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Unpaid Billions: Trade Data Show Apparel Order Volume and Prices Plummeted through June, Driven by Brands' Refusal to Pay for Goods They Asked Suppliers to Make

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Executive Summary: New Trade Data Prove Brands' Retroactive Order Cancellations Drove a Massive Plunge in Apparel Imports

On March 27, 2020, the Center for Global Workers' Rights (CGWR) and the Worker Rights Consortium (WRC) released *Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chain*, a report focusing on the response of global brands and retailers to the sudden collapse of apparel demand resulting from the Covid-19 pandemic.¹ This paper, analyses by other researchers, and news reports—all relying primarily on accounts from garment suppliers and their trade associations—painted a deeply disturbing picture of corporate irresponsibility at a moment of global crisis. Suppliers around the world told the same essential story: beginning in March, many leading apparel corporations began renegeing on their financial obligations to the factories that make their clothes.

According to supplier accounts, in some cases corroborated by leaked correspondence between buyers and suppliers, brands and retailers:

- retroactively canceled, in part or in whole, orders that suppliers had already produced or were in the process of producing;
- postponed delivery of, and payment for, orders on an indefinite basis; and/or
- demanded large retroactive price discounts in exchange for agreeing to take delivery and pay for goods.

This behavior was enabled by the existing payments structure in the apparel industry, under which suppliers bear the up-front cost of production and buyers pay nothing until weeks or months after the factory ships the goods.

¹ Center for Global Workers' Rights and the Worker Rights Consortium, *Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chain*, March 27, 2020, https://ler.la.psu.edu/gwr/news-items/Abandoned_CG-WRWRCApril12020.pdf.

The CGWR and the WRC estimate that buyers, in the initial weeks of the crisis, reneged on their financial commitments on roughly USD 40 billion in orders—with devastating implications for suppliers and workers. In Bangladesh alone, more than one million workers were adversely affected, with many being sent home from work without severance or furlough pay.

Labor unions and labor rights advocates responded with energetic efforts to hold brands and retailers publicly accountable and press them to pay their bills. The WRC, in collaboration with the CGWR, launched the Covid-19 tracker webpage with regular updates on buyers who were and were not paying in full on their order contracts.² Advocates, many using the #payup campaign hashtag, targeted the industry's biggest offenders. As a result, the CGWR and the WRC estimate that of the approximately USD 40 billion originally withheld from suppliers, at least USD 15 billion has been paid. This still leaves massive arrears, with severe short and long-term impacts for workers and suppliers.

Newly released trade data provide powerful corroboration for suppliers' claims and the reports of researchers and journalists: monthly data on the value of apparel imports entering the United States (US) show that, from April to June 2020, brands and retailers took delivery on USD 9.7 billion less in garments than they did during the same period a year ago, *a drop of 49 percent*.

For exports to the European Union (EU), for April and May 2020 (the most recent months for which data are available), brands and retailers took delivery on USD 6.5 billion less in garments than they did during these months in 2019, *a decline of 45 percent*.

It is crucial to understand that, because of the time it takes to produce and ship an order after the brand places it,³ decisions by brands to reduce or forego the placement of new orders with suppliers cannot explain this precipitous drop. Most new orders placed after the crisis began did not begin to arrive at US ports until July. The vast bulk of the shortfall in US imports through June represents the outcome of orders that brands and retailers had placed, and that suppliers had already produced or were in the process of producing, *before the crisis began*.

Apart from temporary production and shipping delays driven by relatively brief government-imposed shutdowns in leading apparel exporting countries, the only possible explanation for the dramatic drop in imports revealed by the data is *retroactive* cancellations and discounts on orders in process or already completed. This loss in value translates into suppliers dramatically reducing operations, suspending operations, or even going out of business. In the process, millions of workers faced reduced hours of work and thus reduced income, temporary suspension of work, or job termination.

² See, "Covid-19 Tracker: Which Brands Are Acting Responsibly toward Suppliers and Workers?," Worker Rights Consortium, <https://www.workersrights.org/issues/covid-19/tracker/>.

