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BIR NEW DELHI: China likely to ramp up restrictions on scrap imports

Restrictions on scrap material imports into China are likely to become more aggressive over the coming years, speakers said at the Bureau of International Recycling (BIR) meeting in New Delhi this week.

In addition to an existing import ban on certain plastic and paper scrap, China has proposed a 0.30% "carried waste" threshold on all imports of commodities to the country, which some market participants say cannot be met.

Chinese authorities have thus far refused to divulge whether the outright ban on plastics and paper could be extended to imports of ferrous or non-ferrous scrap metals, but some panel members at the BIR's environment committee session said it was likely that further action would be taken.

"All of this is a long-prepared plan and a long-standing policy – it's not going to stop tomorrow. It's not the hot topic of the summer, it's the hot topic of the next ten years," BIR director general Arnaud Brunet said on Sunday October 15.

"I am hearing that it's an effort to replace foreign imports with domestically generated material [in an attempt] to reduce [imports into China]," BIR president Ranjit Baxi added. "I think this is nothing more than a sophisticated form of protectionism [to support] their own domestic economy."

Unlike the US government, whose changes often come quickly under new administrations, Chinese governments ramp up their efforts as time goes on, Becky Hites, president of consultancy firm Steel Insights, said in the BIR ferrous session.

"When [China] comes out with its new five-year plan, it usually spends the first year or two just figuring it out. Then, as it gets closer to the end of the plan and it is falling short of its goals, it becomes much more aggressive about how to meet those goals," Hites said.

Because this is 2017 and the current five-year plan ends in 2020, further aggressive moves can be expected in areas where China has made a point about its goals not yet being met, she added.

Robin Wiener, president of the USA-based Institute of Scrap Recycling Industries (ISRI), said that China's strategy for dealing with scrap shipments takes a multi-prong approach consisting of six elements, with the second part intended to "halt imports that can be replaced by domestic resources" by 2019.

"What they are talking about there is not an environmental issue; what they're talking about is becoming self-sufficient in scrap," she alleged.

She added that this element of the plan could lead to restrictions on imports of mixed metals and category seven materials, which are scrap products that must be dismantled – such as scrap cable, scrap wire and scrap motors.

The scrap trade to China is worth around \$6.50 billion each year to the US economy and supports around 150,000 jobs, according to ISRI.

Environment not quality

Panel members were in agreement that China's issue was an environmental problem and was not concerned with the quality of imports to the country, which had been the aim in the country's 2017 National Sword and 2013 Green Fence policies.

"It is not a question of the quality of imports, it is a question of the handling of environmental risks within the country, so it's a domestic issue. But they're getting control of it by restricting the imports of mixed paper and post-consumer plastics," Wiener said.

Chinese Prime Minister Xi Jinping has taken a "very personal interest" in the improvement of the country's environment, according to Michael Lion, president of Everwell Resources.

At certain times of the year, China's environment becomes an "extraordinary concern and health hazard", according to Lion, who has visited the country frequently over more than 40 years.

"This is not about the National Sword, this is driven by a completely different consideration. This is driven by the socio-political consideration that the leader of a country does not wish to be confronted any longer with what is clearly a very unpleasant society problem," he said.

Solutions

In order to overturn existing scrap import bans and prevent future such limitations, conversations must be held at the highest political levels, panel members said.

"A lot of the solution – if indeed there is one – is going to be based on our ability to explain not only what we do but the commercial and economic considerations, which are of enormous proportions in terms of the raw materials supply chain to China," Lion said.

Talks on the issue must be approached with great respect and diplomacy in order to be successful, he added.

The scrap ban will be among the top three issues raised by US President Donald Trump when he visits China in early November, according to Wiener, while Brunet will soon be traveling to the country in order to speak with stakeholders and officials, he said.

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