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SMART Testifies on Economic Impact of Pending Secondhand Clothing Ban in East Africa Community

Violations of African Growth and Opportunity Act Spark Benefits Eligibility Review

ABINGDON, Md. (July 21, 2017)— Representatives of the Secondary Materials and Recycled Textiles Association (SMART) recently testified in front of the Office of the United States Trade Representative (USTR) to object to a proposed ban on secondhand clothing imports from the U.S. by members of the East African Community (EAC). SMART, a trade association, acted on behalf of its numerous small and medium-sized member companies who use, convert and recycle pre-and post-consumer textiles, including used clothing.

SMART's testimony was delivered on July 13 before an interagency panel conducting an out-of-cycle review hearing under the African Growth and Opportunity Act (AGOA), a trade preference program that gives trade preference to numerous African nations. The hearing was held in response to a petition filed by SMART in March 2017 asking the U.S. government to conduct an out-of-cycle review of the AGOA beneficiary status of Kenya, Tanzania, Rwanda and Uganda. SMART filed the petition in light of a March 2016 announcement that those countries would begin phasing in a ban on imports of secondhand clothing and subsequent related import duty increases on these goods.

The testimony on behalf of SMART specifically targeted EAC countries Tanzania, Rwanda and Uganda. Although Kenya recently rolled back these duties, in its testimony, SMART representatives called upon the U.S. government to include Kenya in this review until the association could confirm that reported minimum tariffs on containers of used goods will not be implemented in a manner that negates a July 1 rollback of Kenya's tariff increases.

As SMART representatives noted in their testimony, AGOA requires beneficiary countries to have established or to be making "progress toward establishing …" a "market-based economy" and "the elimination of barriers to U.S. trade." The association pointed out that the countries subject to this review (and perhaps Kenya) are erecting new barriers to U.S. trade in used clothing, and that the tariff increases and import ban "do not manifest progress toward market-based economies."

Representatives advised the panel of the dramatic negative impact the additional duties imposed on used clothing exports is already having on the textile recycling industry, as evidenced by a recent survey

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of SMART members. These results demonstrated a marked decline in business with EAC member countries and a corresponding fall in employment within the United States. Namely, the survey found:

- 40 percent of survey respondents have reduced employment by at least 25 percent since the 2016 tariff increases.
- 88 percent of survey respondents have experienced a revenue reduction of at least 25 percent since the tariff increases.
- More than 52 percent of survey respondents say they would be forced to reduce their number of employees by at least 50 percent if the full ban were implemented.
- More than 94 percent of survey respondents said a full ban would cause them to experience a 25 percent to 75 percent reduction of revenues.

SMART representatives reported that industry-wide, there are at least 40,000 U.S. jobs within the private sector and another 150,000 jobs in the not-for-profit sector that stand to be negatively impacted by the import ban. The estimated value of U.S.-sourced used clothing that flows through third countries into Tanzania, Rwanda, Uganda and Kenya is $100 million. In short, the total value of exports to the EAC represents $124 million, or **about 22 percent,** of the U.S. industry's total exports.

In addition, representatives noted before the panel that the Salvation Army, Goodwill Industries and other partner charities stand to lose millions of dollars because elimination of the EAC markets will depress prices for used clothing.

SMART representatives questioned the claims that used clothing imports account for a decline in local textile industries, stating that decline is due more to the 2005 termination of the Multi Fiber Agreement. Once the MFA was terminated, African markets were deluged by cheap new clothing imports from countries like China.

During the hearing, SMART representatives clarified that the request is for a suspension of duty-free status for all currently eligible apparel imports from these countries, rather than a request that any EAC countries be removed from AGOA beneficiary status.

"We are grateful for USTR's diligence in ensuring AGOA eligibility standards are met," says SMART Executive Director Jackie King. "For so many in these countries who are existing on the equivalent of $1.00 – $2.00 or less per day, secondhand clothing and shoes provide their only meaningful access to quality apparel. We are now awaiting a final determination from the U.S. government, and it is our hope that a resolution can be reached with all the EAC member countries to benefit our industry as well as the people of the EAC."

For more information on SMART, visit www.smartasn.org. Please direct media inquiries for SMART to Andrea Lynn at 410-420-2001 or by email at andrea.lynn@fallstongroup.com.

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About SMART

Established in 1932, the Secondary Materials and Recycled Textiles Association (SMART) is an international nonprofit trade association that strengthens the economic opportunities of its diverse membership by promoting the interdependence of the for-profit textile recycling industry segments and providing a common forum for networking, education and trade. SMART members use and convert recycled and secondary materials from used clothing, commercial laundries and non-woven, off spec material, new mills ends and paper from around the world. SMART member companies create thousands of jobs worldwide, proving each day you can make money by being social responsible.