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and

The Ministry of Environmental Protection of the People's Republic of China

Notification: G/TBT/N/CHN/1211

Title: Catalogue of Solid Wastes Forbidden to Import into China by the End of 2017 (4 classes, 24 kinds) (2 page(s), in Chinese)

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Statement of the Institute of Scrap Recycling Industries:

The Institute of Scrap Recycling Industries, Inc. (ISRI) is pleased to submit these comments regarding the Ministry of Environmental Protection (MEP) of the People's Republic of China's 18 July 2017 Notification to the WTO of its intent to update its ***Catalogue of Solid Wastes Forbidden to Import into China*** by the end of 2017, with an implementation date of 1 September 2017. The Notification to the WTO was followed by an official government statement of policy on 27 July 2017, entitled "***Notice of the General Office of the State Council on Issuance of Reform and Implementation Plan to Enhance Solid Waste Import Management System by Prohibiting the Entry of Foreign Waste*** (Guo Ban Fa (2017) No. 70)," providing additional information on objectives and strategies to be employed by the Chinese Government.

ISRI fully supports the efforts of the Chinese Government to improve environmental protection and standards within its domestic recycling infrastructure. However, we disagree that a ban on the import of specification-grade scrap materials will help with those efforts. The Notification provided to the WTO includes within the scope of "solid wastes" to be prohibited by China certain recovered papers, plastics and metals that are produced within the United States to a specification-grade and then exported to manufacturers in China to be transformed into new products. These materials are very clearly valuable scrap commodities and not solid wastes.

Institute of Scrap Recycling Industries, Inc.

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With more than \$5.2 billion in scrap commodities exported from the United States to China last year alone, the trade in specification-grade commodities between the United States and China is of critical importance to the health and success of the U.S.-based recycling industry and China's manufacturing sector. If implemented, a ban on scrap imports will result in the loss of tens of thousands of jobs and the closure of many recycling businesses throughout the United States. The ban is also of great concern to Chinese industrial consumers who are dependent upon the import of scrap from the United States due to its high quality as well as environmental benefits in reducing carbon emissions within China. For these reasons, on behalf of the U.S. scrap recycling industry, these comments are being submitted to advocate for a revision of the policy in order to prevent the disruption of trade in high-value, manufacturing inputs, as well as for clarification as to its scope.

Background on ISRI and the Recycling Industry

ISRI is the Voice of the Recycling Industry™, promoting safe, economically sustainable and environmentally responsible recycling on behalf of our more than 1,300 member companies located in the United States and around the world that process, broker, and industrially consume scrap commodities.¹ Access to global markets is a key component to the health of the recycling industry. Exports of scrap commodities account for well over 25% of the industry's economic activity and supports more than 134,000 individuals in good-paying, "green" jobs within the United States, and hundreds of thousands more globally.

In the United States alone, 130 million metric tons of recyclables are recycled each year, providing valuable raw materials to U.S. and global manufacturers. In 2016, 30% of this amount, worth \$16.5 billion in U.S. scrap export sales, generated more than \$3 billion in federal, state and local tax revenues and contributed to the production of billions of dollars in goods sold around the world. The need for market-based movement of scrap across borders means trade is a critical pillar to the U.S. recycling industry's success, as well as to the success of industries around the world that rely on these materials as critical inputs to value-add products. As the largest supplier of scrap in the world, the U.S. based scrap recycling industry is truly the first link in the global manufacturing supply chain.

ISRI counts within its membership approximately 20 member companies based in China, and an additional several dozen U.S.-based member companies with ties to China. These interconnected enterprises further illustrate the strong industry ties between the Chinese and U.S. recycling industries.

