



TESTIMONY BY:
MR. KENNETH BAGAMUHUNDA
DIRECTOR GENERAL (CUSTOMS & TRADE)
EAC SECRETARIAT

The East African Community (EAC), as a key stakeholder, wishes to submit a response and comments on the SMART Petition as follows:

1. Industrialization is a strategic pillar of EAC integration and the Heads of State decided that textiles and footwear manufacturing is a priority. The decision did not slap a ban on the importation of textiles but is an initiative to promote the textile and footwear industry while progressively phasing out used textiles on a gradual basis.
2. The Common External Tariff is compliant with the WTO requirements in regard to tariff binding and the two trade policy reviews undertaken by the WTO in 2006 and 2012 fully endorsed the EAC trade regime as satisfactory and compatible with WTO.
3. The rate on used clothing was thereafter revised downwards to 35% or \$0.20 after realizing that the rise of the rate would negatively impact on the used garment sector in the region. It should be noted that the adoption of specific rate alternately with the ad valorem rate was to address the challenges of valuation of used clothing.
4. The review of the specific duty threshold from \$0.20 to \$0.40 per kg while maintaining the 35% was not a tariff increment but a realignment made after 11 years to reflect the realistic landing price of used clothing to be

compatible with the ad valorem rate of 35%. Detailed reports will be availed.

5. The review also covered sugar and rice where the rates were revised from 100% or \$200 per MT to 100% or \$450 per MT and from 75% or \$200 per MT to 75% or \$345 per MT, respectively. Other items such as cement, crown corks and matchboxes were dropped from the sensitive list.
6. The sensitive rate on worn clothing is not discriminatory to imports from USA but applies to all imports of used clothing from all countries.
7. EAC is desirous of job creation that will arise from revamping its textile and footwear manufacturing value chain and income growth of the people involved in cotton growing, ginning, weaving, garment manufacturing, leather tanning, shoe making and retail business.
8. The fear of environmental impact caused by the discarding of used clothing in US is equally a concern of EAC since eventually the used clothes would also be discarded after use in EAC.
9. EAC has Export Promotion schemes where tax incentives are accorded to manufacture for export particularly apparel and garments for AGOA.
10. Development of the local textile industry will not undermine the market based economy stipulated under AGOA as it will boost more production for export and local market that will see EAC countries enhance its export volumes to the U.S.
11. EAC countries import a range of goods from U.S. including capital goods, plant and machinery, agro chemicals, aircrafts and parts, petroleum equipment, and these products do not attract duty. There is a thriving business of importation of new garments and apparel into East Africa from U.S. by business women.
12. All EAC countries have established open market-based economies as provided in the Treaty.
13. The prohibition of importation of used undergarments in EAC is for hygiene purposes.
14. A review is being undertaken on the tariff structure and rates to align it to the economic environment. This review will cover all products including used clothing. Stakeholders are being consulted including those involved

in the trade of used clothing. The review will be completed in September 2017.

15. The EAC is committed to the ongoing Trade and Investment Partnership, where such matters should be discussed and resolved.