2009). This was also similarly done for victims of the typhoon Sendong (Aurelio, 2018). More recently, President Rodrigo Duterte has formally adopted this into a directive, ordering the BOC to coordinate with the DSWD for these donations (Aurelio, 2018).

These instances run counter, however, to the DSWD's stance against the donation of used clothes for calamity victims. In a statement released in September 2018, the DSWD reiterated that it "discourages" these donations "in an effort to maintain the dignity, health, and well-being of

families affected by disasters." (DSWD Social Marketing, 2018) Secretary Virginia Orogo affirmed the policy in R.A. 4653, emphasizing the Department's "no used clothing donation" policy, again for reasons of public safety and encouragement of the local garments industry. This is not new, as previous DSWD officials have already spoken publicly about the Department's refusal to accept such donations (Junio, 2015).

If only to complicate the matter further, the interpretation of the law varies across other governmental entities. In a Committee Report submitted by the Committees on Trade and Commerce, and Economic Affairs during the Thirteenth Congress, it was noted that freeports and ecozones in the country have policies that are inconsistent with those of the BOC (Committee on Trade and Commerce, 2005, p. 20). The Philippine Economic Zones Authority (PEZA) and the Clark Development Corporation (CDC) do not allow the registration of locators whose proposed activity involve importation of SHC. On the other hand, the BOC opined that the entry of SHC into these zones does not constitute importation, since these zones are outside customs territory (p. 21).

Some lawmakers have tried passing bills repealing the law. In 2010, movements were made by Alvarez to discuss proposals of legalization with lawmakers (Macairan, 2010). In 2011, then Representative Reynaldo Umali authored House Bill No. 5188 (Bundang, 2011), pushing for the legalization of the importation of SHC. Umali, a former Deputy Commissioner from the BOC, proposed an ad valorem tax to be imposed on every commercial importation of used

clothing into the Philippines (H.B. 5188, Sec. 3). This tax was to be paid by the importer prior to the release of the goods from BOC custody. In addition, like the policies enacted in the EAC mentioned above, Umali exempts the importation of used clothing that are for the sole use of victims of natural calamities and disasters from such duties (Sec. 4).

During the 16th Congress in 2014, House Bill No. 4055 was filed by then Cagayan de Oro Representative Rufus Rodriguez and Abante Mindanao Representative Maximo Rodriguez, Jr., which also seeks to legalize SHC importation. According to them, the continued illegal importation of second-hand clothing—untaxed—causes a loss of profit for the government. By legalizing SHC importation, they claimed that an estimated P700 million could be earned by the government in tariffs and duties. In addition to this, Rodriguez and Rodriguez, Jr. highlight the jobs that are created within the ukay-ukay industry (H.B. No. 4405, Explanatory Note).

On the local level, a proposal to legalize ukay-ukay has naturally come up in the Baguio City council. In 2015, Councilor Tabanda pushed for legalization, claiming that the safety and health hazards claimed by the law have not been conclusively proven, and that ukay-ukay has become a major source of livelihood and tourism for the city (Rillorta, 2015). Despite these efforts, R.A. 4653 remains unrepealed, and thus, still the governing Philippine law when it comes to the importation of second-hand clothing.

In sum, although Philippine policy is not consistent in its ban on the importation of second-hand clothing, it is apparent that it has not been uniformly and consistently applied. In the end, although already subject to a ban placed 53 years ago, SHC importation into the Philippines continues. Furthermore, interpretation and reception of government officials vary. Some believe that the original rationale of protecting the people from hygienic hazards is still a compelling state interest, while some believe that legalization at this time makes the most sense, given the continued growth of the ukay-ukay industry in the country. In light of the present situation, it may be worthwhile to look into different approaches in regulation and restriction, by comparing the Philippine policy model with those of other states.

### 2.3 Ukay-ukay as a Billion- peso Industry: Economic Implications

While ukay-ukay clothes are known to be cheaper than their original counterparts, the net worth of used clothes seized in the recent years is far from cheap. In 2015, the Bureau of Customs (BOC) discovered and confiscated 21 containers of used garments in Misamis Oriental; estimated to be worth P52.5 million (\$1.02 million), and known to be the “biggest seizure of used clothing” (Gavilan, 2017). In the same year, they have also intercepted used clothing worth P52.5 million at the Port of Cagayan de Oro (Santos 2015). In the past year alone, 2018, 2.1 million worth of used clothing was confiscated at the Manila



# ECONOMIC IMPLICATIONS OF UKAY-UKAY

## POSITIVE

source of livelihood

source of revenues for LGUs

potential source of gov't revenue (through taxes & duties)

## STAKEHOLDER

Ordinario (2017); Luis Agaid, Jr. (interview); Mauricio Domogan (interview)

Isla (2014); Mauricio Domogan (interview); Freda Gawisan (interview)

Rufus and Maximo Rodriguez (HB 4055)

## NEGATIVE

discourages investment in, & development of, local garments industry

## STAKEHOLDER

Ofreneo (2011); Celia Elumba (interview); DTI (dialogue)



Image: George Buid

“From the government’s point of view, the sale and retail of these second-hand clothing and garments are detrimental to the growth and development of the national economy.”  
– Abueg, 2005

International Container Port in April, while P800,000 worth of ukay-ukay was found and destroyed by Customs in Guiguinto, Bulacan (“Misdeclared goods”, 2018; Barcelo 2018).