³ Average lead times in the garment industry—the time from the date an order is placed by the buyer to the date the supplier ships the goods—is 86 days. See, Mark Anner, "Squeezing Workers' Rights in Global Supply Chains: Purchasing Practices in the Bangladesh Garment Export Sector in Comparative Perspective," *Review of International Political Economy* 27, no. 2, (2020): 320-347.

Findings: Trade Data

To analyze the impact of buyer order cancellations, this research brief compares the value of monthly apparel imports to the US for the months of January through June for 2019 and 2020. What the data show is that for each month, the value of imports was less in 2020 relative to the corresponding month in 2019. A modest decline in January through March reflects the impact of the first wave of the pandemic in China. Beginning with shipments arriving at port in April, the bottom drops out of the import data: a 49 percent reduction relative to the same period in 2019. May saw the largest gap: USD 6.7 billion in May 2019 relative to USD 2.7 billion in May 2020.

In June, there was an increase in the value of apparel imports, relative to May, though the numbers were still well below 2019. This uptick reflects, in substantial part, the impact of pressure on brands and retailers from unions and labor rights advocates to pay suppliers for finished and in-production orders previously canceled or postponed.

Overall, there is a total value difference of USD 9.7 billion from April through June 2020, relative to 2019. [See Figure 1.]

To examine whether the drop in value may have resulted from government-imposed lockdowns rather than canceled orders, we compare import data for several countries with differing lockdown experiences (see appendix for charts). For example, India and Honduras had strict lockdowns in March and April whereas Vietnam and Nicaragua did not. Bangladesh had a short lockdown, but garment production was mostly considered an essential economic activity and suspension of garment production and shipping was brief. What the data show are substantial losses in export value in countries with strict lockdowns *and* those without strict lockdowns, somewhat larger in the former but significant across the board. The data—coupled with the fact that many suppliers were positioned to catch up in May on production delayed by lockdowns in March and April—indicate that lockdowns, while hav-

