

September 16, 2020

Mr. Edward Gresser  
Chair, Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
Via regulations.gov

**Re: China’s WTO Compliance, Docket No. USTR-2020-0033**

Dear Mr. Gresser,

The Institute of Scrap Recycling Industries, Inc. (ISRI), is once again pleased to submit comments for the annual Report on China’s WTO Compliance. We sincerely appreciate that the Trade Policy Staff Committee continues to include comprehensive overviews in the annual report of major trade barriers affecting our industry, and we have sought in these comments to provide an update on these issues.

**SUMMARY**

China has been phasing in prohibitions and non-tariff restrictions on imports of scrap materials since 2018 (which the Chinese Government inexpertly lumps in with other non-value waste streams and ambiguously refers to all of it as “solid waste”). The first set of prohibitions implemented in early 2018 had been notified to the WTO, but subsequent rounds of import bans, overly-strict product standards, challenging licensing requirements and non-transparent quota issuances were not notified. Furthermore, it is our general understanding that the Chinese Government intends to ban all “solid waste” by 2021, but there has been no transparency on such a policy, leading to great uncertainty in the marketplace. As a result, U.S. scrap exports to China have dropped precipitously since the first announcements were made:

**U.S. Scrap Exports to China  
2016 – YTD2020**

	2016	2017	2018	2019	YTD 2019 (Jan-Jul)	YTD 2020 (Jan-Jul)
<b>VOLUME (mil mt)</b>	16.24	13.99	9.13	6.04	3.84	3.02
<b>VALUE (USD)</b>	\$5.2b	\$5.7b	\$3.5b	\$1.8b	\$1.3b	\$0.9b

Source: U.S. Census Bureau / U.S. International Trade Commission

**SOLID WASTE LAW**

Since 2017, there has been general talk in the marketplace about the possibility of the Chinese Government implementing a blanket import ban on all “solid waste” (including scrap commodities) by 2021. However, no official law or regulation has been developed, discussed or implemented to fulfill this intention, and instead, we

have seen non-tariff barriers applied to imports of scrap commodities that have impacted trade in scrap commodities with China.

For example, the Chinese Government implemented on September 1, 2020, a new Solid Waste Law. The intent of the law is to make systemic improvements to waste management within China, including to improve trash handling while also to better recover recyclables from residential and industrial collections. Within the law is a single but vague provision to “basically realize zero imports of solid waste” and a second provision with a harsh penalty to “the carrier shall bear with the importer” in instances where “solid waste is imported into the territory” in violation of the first provision on zero imports. As a result of this threat – but without clear guidance on definitions, scope and timeline – the shipping lines made their own interpretations of this law by announcing a wide-range of new scrap shipping policies, including to stop carrying scrap commodities to China as early as June 2020. This resulted in market disorder and additional uncertainties about future exports.

### **“RECYCLED RAW MATERIALS” STANDARDS**

Recognizing that Chinese manufacturers are still in great need of these materials, the Chinese Government announced in early 2020 the intent to implement a new set of standards on imports of aluminum, brass and copper “recycled raw materials.” What makes these standards distinct from the overly strict standards on “solid waste” and scrap that were implemented in 2018 is that material entering the Chinese market under the new “recycled raw materials” standards would be in a form that is immediately ready for the smelter. This is the first major indication – after many years of advocacy by ISRI and our members – that the Chinese Government understands that *scrap is not waste* but valuable raw material inputs for manufacturing. The standards are very prescriptive, however, with strict quality standards and compliance requirements that are not in line with recognized industry standards and which only a few recyclers in the world will be able to meet. Furthermore, the Government has not notified these standards to the WTO and have not provided transparency as to their development nor timeline for implementation, causing additional confusion for exporters.

### **LICENSING / QUOTAS**

For about 15 years, China has implemented an import/export licensing system to control the flow of recyclable commodities in order to combat what had been a large problem of illegal shipping of end-of-life products and materials being illegally dumped in China. ISRI has been supportive of this scheme because it opened channels for valuable, commodity-grade scrap commodities to meet Chinese manufacturers’ strong demand for such inputs, but since 2017, the policy has been implemented obscurely. For example, several of our members whose existing export licenses were expiring reported inefficiencies and possible extortion by Chinese Government entities during the renewal process.

Additionally, only import license holders within China are issued quotas on the amount of recycled commodities they may import into China. Since 2017, the Chinese Government has issued a trending decrease in quotas of all scrap commodities, which greatly contributes to the decline in U.S. exports. There is no specific schedule for the issuance of quotas nor a clear understanding of the timeline to fulfil the quotas or the methodology used to determine their quantities.

### **USG ADVOCACY**

ISRI is grateful for all the hard work and sustained advocacy by the Office of the U.S. Trade Representative, the U.S. Department of Commerce and the U.S. Department of State at the WTO and in bilateral engagements with

the Chinese Government. We have not found the Chinese Government to be receptive to dialogue on these measures, as we are sure members of the Trade Policy Staff Committee have encountered. But we support the use of the WTO Compliance report as an avenue to keep legislators and the public informed of the health of U.S. industries impacted by Chinese Government trade policy actions.

Sincerely,

A handwritten signature in black ink, appearing to read "Adina Renee Adler". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Adina Renee Adler  
Vice President of Advocacy