Considering the worth, production (and consumption) rate, and popularity of the ukay-ukay, there has been a move to argue for the legalization of ukay-ukay importation. In terms of taxation, the government could benefit from the estimated P700 million (\$14 million) in taxes annually from imported second-hand clothing, according to then Cagayan de Oro Representative Rufus Rodriguez and Abante Mindanao Representative Maximo Rodriguez, stated in the explanatory note of House Bill 4055 during the 14th Congress (Gavilan, 2017). Unfortunately, this bill did not push through.

In terms of livelihood, the ukay-ukay industry belongs to the Philippines’ informal sector, which, in 2016, contributed P5.013 trillion—more than a third of the total—to the country’s GDP. In particular, industry in the informal sector, to which ukay-ukay belongs, contributed P1.4 trillion (Ordinario, 2017). The latest Labor Force Survey also reports that 15.6 million Filipinos, or 38% of the country’s working population, are employed in this sector (Gavilan, 2018). It has been pointed out, interestingly, that in the Philippines, there is a significant blurring of the line between the formal and informal economy. Technically speaking, the informal sector consists of enterprises not registered or formally approved by authorities and not recorded in official statistics. However, a study supposedly found that in Metro Manila, 77.4% of such

enterprises were actually legally registered with their respective local governments or agencies (cited in Isla, 2014, p. 234). So while ukay-ukay operates largely as an informal enterprise, many of its stores are legally registered businesses that contribute their fair share of taxes to the government. Evidently, ukay-ukay plays an important role in the Philippine economy both as a source of government revenue and a source of livelihood for a significant percentage of the population.

In general, most arguments for legalization are hinged on the fact that it can generate more jobs and income for Filipinos and the Philippine government (Gavilan, 2017; Macarian, 2010). From this purely economic perspective, it is undeniable that ukay-ukay has clear benefits, but these still need to be weighed against its impact on other aspects of Philippine society.

## 2.4 Why Ukay?: Cultural and Social Implications

Ukay-ukay’s threat to public health is another major concern brought up by several stakeholders and declared by RA 4653 itself. Regarding the sanitation of ukay-ukay, a vendor claims that their supplier from abroad is responsible for the cleanliness of the clothing. Meanwhile, according to Dr. Joanri T. Rivalal of the Department of Health (DOH), ukay-ukay items have to undergo a process of decontamination by the Bureau of Customs (BOC). However, dermatologist Dr. Dana Ruiz claims that the fabric of ukay-ukay clothes and the chemicals used to process or sanitize them may cause skin

diseases, trigger allergies, or cause atopic dermatitis (Chan, 2012).

Two officers we interviewed from the Department of Trade and Industry even described the purchase of ukay-ukay as “degrading” because of its threat to health and hygiene. Meanwhile, the stakeholders who patronize ukay-ukay express that they are aware of the health hazards, but the risk does not keep them from buying these clothes. What they do is simply wash their finds before using them: some shared that they perform a more thorough cleaning process (i.e. soaking the clothes in boiling water before throwing them into the laundry) while some remarked that they wash them normally.

In 2016, students from the Adventist University of the Philippines conducted a research looking into bacterial and fungal pathogens on second-hand clothes from ukay-ukay stores in Tagaytay and actually found that most types of clothing from ukay-ukay contained no significant pathogens (Briones et al., 2016). This study was motivated by the need to conduct local research on the health hazards of second-hand clothing because of related literature of other countries like Kenya and the United States showing that second-hand clothes contained significant microbe levels harmful to human health. While the sample size of this particular research is limited only to a small area, this finding disputes the widespread notion of ukay-ukay being a carrier of disease. But as Ruiz pointed out, ukay-ukay can still cause skin irritations or allergies without carrying any microbes but through the fabric itself or

through the chemicals used to sanitize the used clothes.

Despite the potential health risks—which, as pointed out, has not been conclusively proven—ukay-ukay continues to be widely utilized as it addresses a fundamental need: access to affordable clothing. A known supporter for the legalization of ukay-ukay, Baguio City Mayor Mauricio Domogan emphasizes that the ukay-ukay industry is beneficial not only to the LGU through the revenue the industry brings, but also to the poor. The industry provides them livelihood opportunities and a reliable source of affordable clothing.

It must also be noted that the popularity of SHCs and ukay-ukay goods are not only accounted for by its fulfilment of economic practicality, but by social and identity construction as well. Both Hansen (as quoted in Isla, 2014, p. 226) and Isla point out that clothing desires are just as important as the satisfaction of basic clothing needs, with retailers and consumers refashioning imported SHCs “to construct their personal and collective identities, display their knowledge of wider clothing practices, and subvert their received meaning” (Isla, 2014, p. 227). Ethical brand founder Monica Vivar is of the same opinion; to her, ukay-ukay is empowering because it enables Filipinos to express themselves however they want through clothing that is affordable and unique. Similarly, Locsin remarks that “ukay-ukay’s affordability allows people to actually live what they used to fantasize” (2005, p. 379). A survey finds that the fact that ukay-ukay provides a variety of clothing styles for “the thrill-seeking and fashion-

# CULTURAL & SOCIAL IMPLICATIONS OF UKAY-UKAY

## POSITIVE

avenue for **empowerment & self-expression**

source of **creativity** for designers

source of **affordable, trendy** clothing

## STAKEHOLDER

Isla (2014); Dela Cruz (2018); Monica Vivar (interview); Nela San Jose (interview)

Irene Subang (interview); Nela San Jose (interview)

Dela Cruz (2018); Freda Gawisan (interview); Mauricio Domogan (interview)

## NEGATIVE

**potentially hazardous to health**

highlights **price as only source of value** of a garment

can be a **source of shame** for some

## STAKEHOLDER

RA 4653; Chan (2012); Officers from Department of Trade and Industry (interview)