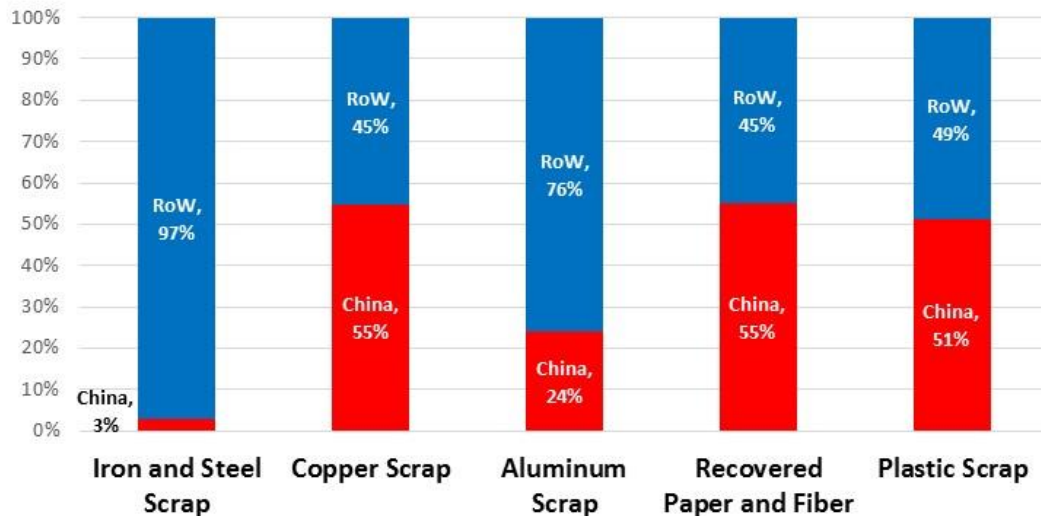
Impact on Recycling

China is the largest importer of scrap in the world, and thus changes in Chinese import policies quickly have a ripple effect worldwide. In 2016, China accounted for 27% of global scrap imports. Broken down by specific commodity, the chart on the next page shows the outsized impact China has on the global scrap market.

¹ ISRI member companies operate at over 4,000 facilities located primarily throughout the United States, but also in 34 other countries around the world, including China.

Mainland China's Share of Global Imports for Selected Recycled Commodities, 2016(p)

Source: UN Comtrade Database



For recycled commodities such as recovered paper and fiber, plastic scrap, and copper scrap, China accounts for more than half of the world's total imports. Thus, any change in Chinese policy concerning the import of these commodities will be quickly felt around the world. This is particularly relevant to the U.S. recycling industry, as the United States is the largest scrap exporter and China is our largest trading partner. In any given year approximately 30% of the scrap processed within the United States is prepared for export to industrial consumers around the world demanding high quality scrap. While exports move from the United States to more than 150 countries worldwide, China is the U.S. recycling industry's largest customer, accounting for 40% of exports. The WTO notification, and the subsequent policy statement, puts this high quality trade in jeopardy, especially if scrap imports are drastically reduced – or completely prohibited, as by one interpretation.

Figures from the U.S. Census Bureau and the U.S. International Trade Commission (ITC) show that the United States exported 37 million metric tons of commodity grade scrap metal, paper and plastic commodities in 2016, worth \$16.5 billion.² Of that amount, China imported more than 16.2 million tons, valued at \$5.2 billion from the United States last year.³ This includes:

- Ferrous: 890,000 tons, \$661 million
- Copper: 670,000 tons, \$1.36 billion
- Aluminum: 692,000 tons, \$918 million
- Paper: 13.2 million tons, \$1.91 billion
- Plastics: 776,000 tons, \$282 million

² Total volume of scrap processed within the United States in 2016 exceeded 129 million metric tons valued at more than \$54 billion.

³ This data is specific to mainland China and does not include exports from the United States into Hong Kong. Should the ban also impact exports into Hong Kong, an additional 783 million metric tons of scrap would be impacted, worth \$352.4 million.

ISRI estimates that, on a volume basis, approximately 18% of the above trade between the United States and China will be at risk and subject to the ban outlined under the 18 July 2017 Notification, or more than 2.9 million tons of specification-grade mixed paper and plastic scrap worth more than \$532 million annually. Further, there are rumors circulating throughout the global recycling industry that China plans on extending the ban to “mixed metals” (undefined) by the end of 2018. Any such ban on mixed metals will impact another significant percentage of exports from the United States to China, estimated to be worth hundreds of millions of dollars.

