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BIR CONF: Small Chinese scrap importers hit hard by high costs, customs checks

May 28, 2013 - 09:16 GMT Location: Shanghai

BY FLEUR RITZEMA

Stricter supervision by Chinese customs, high international scrap prices and low domestic prices have hit small-scale scrap importers in China, delegates at the Bureau of International Recycling (BIR) conference in Shanghai said on Tuesday May 28.

In a drive to improve environmental standards, called Operation Green Fence, the Chinese government is enforcing previous regulations more strictly across the scrap industry and is closely monitoring the quality and use of imported goods.

While no new regulations have been implemented, the crackdown has exposed areas where regulations had not previously been stringently enforced.

The drive began in 2012, according to delegates, and the impact on small-scale traders has been dramatic.

The Chinese government began enforcing existing laws to ensure that smaller-scale importers were actually shipping the scrap they imported to the end consumer on their documents. End-users of imported scrap are given import quotas, which can be used to buy scrap from abroad, often through Chinese traders.

The Chinese government aims to ensure that scrap that is imported is utilised, not traded internally. Customs officials have been monitoring factory use of scrap even after it arrives at destination.

"Importers must sell for processing. In the past, imports were often resold. This is now not possible. This is not a new policy. It is just being strictly applied," Hongchang Ma, vice secretary general researcher at the China Nonferrous Metals Industry Association Recycling Metal Branch (CMRA), explained.

At a later date, there will often be spot checks to ensure that scrap has been processed and not resold, Ma told Metal Bulletin.

Small-scale importers often import scrap with higher levels of impurities, Ma pointed, meaning that these products are less likely to pass customs checks.

"Smaller mills often import mixed scrap," he added, which could in the past make shipping easier and lower costs.

"In the past, small mills imported engines and scrap in one container. This won't be accepted now," he said.

Delegates at the conference confirmed to Metal Bulletin that smaller players have been hit particularly hard by the regulation enforcement, which comes at a time of low domestic scrap prices and comparatively high international prices.

"The government wants to protect the environment by enforcing policies. For small trading companies this can be difficult," one Chinese importer explained.

"For us it's not a problem. We are mid-sized Ningbo buyers but some smaller players are suffering. Some have left the industry," the importer explained.

A Chinese scrap end-user noted that several smaller scrap traders have shut shop over the past year, partly as a result of high costs but also due to strict regulation enforcement.

"Some of the smaller traders I used to use are not responding to calls. I think the high costs and small margins have played a part," the Ningbo-based buyer said.

Operation Green Fence has led to some confusion from foreign exporters and concern that containers will be turned away once they arrive at ports.

At present, several containers are sitting at ports in Hong Kong because they are unlikely to be accepted by Chinese customs authorities, sources said at the conference.

<http://www.metalbulletin.com/Article/3211003/Non-Ferrous/BIR-CONF-Small-Chinese-scrap-importers-hit-hard-by-high-costs-customs-checks.html>