Twinkle Ferraren (dialogue); Monica Vivar (interview)

Ma. Rina Locsin (dialogue)

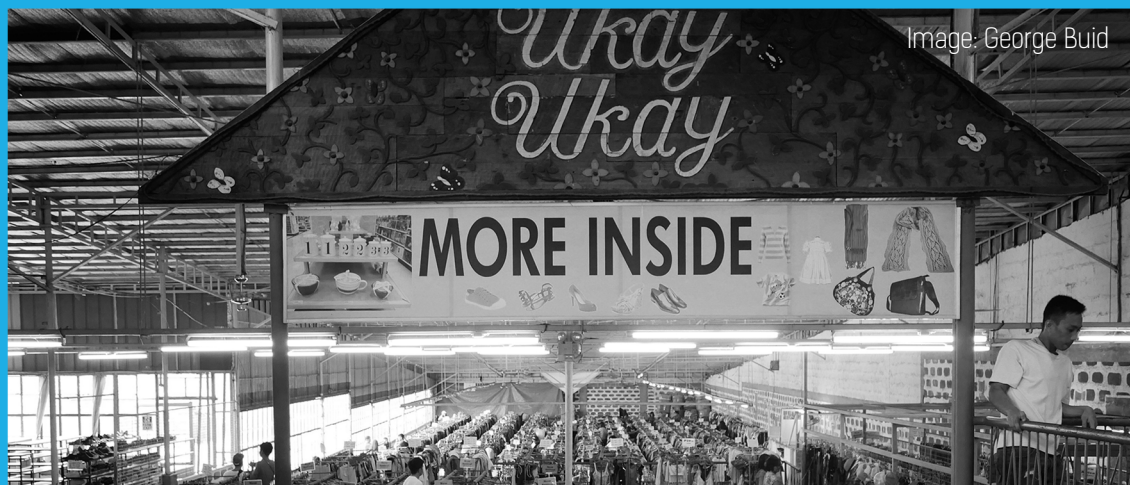
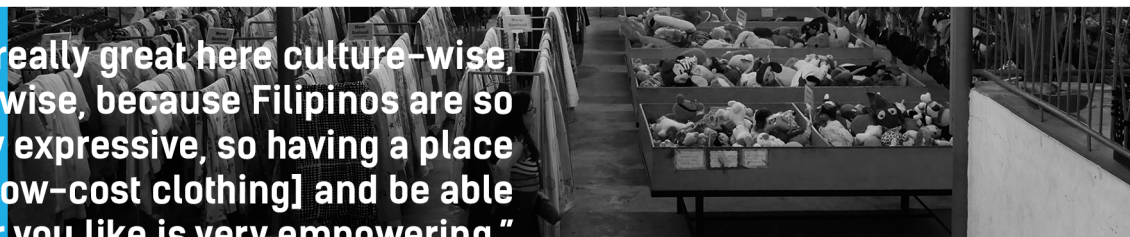


Image: George Buid

“Ukay-ukay is really great here culture-wise, fashion-culture-wise, because Filipinos are so creative and very expressive, so having a place where you can find [low-cost clothing] and be able to dress however you like is very empowering.”  
– Monica Vivar, founder of DENUO



forward young consumers” emerged as the second most positive quality identified by consumers with the knowledge of RA 4653 (Dela Cruz, 2018, p. 43). Designers we interviewed also expressed that ukay-ukay has the potential for experimentation and innovation, thus making them a valuable source of creativity for today’s designers. It appears that, presently, ukay-ukay has a positive reputation premised on the affordability and uniqueness that it offers.

However, ukay-ukay was not always socially acceptable, much less empowering. In its first few decades, buying ukay-ukay was considered embarrassing and even shameful; no one would comfortably divulge that their clothes came from ukay-ukay. Going back even further, researcher and professor from the University of the Philippines Baguio Ma. Rina Locsin even thinks that the lawyers who drafted RA 4653 in 1966 must have had a superficial notion of shame, likely because that generation was embarrassed to use second-hand items. Now, however, she says that the younger generation has “repackaged everything”: from calling it second-hand to pre-loved.

Given this, it appears that ukay-ukay has gained not just economic, but also cultural significance over the years. RA 4653 seems to no longer represent the opinions and needs of the majority. It is because of this economic and cultural significance that ukay-ukay has developed a strong foothold in the country, and this is a factor that any policy change needs to be sensitive to.

## 2.5 Second-hand and Sustainability: Environmental Implications

Consumption of second-hand clothing is generally considered a sustainable alternative to buying brand-new clothes as it promotes the recirculation of existing garments rather than encourage the production of new ones (Norris, 2012). However, this is a claim that warrants inspection given that the Philippines imports tons of SHC every year, which is akin to importing brand-new clothes in terms of volume. While no specific number of tons are documented, the UN Comtrade records the SHC imports of the Philippines in 2017 to amount to \$43.3 million (OEC, 2017), which is not yet considering those imports that remain undocumented. Given this large amount, there is then the question of what happens to the SHC that does not get sold.

According to a 2017 Senate report on Philippine Solid Wastes, recyclable wastes, of which textile is a part, comprise 28% of the total solid wastes in the country, second only to the 52% of biodegradable waste (Philippine Senate, 2017). Unfortunately, there is no available data breaking down the components of recyclable wastes, so the exact percentage of textile waste is uncertain. The report also mentions that open dumping remains the most common way of waste disposal in the country; the number of controlled dumpsites and sanitary landfills are currently still very limited. Because of the lack of proper disposal technologies in the Philippines, the high volume of second-hand clothing

contributes significantly to environmental pollution (Cuc and Tripa, 2014).

