



Voice of the Recycling Industry™

August 14, 2018

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
Washington, DC

Ambassador Robert Lighthizer
Office of the U.S. Trade Representative
Washington, DC

Dear Secretary Ross and Ambassador Lighthizer,

I am writing to express the concern of the U.S. scrap recycling industry with the Administration's approach as it manages the U.S.-China trade relationship, particularly with regard to the use of tariffs on imports from China. I echo the many messages you have received from businesses all across our country that will face economic costs – not benefits – as a result of these tariffs. The Chinese Government's perception that it must respond in kind has further deepened the struggles our industry is already facing because of import restrictions on scrap and recyclable materials that China put in place at the beginning of 2018.

While ISRI generally supports the findings of the Administration's Section 301 review of China's investment policies, the lists proposed for import tariffs on Chinese goods already have become a significant financial burden to our industry. We were grateful that the Office of the U.S. Trade Representative did not include some equipment parts on the final list of products assessed a tariff beginning on July 6, but that list includes HS 8479.90.94.96 for auto shredder wear parts, of which about 85% is sourced from China and thus represents one of the largest financial outlays for the 300+ auto shredders in 44 states. ISRI will be submitting an exclusion request for these parts, and we urge the Administration to grant us that exclusion in order to save tens of millions of dollars and thousands of jobs in the shredder industry.

In response to the 232 tariffs that the United States has assessed on aluminum and steel, China imposed a 25% import tariff on aluminum scrap that combined with the quality and quantity restrictions China had already imposed on scrap imports has resulted in a 20% drop in U.S. aluminum scrap exports in the first half of 2018 over the same period in 2017. Unfortunately, last week, the Chinese government announced a retaliatory package of 25% import tariffs on all scrap commodities in response to USTR's announcement of the August 23rd imposition of the second list of imports. That trade totaled **\$2.2 billion in the first half of the year**. Moreover, aluminum scrap was once again on the list, creating speculation that China's tariffs on aluminum scrap exports from the United States are now at 50%.

The combined strain on the U.S. recycling industry of China's import restrictions and the tariffs imposed by both the U.S. and Chinese governments will have a damaging effect long-term on our industry's competitiveness and the health of the manufacturing supply chain. The recycling industry processes 130 million metric tons of recyclable metals, paper, plastic, tires & rubber, electronics, glass and textiles every year and contributes \$117 billion to the U.S. economy.

Institute of Scrap Recycling Industries, Inc.

The tariffs and related trade tensions between the U.S. and China are also affecting industry employment. The U.S. scrap recycling industry is a major economic engine, supporting 534,506 jobs in small and large communities across the country, while generating \$13.2 billion in tax revenues for the federal, state and local governments. Many of those jobs – and the associated tax revenue – are at risk if the tariffs continue for any extended period of time.

Scrap recycling is the first link in the manufacturing supply chain, responsible for meeting 40%, on average, of manufacturing needs. The financial burdens being imposed on the industry through these tariffs means that less material can be processed and, thus, less inputs to manufacturers. As an example, the auto shredders process an average of 365,000 metric tons of steel and aluminum scrap each day, but with the 25% import tariff on auto shredder wear parts from China, that number is declining and less scrap is reaching steel mills and aluminum smelters in the United States.

We respectfully request that every effort is made to return to the negotiating table with China to find a path forward in our trading relationship. I wish to reiterate that we support the Administration's free and fair trade policy and efforts to pressure China to engage in fair commerce. But the absence of cooperation to resolve disagreements is creating much harm to our industry and our manufacturing customers.

If I can provide any additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robin K. Wiener', written in a cursive style.

Robin K. Wiener
President