SMART Government Affairs Update

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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
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
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
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.
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
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
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
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
EPR for Textiles

- EPR for textiles discussed by interest groups (incl. SMART) in U.S. for years
- SMART met with Product Stewardship Institute about proactively pushing state EPR
- SMART and CTR worked with 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
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
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
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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