



SMART Government Affairs Update

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What to expect in Washington?

Midterm Election Outcomes

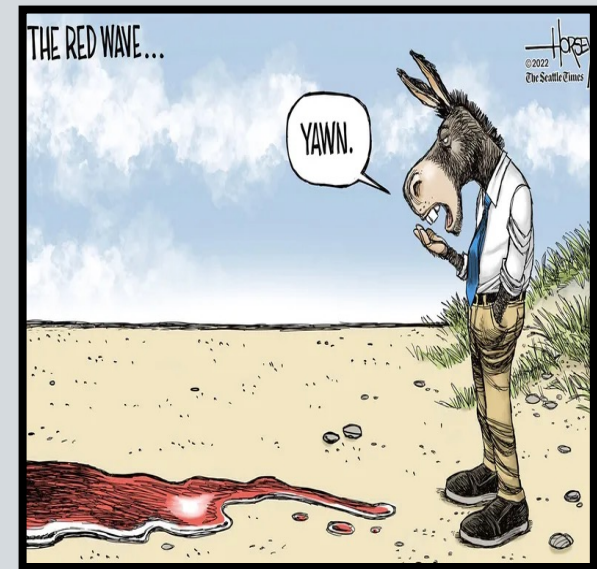
- Talked about projections for midterm elections
 - Important b/c shape of Congress affects federal policy activity
- Polling suggested GOP likely to win House
 - Senate was a toss up
- Media/pollsters were predicting red wave



What to expect in Washington?

Midterm Election Outcomes

- Red wave=red trickle
 - GOP majority is only ten seats
- Dems held the Senate and even gained a seat
- Experts: GOP did not perform as well as expected b/c of discomfort w/ Trump-backed candidates



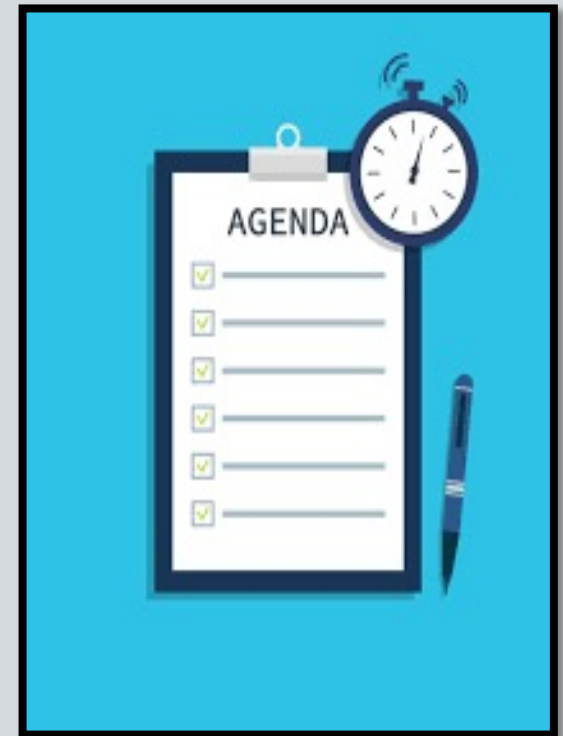
What to Expect in Washington?



What to expect in Washington?

Presentation Overview

- Pakistan's used clothing valuation
- EAC update
- AGOA renewal
- Pakistan EPZ
- Possible EPR for textiles
- Q&A



What are the issues to watch?

International Trade



What are the issues to watch?

Pakistan Used Clothing Valuation

- Dec. 16, 2022, Pakistan revised reference pricing for used clothing imports
 - Increased from \$0.36/kg to \$1.00/kg
 - Also raised rate for used shoes, toys, kitchenware
 - Negatively impacting both direct importers and EPZ members



What are the issues to watch?

Pakistan Used Clothing Valuation

- EPZ members processing clothing can't export
 - Hundreds of containers piled up
- Mid-Jan, temporary injunction blocking Pakistan customs from applying higher reference values
 - But expires on March 15, 2023
- Some companies clearing containers, others not
- SMART has brought matter to attention of USTR
- USTR raised issue during high-level meeting
- Secondhand clothing industry and EPZ members pursuing legal action



What are the issues to watch?

Pakistan Used Clothing Valuation

- Pakistan Customs Appellate Tribunal has announced to set aside increased valuations
- However, Pakistan Customs would still like to increase valuations at least 10-15% higher
 - This would put values around US\$0.40-0.42/kg
- SMART is hearing that Pakistan Customs will rush this new valuation in next week
- SMART will continue to monitor and assist as needed



What are the issues to watch?

EAC Ban Update

- 2015 Secondhand clothing ban proposed by Kenya, Tanzania, Rwanda, Uganda & Burundi in 2015
- Countries said they were going to phase-in ban over 3-years
- Began this by sharply increasing duties on used clothing in June 2016



What are the issues to watch?

EAC Ban Update

- Informed Obama Admin & Trump Admins that EAC violating AGOA
 - AGOA provides unilateral duty free access to U.S. for sub-Saharan African
 - In exchange, countries agree to various obligations incl. agreeing to keep markets open to U.S. exports



What are the issues to watch?