Interestingly, our research found that ukay-ukay is recirculated and recycled as much as possible, with very little of it ending up in landfills. According to first-hand accounts from various stakeholders, the sellers' "disposal" process of ukay-ukay generally follows this path: if the clothes do not sell within a couple of months from their arrival, prices are lowered. This is the point where items are open to bargain. If they remain unsold even then, the clothes are moved to a different store or location such as Bambang in Manila, which is regarded as the "Mecca of ukay-ukay." If that still does not work, stores then offer these unsold clothing as "take all," meaning customers can take the bulk of items for a cheap price. Some stores even pack the clothes and simply leave them out on the street for anyone to pick up. The last resort would be turning these unsold clothes into rags (Fig. 5).

This disposal process of ukay-ukay garments show that it takes a long time for these clothes to turn into textile waste. In general, many stakeholders observe that Filipinos generally do not throw away clothes. Old, unwanted clothes are either passed down to relatives, hoarded, donated, sold, or "used to death" as rags. From their testimonies, it appears that clothing is not perceived as something disposable by many Filipinos; the habit of reusing, recirculating, or hoarding used clothing seems to be a common practice.

This, however, seems to have changed with the younger generation. A 2017 survey conducted by YouGov finds that 65% of

Filipino adults have thrown away clothes in the past year, while 24% reported to have disposed of more than 10 items in the same period. Interestingly, the survey also reveals a behavior disparity between millennials and baby boomers: millennials are more likely to sell their clothes online (16% to the 4% of baby boomers), while baby boomers are more likely to donate their clothes to charity (63% to the 47% of millennials), or pass them on to friends and family (80% compared to 70%). Relating these results to the presence of fast fashion, YouGov's Head of Omnibus notes that their "survey highlights just how many clothes go to waste each year in the Philippines. Looking ahead to the future, there is a worrying trend among millennials; their propensity to dispose of clothing at a faster rate than older generations suggests that there is an uphill battle ahead for those keen to tackle this issue head on" (YouGov, 2017). While this survey is in no way representative of the entire demographic of the Philippine, or even a regional, population because it was only conducted online for 10 days, it still provides insight into current, prominent behaviors towards clothing disposal. As YouGov mentions, the increasing rate of clothing disposal can be connected to fast fashion, and thus to ukay-ukay as well, as the two have been likened for how their affordability can encourage overconsumption (Cuc and Tripa, 2014) and, accordingly, a higher rate of clothing disposal.

What is clear is that regardless of the rate of disposal, whether it be high or otherwise, the Philippines needs to establish better disposal and recycling systems for textile given the volume of it being imported and circulated in the country.

# ENVIRONMENTAL IMPLICATIONS OF UKAY-UKAY

## POSITIVE

promotes **recycling or reusing**, and consumption of second-hand items over brand-new

**extends lifespan** of garments

## STAKEHOLDER

Norris (2012); Nela San Jose (interview); Prince Ventura (interview); Tere Arigo (interview); several participants during the Policy Dialogue

Norris (2012); Dela Cruz (2018); Prince Ventura (interview)

## NEGATIVE

wasteful because of **mass volume**

promotes **rapid disposal** of clothing

## STAKEHOLDER

Cuc and Tripa (2014); Norris (2012)

YouGov (2017)



**“We do not want the Philippines to continue being a dumpsite for used clothes of other countries.”**



### 3. Impact on the local garments industry

In arguments against ukay-ukay, its negative effect on the local garments industry is often brought up, but how exactly one affects the other is not detailed. In this paper, the local garments industry refers to all locally-made clothing whether for export or domestic circulation, and the presence of ukay-ukay is said to threaten the production and distribution of these products. A representative from the largest new clothes retailing group in Zimbabwe remarks: “People are buying clothes from second-hand markets, so obviously it has to be affecting us [...]. If second-hand clothes weren’t there, then they probably would have used that money at Edgars – we are losing out” (cited in Field, 2000, p. 250). One of the core reasons RA 4653 itself was enacted was to protect local industries from the used clothing trade. Iloilo representative in 2013 Janette Garin expressed concern about the increasing number of ukay-ukay stores because she claims that this industry takes away jobs from people who depend on making clothes for a living (“P700-M taxes”, 2010). A local article on the ukay-ukay industry also reports that “The Federation of Philippine Textile Industries was also worried that the ukay-ukay trade would affect the businesses of legal garment manufacturers,” (Ladrado, 2018) but it isn’t specified in what form that effect would take. Furthermore, as earlier mentioned, Abueg (2005) states that “Philippine-made textiles and garments are said to be 30 percent more expensive than their counterparts in the market,” but this fact in itself, while suggestive that the affordability

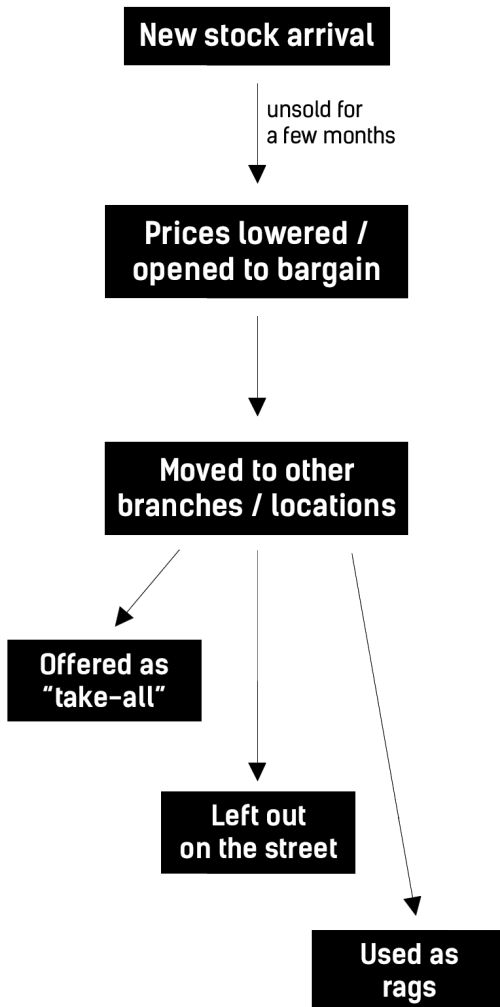


Figure 5. Ukay-ukay disposal process (retailers POV)



