

# Scrap and secondary

**BIR Conf** Government enforces regulations more strictly in drive to improve environmental standards

## Small Chinese scrap importers hit by high costs, customs checks

**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 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.

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

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 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 imported scrap is utilised, not traded internally. Customs officials have been monitoring factory use of scrap even after it reaches its 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), said.

### Spot checks

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

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

*'In the past, imports were often resold. This is now not possible'*  
*Hongchang Ma, vice-secretary general researcher, CMRA, who received an award from BIR at the conference for his services to the recycling industry*

"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," a Chinese importer said.

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

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

"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.

## China's secondary aluminium industry will 'shift focus from imports'

**SHANGHAI**

The Chinese secondary aluminium industry will depend less on imports and more on domestic scrap in the next few years as a result of low profitability from the use of imported raw materials, according to CS Huang, chairman and ceo of Ye Chiu Taicang.

Profit margins for secondary aluminium ingot makers have been squeezed in recent years after costs increased, Huang told the BIR conference on May 27.

"Future demand from the automobile industry in China will encourage the development of the

entire secondary aluminium industry in China," he said.

While the growth in China's auto industry is likely to slow, use of aluminium in the sector will expand, he said. This is due to a focus on lighter materials to make cars, which, he argued, will result in huge growth in domestic aluminium scrap generation.

"At the moment, we need to import. This will gradually change. Collection policies have been implemented," he added.

The price of imported material is very high while secondary sales prices are not sufficient, he said.

Combined with increased environmental constraints and higher wages, this has effectively eroded profit margins in China.

### Costs increasing

"China has changed a lot. The price of labour has increased, while environmental awareness is growing. Costs for energy and raw material are increasing," he said.

Also, China's Operation Green Fence policy, which is now being implemented by customs authorities, is reducing imports.

"Green Fence action has caused costs to increase. Of course we

need to be compliant, but our profit margins are very thin [...] and the regulatory system in China is getting more stringent year on year," Huang said.

Meanwhile, American auto consumption is growing, he said, reducing availability of scrap available for import.

"They utilise a lot of scrap, so exports are declining. In the US, they are encouraging the industry to relocate back to the US."

Chinese scrap rates for automobiles were only 4.4% in 2012, compared with more than 8% in the USA, he said.

**BIR Conf** Metco India director and BIR board member calls for formal research into country's scrap industry

# Indian recycling industry 'should learn from China'

**SHANGHAI**  
**BY FLEUR RITZEMA**

India's recycling industry should try to mirror some of the positive aspects of the Chinese industry, according to Dhawal Shah, director of trading company Metco India and a board member of the Bureau of International Recycling (BIR).

Unlike China, India's recycling sector does not have industry status, so development and recognition from the government is limited, Shah told Metal Bulletin on the sidelines of last week's BIR conference in Shanghai.

## Creating demand

"Over the past 30 years, India has progressed well, creating huge demand for recycled aluminium, copper and copper-based alloys, lead and lead alloys. It has positioned itself as a critical raw material supplier to core industries such as automotive and construction," he said.

India has no formal recycling

industry but produces close to 1 million tpy of secondary aluminium, which is approximately equal to the amount of primary aluminium produced in the country. Shah estimates that 15–20% is generated from domestic scrap.

It is estimated that India produces more than 150,000 tpy of secondary lead, but a lack of industry status and recognition is limiting growth.

"There is no formal disposal, and/or collection policy for metal scraps," Shah said. "As far as household waste is concerned, it is myriad [small-scale] collectors in micro locations, who network to receive and sell goods to larger yards. There is no organised industry at work. As for industrial waste, more effort is being made to re-use scrap at source or to sell to established recycling facilities."

There are no formal figures on the country's scrap generation.

"We need something that can

motivate the government," he said. "We need to show the size of the industry; then we can move. We need formal research in terms of what is happening. All we have is import volumes. We don't have local generation numbers. To form a policy, you need to know what is happening in the trade."

## Industry status

In China, despite occasional debates over taxation and inspection procedures, they have industry status, he said. This enables the country's secondary industry to grow.

"They have industry status. Recycling activity has been identified as an area of special focus in their government's successive five-year plan. This means the government gives it special attention to encourage the industry," he said.

Operation Green Fence, a crackdown by Chinese customs authorities on imports of low



**'We need something that can motivate the government. We need to show the size of the industry'**  
*Dhawal Shah*

grades of scrap, has been a topic of discussion in China.

"It does not take the focus away from recycling," Shah said. "It is just cleansing to ensure China does not become a dumping ground. I applaud that. Once it's cleaned up, it will be an efficient industry."

**SHANGHAI**

## Operation Green Fence is not protectionism – CCIC

China's Operation Green Fence is "not protectionism" and has been a work in progress since 1996, according to the China Certification and Inspection Group (CCIC).

"Green Fence is quite normal. Since 1996, China has laid out these regulations," CCIC representative Cui Lei told an audience of international and domestic scrap dealers and end-users at the BIR Conference on May 29.

The customs initiative, which aims to ensure that China is not importing harmful waste products, has provoked a strong reaction both in China and abroad.

Critics say its implementation earlier this year was sudden and that there has been a lack of clarity over procedures.

Most delegates called for clarity

over what exactly will and will not be accepted under the initiative, but many welcomed it.

"I think it's great that China is addressing the environmental issue," Robert Stein of Alter Trading told Metal Bulletin. "We just need warning and details."

Lei addressed this issue with conference delegates.

"Some say the regulations are not open. We have overseas subsidiaries and good communication with the BIR. We will also provide an English version of the regulations," Lei said, as he called for greater co-operation between the CCIC and the BIR.

"I want my boss to sign an agreement with the BIR to promote our businesses and co-operate," he added.

**SHANGHAI**

## Lack of reverse-charge VAT collection system leaves UK, Latin America exposed to fraud

The absence of a reverse-charge VAT collection system makes scrap traders in places such as the UK, Norway and Latin America exposed to VAT fraud, according to delegates at the BIR conference.

The reverse-charge system is designed to limit the risk of VAT fraud by making the buyer of scrap accountable for VAT, rather than the supplier. It closes potential loopholes when metals are traded in a chain to exploit differences in VAT rates in individual European Union countries.

"On December 31, 2003, Spain implemented the policy," Alvaro Rodriguez, a guest speaker from Arka Consulting in Spain, said during a Latin America workshop.

"On January 1, 2004, VAT fraud disappeared," he added.

Now more than ten countries in the EU have implemented the system, effectively halting VAT fraud in these countries, he said.

The system must be implemented across the EU and worldwide, Bjorn Grufman of Metallvarden told Metal Bulletin.

Sweden implemented the system after it was discovered that there appeared to be a shift in VAT fraud away from Germany, which had implemented the system, to Sweden, which had not, Grufman said.

"Sweden enforced this from January 1. It has been extremely good," he added.