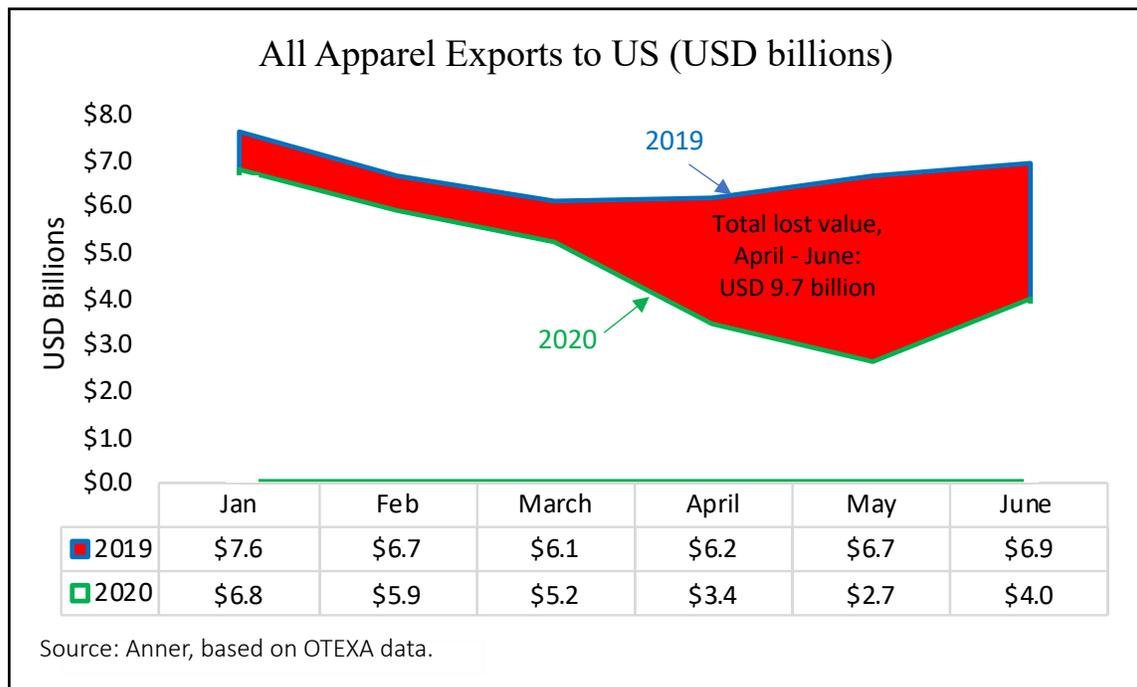


Figure 1

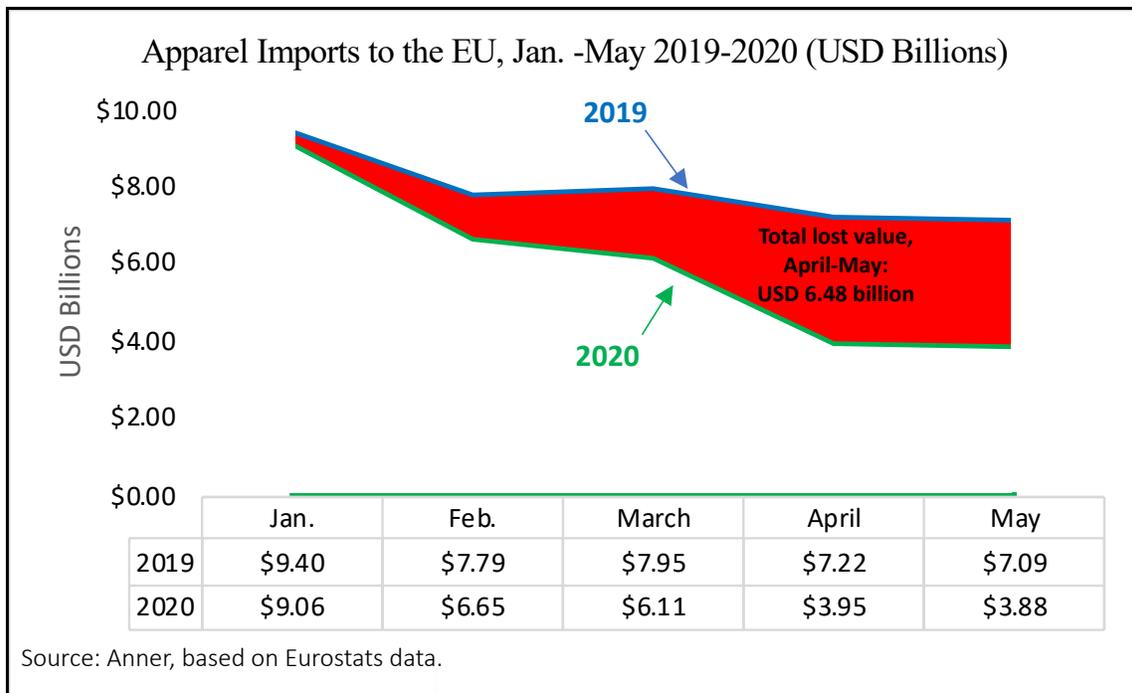


Figure 2

ing an effect, cannot explain most of the dramatic loss of value seen in data through June. [See Appendix.]

The drop in import volume to the EU was nearly as steep as in the case of the US. Repeating the same exercise outlined above for imports⁴ to the EU (from non-EU countries) reveals a total loss in value of USD 6.48 billion in April and May, over those two months in 2019 (June data are not yet available for the EU). [See Figure 2.]

Further examination of the US trade data shows that the overall decline in the value of imports reflects more than just a decline in order volume. It also reflects a decline in *prices*. Dividing the monthly value of imports, in the trade data, by the monthly units of imports yields⁵ an average price per unit per month. [See columns A and B in Table 1.] Subtracting monthly price per unit in

2019 from the corresponding month in 2020 gives the monthly *difference* in value. [See column C in Table 1.]

When applied to the US data, this exercise indicates that, after a tiny increase in price per unit in January and February 2020 (less than two cents), there was a far more significant *decrease* in the price per unit in March through June 2020 (a decline of between seven and 40 cents per unit).