of ukay-ukay might compete with the market of local textiles and garments, does not show causality. How the ukay-ukay trade contributed to the decline of the local garment and textile industry is thus unclear, especially because the available quantitative data are unable to illustrate accurately the economic impact of ukay-ukay.

For instance, the recorded annual value of imported SHC in the Philippines in 2017 amounted to \$43.3 million (OEC, 2017), which is roughly P2.15 billion. But in March 2017 alone, P500 million worth of ukay-ukay was reportedly seized in Pasay City by the Bureau of Customs (Macairan, 2017). Already, this seized inventory alone is about a fourth of the supposed importation of ukay-ukay for the entire year. This discrepancy proves that the official statistics fails to account for numerous transactions conducted illicitly, all of which are crucial in constructing a comprehensive picture of the industry. Brooks and Simon, in their 2012 study of the relationship between the SHC industry and the African clothing industry, explain it succinctly: "Because of underlying weaknesses in the data, it is not possible to prove conclusively whether there is a causal relationship between used clothing imports and manufacturing decline using economic modelling" (Brooks and Simon, 2012, p. 4). Likewise, for us to better evaluate ukay-ukay's impact on the Philippine clothing industry, their relationship must then be inspected beyond the purely economic perspective.

The Philippine garments industry was once known as a sunrise industry: in the 1990s, the country's garments and textile export

sector used to be a US\$3 billion industry, even regarded as one of the top performing sectors both locally and internationally. But "with the challenges brought by the end of the Multi-Fiber Agreement (MFA) which grants preferential tariffs to the country's exports of garments and textiles, we saw a decline in the sector's general performance" (BOI, 2018). He explains that the crisis of the garments industry was actually preceded by the collapse of the textile industry, citing the following as the causes for the collapse:

the failure of many ageing textile firms to modernize, the failure of the World Bank-supported textile modernization program to take off in the 1980s, the amazing absence of productive linkages between the home-oriented textile industry and the export-oriented garments industry, the non-development of a local fiber industry (natural and synthetic), the displacement of the locally made textiles by the "surplus" imports of the duty-free garments producers, the unchecked smuggling of untaxed imported textiles and yarns, and the general lack of preparedness of the local textile producers for the World Bank-led trade liberalization program of the 1980s and 1990s (Ofreneo, 2011).

Given this, along with the fact that ukay-ukay is said to have started in the 80s (Isla, 2013), it seems that the local industry's decline around the late 90s roughly coincided with ukay-ukay's rise to prominence in the country. Ofreneo lists "the "surplus" imports of the duty-free garments producers" and "the unchecked smuggling of untaxed imported textiles and yarns" as two causes for the collapse of the local textile industry. These two

could pertain to ukay-ukay, thus showing a link between the two. However, the extent of ukay-ukay's effect on the industry is indefinite, and given the other listed factors, it is clear that this was not the main reason for the local industry's decline. As Isla (2013) points out, most industry experts deny that ukay-ukay has cut into the income of legal garment manufacturers. Instead, they believe the decline is due to other factors, such as "tougher conditions in export markets, failure to invest in new manufacturing technology, lack of up-to-date machinery and basic industry start-up capital, failure to restructure the industry into larger manufacturing units, inadequate provisions for the training of workers, and poor incentives for workers" (Isla, 2014, p. 235-236). It might be more apt to view the situation as concurrent rather than causal: the decline of our local textile and garment industries just occurred at the same time the ukay-ukay trade thrived.

For instance, Bernie Liu, president and chief executive officer (CEO) of local retail company Golden ABC Inc., even claims that ukay-ukay trading is actually a complementary tool to the apparel and garment industry because the mainstream consumers that purchase from ukay-ukay become educated on the latest fashion and brands. He says that ukay-ukay "did affect us for a while. But, in the long run, shoppers are still lured to the convenience offered by legitimate apparel retailers, especially for women, wherein shopping is a therapy for them" (Dagooc, 2009). Furthermore, other studies have noted that SHC does not compete with locally-made garments because they do not produce equivalent competing goods, and thus

have different markets (Baden and Barber, 2005).

This correlates with the results of a survey conducted by Abueg (2005, p. 63) wherein more respondents said they would choose brand new clothes over ukay-ukay if both were priced equally, or if they had additional income for clothing consumption. Several studies have shown (Isla, 2013; Abueg, 2005) that while more affluent Filipino consumers can choose to participate in ukay-ukay, the majority of used clothes shoppers belong to lower income groups, demonstrating that practical considerations (i.e affordability) remain the primary motivation for ukay-ukay consumption. This reveals that ukay-ukay does not actually compete for the primary market of legitimate garment manufacturers and retailers, which are the higher income groups that can regularly afford to buy from such stores. Those who have the capacity would generally prefer to purchase brand new because of its convenience and cleanliness.

