

# Fast Fashion: Theory and Evidence from Portuguese Textile and Clothing Firms\*

Ana P. Fernandes<sup>†</sup>  
Exeter

Heiwai Tang<sup>‡</sup>  
HKU, Johns Hopkins, and CESifo

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## Abstract

We study firms' adoption of just-in-time trade as a response to increased import competition. We use data on all Portuguese textile and clothing exporters' monthly transactions and exploit the exogenous increase in competition following the removal of Multi-Fibre Arrangement (MFA) quotas on Chinese exports. We find that exporting firms specialize in "fast-fashion" in response to increased competition from China—exporting higher quality products to closer markets at higher frequency. We rationalize our findings with a heterogeneous-firm model in which firms choose what products to export and where to sell them, and in each market, the frequency of shipments as well as the quality of products. In response to low-wage competition, the medium-productivity firms increase exports of high-quality products to nearby markets, while the least productive firms drop out from distant and low-income markets.

**Key Words:** Export frequency, Fast fashion, Just-in-time trade, low-wage country competition, heterogeneous firms, quality upgrading

**JEL Classification Numbers:** F1, F2.

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<sup>†</sup>Email: a.p.o.fernandes@exeter.ac.uk

<sup>‡</sup>Email: hwtang@jhu.edu