Requests by ISRI and others to obtain confirmation from the Chinese government have been unanswered. The closest to any form of “confirmation” we have received is a 26 July 2017 posting to WeChat by China’s Nonferrous Metals Industry Association referencing a document from the Chinese Ministry of Environmental Protection (MEP) stating that China plans to halt the import of seven types of scrap metals by the end of 2018. This lack of transparency on the part of the Chinese Government has fueled increased speculation in the commodities markets and panic in the segment of the recycling industry specializing in the commodity streams of concern.

In addition, the 27 July 2017 Policy Statement (“**Notice of the General Office of the State Council on Issuance of Reform and Implementation Plan to Enhance Solid Waste Import Management System by Prohibiting the Entry of Foreign Waste** (Guo Ban Fa (2017) No. 70),”) states the intent of the Chinese Government to “gradually halt the importation of solid waste that can be replaced by domestic resources” by the end of 2019. This has the potential to affect the remaining \$4.7 billion in scrap exports from the United States and devastate the entire U.S.-based recycling industry, as well as the global recycling industry, and for no reason other than to protect the Chinese domestic recycling industry.

Scrap is Not Waste

There is a need to distinguish scrap from waste within the Notification, as well as in the underlying regulations and related notices issued by the Chinese, in order to properly identify those materials for which the Chinese Government intends to truly impose a ban, while at the same time providing clarity for the exporting community as to what products are permissible for import.

Unfortunately, in China and in other countries, the terms “waste” and “solid waste” are inclusive of both trash and scrap, creating confusion and uncertainty within the U.S. and global recycling industry as to what materials are specifically intended to be included within the “solid waste” ban. In the United States, we clearly delineate between waste as trash and recyclable materials/scrap. In its 27 July statement, the Government of China repeatedly states its intent to “comprehensively prohibit entry of foreign waste” by the end of 2019 and yet will put into place an enhanced “solid waste import licensing system.” Thus, it appears that China is banning some “waste” but continuing to allow the import and licensing of other “waste,” which we assume to cover the legal trade of scrap commodities. However, the notification to the TBT committee and the 27 July statement are very unclear about what “waste” is intended for import prohibition. Thus, ISRI seeks clarification, and the most effective way to provide such clarification would be to clarify terminology by distinguishing scrap and waste.

Simply put, scrap is not waste.

Waste – often called “trash”, “refuse” or “garbage – is a material that has no value and is not wanted. Wastes are disposed of because they are no longer useful.

In contrast, **Scrap** – often called “recyclable material” or “secondary material” – is a valuable commodity sold in the global marketplace according to industry-wide, globally recognized specifications as a raw material in lieu of virgin materials for manufacturing. Worldwide, more than 800 million metric tons of scrap commodities are consumed each year. Scrap is relied upon by manufacturers around the world as a competitive, environmentally preferable and energy efficient feedstock material. In its unprocessed form, it is derived from residential, industrial, manufacturing and/or commercial sources and is composed of ferrous, nonferrous, plastic, paper, glass, textiles and/or rubber. In its processed form, it is manufactured by processors to a specification grade to meet the needs of the industrial consumer.

Scrap is a product sold on the open market in competition with virgin raw materials. It is processed by scrap recyclers to one of hundreds of specification grades. Unlike waste, recycled materials are processed into commodity-grade specifications used by buyers and sellers of scrap around the world. As the predominant source of scrap specifications, **ISRI’s Scrap Specifications Circular** contains several hundred specifications covering ferrous scrap, nonferrous scrap, glass cullet, paper stock, plastic scrap, electronics scrap, and tire scrap (www.isri.org/specs). These specifications are used by industry members to facilitate the buying and selling of their materials and by customs officials for customs clearance purposes.⁴ To that end, ISRI supports a ban on unusable waste that does not meet the specifications.

Use of the term 回收料. ISRI respectfully requests the Chinese government use more specific terminology in reference to recyclable materials (such as 回收料) in order to properly distinguish between high-value scrap commodities and waste. This is an opportunity to incorporate such terminology and thus utilize clear language that will help provide direction and clarity to the global recycling industry and to further incorporate such terminology when the Government of China updates its **Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste**, as the Government intends to do according to the 27 July statement.