What becomes clear is that ukay-ukay does not compete with the local garments industry in terms of market. Either consumers just purchase what is the most affordable, regardless if it is new or second-hand, or the market of either industry is simply different. However, from the entrepreneur's perspective, the presence of ukay-ukay seems to affect the local garments industry in how the former discourages investment in, and thus development of, the latter. Why would an entrepreneur looking to make a profit choose to source, produce, and manufacture their own products when it

is easier, cheaper, and more lucrative to simply manufacture imported clothing? In our interview, Celia Elumba, Director of the Philippine Textile Research Institute (PTRI), explained that when duties were lowered, it became much easier and cheaper to import clothes rather than produce and export them. There was then no compelling reason for entrepreneurs to invest in the local garments sector. Furthermore, she remarks that because Filipinos in general tend to opt for the cheapest option, the value of garments in terms of craft and labor is often overlooked.

Given this, it appears that ukay-ukay's impact on the local garments industry is not purely beneficial or detrimental. On one hand, it has been established that the market of ukay-ukay is different from that of the local garments industry, so there is no significant competition between them. Those who have the economic capacity to patronize the relatively more expensive locally-produced garments generally still prefer to buy brand new for its cleanliness and convenience; the presence of ukay-ukay does not change that preference. On the other hand, investment in the local garments industry is discouraged because manufacturing ukay-ukay offers a low-cost, high-reward alternative to locally sourcing and producing their products, and in this way, ukay-ukay can be seen as negatively affecting the local industry. If the objective is to protect and develop the local garments industry, it seems that simply banning ukay-ukay is a short-term and ineffective solution that is not attuned to the nuanced relationship between the two industries.

## 4. Policy Recommendation

As our research has shown, the ukay-ukay industry is the intersection of numerous issues: economic, with regards to international trade, taxes, duties, as well as a source of livelihood for many in the country; cultural, with regards to identity construction and empowerment, and; environmental, with regards to waste management and recycling/upcycling/repurposing.

In light of our findings, we propose the following recommendations with these objectives in mind: to promote the development of the local garments industry and the utilization of our own local products; to empower the nation and its people by refusing, or at least regulating, the importation of second-hand clothing while providing alternative sources of livelihood for those already involved in the industry, and; to encourage sustainability by shedding light on the links between the domestic and international fashion industry, and our environment, and formulating policies that respond to the issues that arise in these connections.

The following recommendations are premised on the fact that despite the illegality of the importation of second-hand clothing, the ukay-ukay industry is a socially accepted and large, revenue-generating industry upon which many people depend on for livelihood. It is this reality that changes in the policy must wrestle with.

## General recommendations

### 1. Build on the discourse on the local SHC trade by conducting an impact assessment of ukay-ukay on the local garments industry

All participants in the dialogue agreed that the law needs to be revisited; whether SHC importation should be legalized or kept illegal is, at this point, still up for debate. For instance, several stakeholders—particularly academics and vendors themselves—have noted that even if ukay-ukay is legalized, owners and vendors would most likely still conduct their transactions underground in order to evade the taxes and duties that would then come with them. On the other hand, simply banning them, as the present law does, is evidently ineffective because of flawed implementation.

Revisiting simply means that we examine the 1966 law against the current Philippine context in order to assess how it can be made more relevant and effective in attaining its goals of protecting the Filipino people from health hazards and safeguarding the nation's dignity. Our research, which has already highlighted the shortcomings of the present law with regards to achieving its objectives, has only scratched the surface of the issue; further quantitative studies by the government or other organizations and individuals would be necessary in painting a more comprehensive picture of the present situation.

### 2. Categorize ukay-ukay by type or quality

Ukay-ukay indiscriminately refers to all imported used or second-hand clothing. Numerous stakeholders pointed out, however, that it might be necessary to categorize ukay-ukay by quality as these would allow us to formulate a policy that is nuanced and specific. As described earlier in this study, individual efforts by online and offline ukay-ukay retailers already perform a sorting process that categorizes or curates the item based on different factors, such as source, item type, and quality, but institutionalizing this sorting process may prove to be advantageous in the formulation of a better, more relevant policy. For instance, banning the importation of ukay-ukay on the basis of health reasons might appear misinformed if the clothes being imported are actually overruns or unused, good-as-new second-hand items. On the other hand, while it would probably be best not to import rag-like clothing for sale as ukay-ukay, its importation could be considered for other reasons (i.e. as raw material).

### 3. Encourage appreciation of Philippine garments and textiles through better education

During the policy dialogue with the stakeholders, the group unanimously agreed that the challenges faced by our local textile and garment industries boil down to research and education—on the consumers' end, unlearning certain notions and behaviors, such as basing the value of an item purely on its affordability and idolizing foreign brands and styles,

is an important step to promoting the development of our local industries. Several stakeholders emphasized the importance of bringing awareness about clothing—its source, producers, and designers—so that consumers will be able to appreciate the item beyond its price tag.

The Department of Education would play a crucial role in this matter, along with different media platforms that encourage and normalize particular cultural values. Incorporating the study of Philippine textiles into the curriculum with the help of the National Commission for Culture and the Arts, for instance, would instill awareness and appreciation of this aspect of our culture in students early on.

#### **4. Strengthen local industry through innovative solutions based on the country’s available technology and resources**

On the producers’ and retailers’ end, the potential to distinguish the industry lies in developing technologies for recycling/upcycling/repurposing used textiles along with finding a competitive edge for our industry, as cost and volume seem to be out of the question. We must come up with a different approach to promote our local products, one that properly accounts for all the cultural and economic factors of our present reality.