Multiplying this monthly difference per unit by the total number of units imported per month gives the net change in *value* due to the change in price per unit. [See column E in Table 1.] This shows the dramatic impact that declining prices per unit have on total value: from January through June 2020, there was a net loss of USD 1 billion due to the decline in prices. [See Table 1.] What this indicates is that of the USD 12.2 billion

⁴ Eurostats separates knit (code 61) and woven (62). The data presented here combine knit and woven apparel.

⁵ Units are measured in Square Meter Equivalent (SMEs).

	A	B	C (B-A)	D	E (C * D)
	2019 USD/Unit	2020 USD/Unit	Difference USD/Unit	2020 Units Imported	Net Change in Value Due to Change in Price
Jan	\$2.908	\$2.923	\$0.015	2,311,651,319	\$35,209,953
Feb	\$2.935	\$2.947	\$0.012	2,005,797,088	\$24,001,149
March	\$3.141	\$3.071	-\$0.070	1,687,337,087	\$118,139,126
April	\$3.024	\$2.818	-\$0.206	1,211,324,129	\$249,945,785
May	\$2.924	\$2.797	-\$0.127	947,895,169	\$120,851,394
June	\$3.040	\$2.646	-\$0.394	1,496,936,864	\$589,658,247
					\$1,019,383,449

Source: Anner, based on OTEXA data.

Table 1

lost in value indicated in Figure 1, USD 1 billion corresponds to declining prices. While unit prices for apparel tend to decline modestly year over year,⁶ due to the price pressure that is ubiquitous in the region, the decline in 2020 over 2019 is vastly larger than normal and is driven by the industry’s response to the pandemic.⁷

Since prices reflected in the trade data involve orders placed—and prices contractually agreed—*before* the pandemic’s primary effects were felt in the US in March, the only means through which the reductions in unit price apparent in the data could have been achieved is the imposition by brands and retailers of *retroactive* discounts—below the agreed contract price for the goods in question. This is consistent with reports from suppliers, corroborated in some cases by buyer correspondence, that some brands and retailers demanded

retroactive discounts of suppliers, beginning in March. Interestingly, major price reductions are not evident in the European trade data, at least through May.

Conclusions

US and EU trade data provide considerable evidence of a significant loss in value due to order cancellations. A total of USD 16.2 billion was lost, combined, from April through June in the US and from April through May in the EU (a number that will almost certainly increase when June data are available for the EU). Assuming that wages make up 10 percent of the value (at import price), what this suggests is the loss of more than USD 1.6 billion in workers’ wages, based on reduced imports and retroactive price discounts for the US and EU markets alone.⁸ ■

⁴ Eurostats separates knit (code 61) and woven (62). The data presented here combine knit and woven apparel.

⁵ Units are measured in Square Meter Equivalent (SMEs).

⁶ For example, between 2013 and 2019, the average price per unit of imported apparel to the US dropped by 5.86 percent, or just under one percent per year.

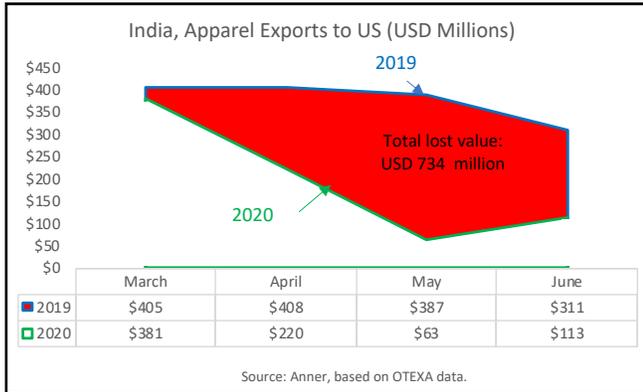
⁷ From January 2020 to June 2020, prices dropped from USD 2.92 to USD 2.65, or nine percent.

⁸ An earlier version of this report indicated the loss of close to USD 2 billion in workers’ wages. USD 1.6 billion is a more accurate calculation. And while most of the loss is due to reduced imports, part of the loss is due to retroactive price discounts.

Appendix: Country Cases

March-June, USD Millions

Countries with Strict Lockdowns



Countries with No or Weak/Partial Lockdowns in March-June