Clarity needed on what Materials are specifically to be prohibited. We recognize that a change in the terminology used by China is a long term effort, but what is very much needed in the short term is clarity on what materials are specifically intended by the Chinese to be included in any ban. It is our understanding that Chinese manufacturers continue to demand the high quality scrap commodities supplied from the United States, and it is certainly the intent of the U.S. recycling industry to fulfill those orders with materials that meet specifications and comply with Chinese rules and regulations. However, under the Notification to the TBT committee and the subsequent policy statement, is not clear whether the industry can continue to ship its products into China. Therefore, we request clarification on specifically what is to be forbidden in the two largest categories of materials that account for the vast majority of trade to be impacted by this notification: *paper* and *plastic*. To assist in providing such clarity, we offer the following questions related to these two categories cited within paragraph 4 of the Notification:

⁴ ISRI’s Scrap Specifications Circular has been used globally for more than 80 years, promoting consistency and quality in the trade of scrap around the world. In fact, the Government of India references the ISRI Specifications within their own rules concerning the import of scrap. The specifications are used by both India Customs and the Indian Directorate of Foreign Trade (DGFT) as a reference point for determining what materials are acceptable for import into India.

“HS 4707900090: Other, including unsorted waste and scrap”

As there is no Specification Grade within the ISRI Specifications Circular related to paper that corresponds directly to the above terminology used in the Notification, questions surround the applicability of the Notification to grades that may be similar, including:

- Is sorted recovered fiber imported under paper grade “(54) Mixed Paper (MP),” defined as follows in ISRI’s 2017 Scrap Specifications Circular, allowed or forbidden to import into China?:

“(54) Mixed Paper (MP)

Consists of all paper and paperboard of various qualities not limited to the type of fiber content, sorted and processed at a recycling facility.

Prohibitive Materials may not exceed 2%

Outthrows may not exceed 3%.”

- It is presumed that “(11) Old Corrugated Containers (OCC),” defined as follows in ISRI’s 2017 Scrap Specifications Circular, is not included in the Notification as it is a sorted grade. However, such confirmation is needed:

“(11) Old Corrugated Containers (OCC)

Consists of corrugated containers having liners of either test liner or kraft.

Prohibitive Materials may not exceed 1%

Outthrows plus prohibitives may not exceed 5%.”



- Is “mixed paper” that has been sorted and processed to remove prohibitive materials and outthrows before export by residential recycling sources such as Materials Recovery Facilities (MRFs) or paper stock plants, and shipped as sorted mixed paper according to paper grade 54 as described above, allowed or forbidden to import into China?

“HS 3915: Waste, parings and scrap, of plastics”

As there is no Specification Grade within the ISRI Specifications Circular related to plastics that corresponds directly to the above terminology used in the Notification, questions surround the applicability of the Notification, including:

- Is the Notification applicable to bales of plastic originating from post-industrial sources? Such grades include HDPE Crates, HDPE Buckets and HDPE Drums.⁵
- Are these grades in “regrind”⁶ and “repro”⁷ form allowed, or forbidden, to import into China?

⁵ See ISRI Scrap Specifications Circular 2017: Guidelines for Plastic Scrap (page 41).

<http://www.scrap2.org/specs/files/assets/basic-html/page-1.html>

⁶ “Regrind” is a generic term that refers to “hard rigid plastic typically ground into a chip. Typically consists of material that is the same grade, color and type. It can be used in extrusion or molding processes.” Source: 2017 ISRI Scrap Specifications Circular.

⁷ “Repro” refers to regrind that is pelletized.

- Are all bales composed of plastics originating from post-consumer sources (i.e., households/residential sources) forbidden to import into China, or only those plastics that have come into contact with organic materials (i.e., living sources)?
- Is Clear LDPE Grade A in Bales allowed or forbidden to import into China?

Timing for Implementation of the Ban

In addition, we request clarification on the timing for the implementation of this policy. The notification says the materials will be forbidden to import by 31 December 2017, but with an implementation date of 1 September 2017. We interpret this to mean that no shipments that leave the United States or other countries after 1 September will be allowed entry into China even if they arrive before 31 December. If true, this creates a significant challenge to our industry as suppliers and to the Chinese manufacturing sector as consumers. We strongly request the Government of China consider a longer transition time to allow customers and suppliers to adapt to a policy that will have such a significant impact on commodity markets.

