

Market impact overstated, exporter says

China sets July 20 deadline for scrap exporter registration

By Ken McEntee

Scrap paper and metal exporters who want to ship into China have until July 20 to send their applications to register with the Chinese government. The July 20 deadline will allow time for China's General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ) to process the applications by September 1, after which no shipments will be permitted without a registration number.

The September deadline is a two-month extension of the original deadline of July 1.

Delegates from the Institute of Scrap Recycling Industries (ISRI), the U.S. trade association representing scrap dealers, and the Brussels-based Bureau of International Recycling (BIR) met June 18 with

representatives of the AQSIQ in Beijing seeking answers to questions concerning the implementation of Notices 115-2003 and 48-2004, which require registration of all exporters of scrap to China. ISRI and BIR requested the postponement of the July 1 deadline. At the meeting, it was announced that applications must be postmarked or receipted by a courier on or

(See China, page 6)

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before July 20, 2004 to allow registration by AQSIQ in time for the September 1 deadline.

As reported earlier in the week by *Paper Recycling Online*, the web-based news service of *The Paper Stock Report*, Chinese officials had unofficially said the delay would be approved, but it was not confirmed until the meeting with ISRI and BIR representatives. An official announcement of the extension was expected from the Chinese government during the week of June 21.

Applications must be submitted in Chinese or bilingually Chinese and English.

During the meeting, BIR and ISRI jointly raised more than 30 questions on issues ranging from who must file the registration application to the potential imposition of registration fees. Written confirmation of the answers to all of these questions was to be delivered by AQSIQ by the week of June 21, the trade associations said.

Meanwhile, according to a large U.S. exporter speaking prior to the postponement, the impact of the controversial program likely will not be as severe as it has been speculated to be. He said while the registration procedure is "difficult," strict quality control by Chinese customs officials will continue to have a greater impact on the scrap paper market.

The exporter, who requested anonymity, said even if the deadline had not been postponed, it is likely that at least a few exporters would have their permits finalized by the end of June.

"We have heard that the Chinese government would issue a batch of permits this month but we don't know how many that would be," he said. "I hope that we would be one of them. I don't know who all of the applicants would be because they (the Chinese government) are very tight lipped. What I know is from the people that I talk to."

That small batch of exporters would likely include America Chung Nam, by far the largest scrap paper exporter in the U.S. The company has applied for its permit to ship scrap paper into China, but has not received a permit. Chung Nam

handles an estimated 30 to 50 percent of all U.S. scrap paper exports.

Industry sources said few U.S. exporters have filed applications due to confusion over the process.

"Just from talking to people I know, a lot of people were baffled by the application and a lot of exporters have not filled it out yet," the exporter said.

Regardless, he said he doesn't anticipate a disruption in the market resulting from the registration program.

"The government in China does understand that waste paper imports are very important to the industry," he said. "It also is not their intention to limit competition either. I don't think it will be one or two exporters that get permit numbers. I think there will be a handful of them that get permits at first. My impression is that they will work on several small batches. I think if 10 or 15 companies would be approved all at the same time, it would be an even playing field for everybody."

Further, he said, strict quality controls

by Chinese customs officials are likely to impact the market far more than the registration of importers of scrap into China.

"There are shipments being held up now that would have gone through with no trouble three months ago," he said. "There is a lot of tonnage that is coming back to the U.S. or is being diverted to other countries."

The registration is aimed at eliminating the export of garbage and commingled recyclables to China, an issue that has been a problem for that country. A recent example was a load of boxed CD-ROM discs that were shipped to China as old corrugated containers (OCC). As a result of such problems, customs agents have tightened inspections and implemented the AQSIQ registration program. The details of the program were released in May, giving exporters little time to comply.

"I don't think this was an overreaction by the government but I would say that the preparation time is extremely short," the exporter said. "They should have given

more time. The CCIC (China Certification & Inspection Group), in all of these years has not been able to cut off the flow of trash going to China. Many of those were from fly-by-nighters. When the market gets hot you see a lot of fly-by-night operations come into the market. They come in and get out when the market cools and they leave a trail of ruins behind them. This regulation will help to filter them out from the legitimate operations. The legitimate companies are the ones that get hurt by the problems with shipments. The legitimate companies that are going to stay in the business don't want to see this happen. So this will filter out the fly-by-nighters."

He said the registration is "difficult."

"I didn't personally fill out the registration, but I have heard some of the questions and I was thinking how would I answer that? It is very comprehensive. They want to know the size of your com-

See China, page 8

China

From page 7

pany and want to know about your organizational structure. They want to know about your quality control. How do you know that a third party is giving you good tonnage? They want to know how you would answer that question.”