EAC Ban Update

- SMART petitioned Trump Admin to suspend their AGOA benefits until ban/duties reversed
- ‘America First’ Trump White House VERY supportive & worked tirelessly to achieve a negotiated outcome
- Kenya backed down in summer of 2017, reversing its add’l duties and ban
- Joined by Uganda, Tanzania soon after



What are the issues to watch?



EAC Bale Sizes

- Late 2020, Kenya, Uganda, Tanzania moved to limit used clothing bale sizes to 30 kg
 - Down from 45 kg traditionally used
- Highly problematic for industry
 - No equipment for quality bales less than 45 kg
 - 30 kg bales can't be loaded efficiently, increasing freight costs
- SMART alerted USTR
 - EAC rescinded bale size change in May 2021 in response to U.S., regional traders, mitumba ass'n pressure



What are the issues to watch?

AGOA Renewal

- AAFA letter to U.S. officials seeking AGOA renewal before 2025 expiration
- 2025 seems a long way off but AGOA is critical to SMART
 - Plus. Congress moves at glacial pace and 2024 election cycle in middle of things
- Joined AAFA in sending letter to President Biden calling for long-term renewal of AGOA
- SMART will continue to work w/ AAFA and allies



What are the issues to watch?

Other Trade Issues: Pakistan EPZ

- SMART's ITAC rep is always on alert for problematic trade issues
- In early 2022, Pakistan eliminated sales tax exemption in EPZs
- Announced withdrawal of sales tax exemption for machinery, equipment, material imports into EPZs
- Required importers to pay 17% sales tax on all goods entering EPZs



What are the issues to watch?

Other Trade Issues: Pakistan EPZ

- New policy increased costs for processing used clothes in Pakistan
- Policy didn't solely target our industry, but SMART est. 70% of used clothing into Pakistan came into EPZs for processing and re-export
- Pakistan claimed exemptions prone to misuse
- Attributed new tax policy to guidance from IMF



What are the issues to watch?

Other Trade Issues: Pakistan EPZ

- SMART alerted USTR
 - USTR raised topic during WTO Trade Policy Review and BTS talks w/ senior Pakistani officials
- EPZ members brought objections to Sindh High Court & high-level officials
- Pakistan used annual budget discussions to provide relief on this issue and reinstate the exemption



What are the issues to watch?

EPR for Textiles

- Questions re: EPR for textiles in U.S. and potential for related bans
- Extended Producer Responsibility
 - Strategy that places shared responsibility for end-of-life product management on producers, and other entities involved in the product chain
 - In fashion/textile industry, producers are responsible for waste management at EOL



What are the issues to watch?

EPR for Textiles

- EPR for textiles discussed by interest groups (incl. SMART) in U.S. for years
- SMART met w/ with Product Stewardship Institute about proactively pushing state EPR
- SMART and CTR worked w/ PSI to create standards for used clothing collection under #ReclotheNY initiative in 2016
- As of now, broad-based policy measures addressing textiles EPR at federal level



What are the issues to watch?

EPR for Textiles

- EC released plan for “sustainable and circular” textiles in March 2022
 - Called for textiles EPR and possible restrictions on exports of used clothing
 - Export bans have not been proposed in U.S.
 - Given support our industry has received from WH, bans do NOT appear imminent



What are the issues to watch?

EPR for Textiles: Europe

- EC considering EPR for textiles
 - France only EU country w/EPR scheme for textiles
 - Netherlands has called for EU-wide textile EPR
 - Sweden has plans to intro textile EPR
- Next steps for EC:
 - Propose EPR for textiles by 2023
 - By 2030, ensure new textiles are recyclable, contain recycled fibers, free of hazardous substances



What are the issues to watch?

EPR for Textiles: United States

- U.S. is not as far along on textiles EPR
- A lot of activity at state and fed level addressing EPR for SUP
 - But focused on SUP packaging, straws, cutlery, etc.
- CA, OR, WA & ME passed SUP EPR in last two years
- Other states also considering bills; taking up a lot of bandwidth



What are the issues to watch?

EPR for Textiles: California

- However, some NGOs have expressed interest in textiles EPR
- CA Product Stewardship Council (CPSC) workshop in fall 2022
- CPSC and others seem focused on EPR for residential/institutional textiles; easier to recycle than clothing
 - Wanted to encourage “reuse” for clothing which could benefit SMART members



What are the issues to watch?

EPR for Textiles: California

- Responsible Textile Recovery Act, SB 707
- Would require “producers” of new clothing/textiles to manage collection and recycling of covered product
- “Covered product”: any textile/apparel no longer suitable for reuse
- “Producers” does not include secondhand clothing/textile dealers



What are the issues to watch?

EPR for Textiles: California

- Producers required to form product stewardship orgs to create/oversee plan for collection, transportation, repair, recycling and management of covered product
- Authorized sorters/collectors participating in PSOs would need to register to participate
- No outright ban on secondhand exports but bill states authorized collectors could divert usable goods for sale domestically



What are the issues to watch?

EPR for Textiles: California

- Calls for development of possible regs to establish recycling efficiency rate by 2035
- Would require formation of consumer education/outreach initiative
- Lots to unpack in this bill
- Timeline is in question
- Reaction from other powerful stakeholders also in question
- SMART will continue to monitor and decide on appropriate level of engagement





Any questions? Discussion?

Thank you
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