Philippine Textile Research Institute (PTRI) Director Celia Elumba raises the argument that the Philippines cannot and should not play “catch up” with other countries like Bangladesh, Vietnam, and India, with regards to the volume of textile and

garments produced simply because we cannot compete in terms of manpower. Instead, she suggests that we focus on what the Philippines has, including thousands of handloom weavers in lieu of commercial skill, along with an abundance of natural raw materials that simply need to be extracted and converted into textile. For example, Elumba suggests that the Philippines capitalize on abaca and vegetable fibers, which we have an abundance of, rather than on cotton, which is a trade dominated by four major countries: US, India, Brazil, and Australia (Bueno, 2018). Guided by a vision of a Philippine textile industry based on ecosystems—wherein local communities are involved, and “waste” is reused rather than simply disposed of—the PTRI promotes and researches the innovative use of natural and indigenous sources for textiles for the benefit of micro, small, and medium enterprises and communities in the country. While the Philippine textile and garments industries still have a long way to go, the small steps taken by the likes of PTRI pave a path towards a sustainable, circular economy that we can follow. One way of integrating ukay-ukay into this sustainable economy would be to consider using it as raw material for our products, along with innovative uses of other natural resources.

#### **5. Reduce textile waste through systemic upcycling or recycling of old and waste fabrics**

Textile waste needs to be addressed either through better waste management or through a systemic upcycling/recycling of old fabrics and garments. More research into how to dispose of fabrics

needs to be done, since different fabrics require different methods of disposal or degradation. In relation to the previous recommendation, it was suggested during the dialogue to explore the possibility of recycling/upcycling/repurposing SHC into new products, since there seems to be an overabundance of the material in the country. Doing so would encourage sustainability by giving the excess SHC or textile “waste” another life. This is a system already being practiced by some companies in Scandinavian countries. For instance, Finnish company Globe Hope designs and manufactures products from recycled and discarded textiles and uniforms (e.g. from the army), advertisement banners and flags, old sailboat sails, car seatbelts and vintage textiles (such as curtains, tablecloths and bedsheets). Reportedly, the company’s turnover in 2012 was 1.4 million Euros (Palm et al., 2014), proving that there is a market for companies engaged in such a business.

### **In the case of legalization: Recommendations towards the elimination of SHC**

Given that one of this study’s main objectives is to promote local industries, these recommendations in the case of legalizing the importation of SHC in the Philippines are still oriented towards severing the country’s present dependency on ukay-ukay. Legalization—with the assumption of effective governance—allows transparency, and addressing the issues posed by the importation of SHC would be more effective if the process is transparent.

## **1. Strictly regulate the entry of imported second-hand clothing**

Should the importation of SHC be legalized, its entry into the country should certainly be well-documented and regulated. One way this can be done is by funneling the importation of used clothing to specific ports only, as this would make monitoring significantly more manageable for the involved regulating bodies. The records kept would also serve as vital information for further research into the industry.

However, as an archipelago, the Philippines has numerous “back doors” through which smuggled goods can enter. Giving this challenging circumstance, it might be effective to perform random inspections of container vans/shipments under the supervision of an interagency committee dedicated to monitoring the importation of ukay-ukay. Implementing these strict regulations would certainly be costly, but with revenue coming in from the taxation of ukay-ukay, the interagency committee can be funded by the revenue from those taxes.

## **2. Impose quota restrictions**

The government should impose a quota restriction on the importation of SHC based on the extent to which local industries can meet the demand for clothing in the country, which can be determined by an impact assessment. Setting a limit would keep the competition between imported SHC and locally-made clothing fair to both. Allowing the controlled entry of SHC promotes trade with other countries

while supporting and protecting local production.

### 3. Tax ukay-ukay

Imported SHCs should be taxed to almost match the price of brand-new, locally-made clothing. If this happens, the market will likely shift towards the brand-new items if they cost the same (Abueg, 2005, p. 64). The risk, however, is that the brand-new items consumers would patronize would not be locally-made products, but international fast fashion brands which are even worse in terms of environmental footprint. Given this, it must be emphasized that the Philippine educational system itself, along with various other cultural apparatus, must make sure to promote local products. It is observed that because of the pervasive Filipino colonial mentality, a result of centuries of colonization, Filipinos still tend to champion anything foreign, and to instinctively reject local products that are deemed inferior (Garbones, 2016). This is a deeply embedded cultural trait that Philippine education and media must fiercely resist.

This taxation would also be a burden mostly to lower income groups who rely on the affordability of ukay-ukay, so this taxation should not be implemented without having made alternatives available. This action point should be done alongside the strengthening of the local industry which would then be responsible for meeting the demand for affordable, functional, and stylish clothing.

## In the case of prohibiting ukay-ukay: Recognizing the persistence of SHC

It is evident that simply banning the importation of SHC or ukay-ukay is ineffective because, given its current economic, cultural, and social significance, people continue to find ways to establish and promote the industry despite the prohibition. A simple ban clearly does not serve the interests of most of the stakeholders of the industry, so if the government wants to implement the ban effectively, it is important that they take into consideration the needs and demands of the industry's stakeholders within the dynamics of the present context.

### 1. Phase out ukay-ukay by category

Borrowing from the African countries also facing similar issues with second-hand clothing, a phased approach may prove to be a more effective way of implementing the ban as it "would soften the impact of the ban on the domestic consumers, as well as the source countries" (Katende-Magezi, 2017). This approach would phase out ukay-ukay one-by-one by category, banning first the badly-damaged/rag-like items while conditionally permitting the good-as-new ones. The goal would still be to completely ban all kinds of SHC within a given number of years. What this method accomplishes is easing the stakeholders into what would have otherwise been a drastic change so that necessary adaptations by all the stakeholders may be made.

There is still the risk that ukay-ukay will simply continue to be conducted illicitly, so it must be emphasized that the move to

phase out ukay-ukay should be concurrent with the other measures recommended in this study. Generally, the reason that goods, such as SHC, are smuggled is that it addresses a consumer demand (in this case, affordable and quality clothing) and provides great profit to those engaged in the underground business. To discourage this, then, would be to meet that consumer demand and to offer and nurture profitable ventures. Strengthening the local garments industry, as earlier explained, is the measure that would most likely quell the underground ukay-ukay market.

## **2. Provide an alternative livelihood for those involved in the industry**

One of the main reasons why ukay-ukay cannot easily be eradicated at this point is because numerous people depend on the industry for a living. As mentioned in the previous recommendation, this action of providing alternative livelihoods has to go hand-in-hand with the action of strengthening the local industry, as the latter would open employment opportunities that can absorb those displaced by implementing the ban on SHCs.

different aspects of Philippine society, we recognize the challenge of addressing the various issues of the ukay-ukay, as it will entail an uprooting of deep-seated economic practices and cultural habits and values. Alongside these challenges, however, is the promising potential of ukay-ukay to address Filipinos' economic and cultural needs without compromising the necessity of sustainability. It is this challenging and promising prospect of ukay-ukay that makes it deserving of our urgent attention.

## **5. Conclusion**

Our study has made it evident that the inconsistent implementation and faulty assumptions of RA 4653 has rendered the policy outdated and irrelevant. It is a law that has lost touch with the Filipino people, and thus no longer serves the public as it is supposed to. In identifying ukay-ukay's impact on



## Stakeholder Information

### Policy Dialogue Attendees

**Abgona, Dr. Remedios V.J.**  
Chief, Philippine Fiber Industry Development Authority

**Abueg, Luisito**  
Professor, University of the Philippines Diliman

**Agaid, Luis Jr.**  
Chairman, Namarabar Indigo Natural Dye Producers Cooperative

**Branzuela, Engr. Ramon M.**  
OIC, Deputy Executive Director, Philippine Fiber Industry Development Authority

**Elumba, Celia**  
Director, Philippine Textile Research Institute

**Ferraren, Twinkle**  
Founder, Style Isle

**Locsin, Ma. Rina**  
Professor, University of the Philippines Baguio

**Manese, Annie Lee F.**  
Assistant General Manager, Philippine Ports Authority

**Subang, Irene**  
Professor, School of Fashion and the Arts Design Institute

**Sykimte, Bianca Pearl R.**  
Project Manager, Industry Development Council, Department of Trade and Industry

**Vivar, Monica**  
Founder, DENUO

### Interviewees

**Agaid, Luis Jr.**  
Chairman, Namarabar Indigo Natural Dye Producers Cooperative

**Anonymous**  
Bureau of Import Services, Department of Trade and Industry

**Arigo, Ma. Theresa**  
Founder, teeforel

**Dela Cruz, Eliza Grace S.**  
Researcher, University of the Philippines Diliman

**Dela Rosa, Rogel**  
Trade Specialist, Trade Facilitation Division

**Domogan, Mauricio**  
Mayor, Baguio City

**Elumba, Celia**  
Director, Philippine Textile Research Institute

**Flores, Robin**  
Account Officer, Coam Phil., Inc.

**Franco, Joseph Robert**  
Senior Trade Specialist, Trade Facilitation Division

**Gawisan, Freda**  
Provincial Director, Department of Trade and Industry

**Jeff**  
Ukay-ukay vendor from Bambang

**Jessie**  
Ukay-ukay vendor from Bambang

**Locsin, Ma. Rina**

Professor, University of the Philippines Baguio

**Manuguid, Vhanezza**

Ukay-ukay vendor from Bambang

**Pille, Elma**

Section Head, Donations Department,  
Department of Social Work and Development

**San Jose, Nela**

Instructor, College of Saint Benilde

**Sandico, Ditta**

Designer, Ditta Sandico

**Atty. Sarmiento, Willie**

Bureau of Customs, Subic

**Sherwin**

Ukay-ukay vendor from Bambang

**Subang, Irene**

Professor, School of Fashion and the Arts  
Design Institute

**Ventura, Prince**

Student/Researcher, University of the  
Philippines Diliman

**Villar, Deogracias**

Revenue District Offices, Bureau of Internal  
Revenue Subic

**Vivar, Monica**

Founder, DENUO

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Finally, as always, we dedicate this paper to the thousands of people working in the fashion industry, to the Filipino people, to the environment, and to the Fashion Revolution volunteers around the world. Our hope is that this study helps us move closer to the sustainable future we envision for all.

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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every sale, purchase, and expense must be properly documented to ensure the integrity of the financial statements. This includes keeping receipts, invoices, and bank statements in a secure and organized manner.

Next, the document outlines the process of reconciling the books. This involves comparing the company's internal records with the bank statements to identify any discrepancies. If there are differences, the accountant must investigate the cause, such as a missed entry or a bank error, and make the necessary adjustments.

The following section covers the preparation of the financial statements. This includes the balance sheet, income statement, and cash flow statement. Each statement provides a different perspective on the company's financial performance and position. The balance sheet shows the company's assets, liabilities, and equity at a specific point in time. The income statement shows the company's revenues and expenses over a period, resulting in net income or loss. The cash flow statement shows the changes in the company's cash and cash equivalents over the same period.

Finally, the document discusses the importance of reviewing the financial statements with management. This allows the company's leadership to understand the financial results, identify trends, and make informed decisions about the company's future. It also highlights the need for transparency and communication between the accounting department and management.