Quality Control & Imports

Because China's domestic collection and recycling sector is still in its nascent stage, scrap generated within China is of variable quality and, unfortunately, sometimes processed by enterprises employing poor operational, labor and environmental standards. The United States recycling industry also had a similar beginning but evolved over the years as consumers and manufacturers demanded the industry invest into a highly efficient system that incorporates the latest sorting technologies and quality control methods. For example, where it takes 1,150 tons of recyclable fiber to make 1,000 tons of new paper in the United States, it takes 1,300 tons of recyclable fiber to make the same 1,000 tons of new paper in China. As a result, Chinese manufacturers have come to rely on the supply of high-quality scrap from abroad in order to stay competitive, with the United States standing as the largest supplier of scrap commodities.

While incidents have occurred over the years of shipments of true "garbage", as well as non-specification, low quality scrap being shipped into China under the guise of being recyclables, such incidents are now very rare, well under 1% of total container shipments. This is the result of both industry and governmental efforts over the last 15 years. Most notably, more than 10 years ago, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) implemented a licensing system for exporters that has served as an effective system for controlling the quality of material that flows into China. The system includes a combination of licensing, inspection and enforcement mechanisms that resulted in a steady increase in the quality of material entering the country.

Thus, it cannot be said that banning the imports of scrap from the United States, and thus forcing the use of scrap generated from within China, is necessary "to protect the safety of the natural environment and the people's health" as stated by the Chinese Government in its announcement on 27 July. Further, the Chinese Government itself recognized the value and efficacy of best practices and environmental controls employed by recyclers in the United States through its AQSIQ licensing system. One of the elements employed by the Chinese as part of the AQSIQ licensing scheme was a requirement that exporters demonstrate they have appropriate safety and management systems in place to ensure quality, and China decided to adopt ISRI's voluntary certification program for environmental, health and

safety management, RIOS™, as one of the options for compliance with this provision. The Recycling Industry Operating Standard (<http://www.rioscertification.org/>) is an integrated Quality, Environmental, Health and Safety Management System that has been adopted by many recyclers around the world.

As mentioned earlier in our comments, the 27 July Policy Statement outlines the Chinese government's plan to "accelerate" the development of domestic recycling, including infrastructure improvements for collection, distribution, processing and use of recyclable materials so that domestic resources could replace imports by the end of 2019. Thus, imposing a ban on imports of recyclable materials can be construed as a protectionist policy to support this industrial development.

A Ban on Scrap Imports Harms China Economically and Environmentally

While we do not have accurate estimates of the number of jobs in China supported by the recycling industry, it is certainly in the millions, and a significant portion of these jobs will be impacted by the ban. In addition, scrap imports generate trillions of RMB in terms of import tariffs, taxes and fees associated with inspections, port usage, transportation, etc. – all of which is at risk when these materials are forbidden to be imported into China. And China's manufacturing sector greatly depends on high-quality scrap materials imported from the United States. Without these materials, the manufacture of value-add products for export out of China will decline.

It is also proven and measurable that the use of specification-grade scrap commodities reduces the need to mine for new ore, cut down more trees or otherwise deplete natural resources; produces significant energy savings as compared to using virgin materials, thereby reducing greenhouse gas emissions; and reduces the amount of material being sent to landfills, saving the land for better uses. Specifically, the energy saved from using scrap is as much as 88% for plastic and 60% for paper. Thus, scrap recycling offers real sustainable solutions for balancing economic growth and environmental stewardship, stimulating economies from rural villages to major cities.

U.S. Industry's Offer of Support

The U.S. recycling industry has consistently supported the Chinese government's effort to curb illicit trade by unlicensed and noncompliant traders that falsify documents to misrepresent the materials contained in shipments and processors that utilize poor management, operational, safety and environmental practices in the processing of scrap material in China. These deficiencies in many ways contribute to the poor quality of scrap materials currently collected and processed within China. The 27 July statement specifies actions to be taken to crack down on these illicit activities and to educate domestic companies on their obligations to comply with environmental and industrial policies. ISRI fully supports these efforts and would be pleased to offer assistance and share best practices, as we have with AQSIQ through RIOS™ and similar efforts in the past, all in an effort to promote responsible recycling within China. We firmly believe that improvements to their operational practices would go much further to protecting the environment, and also to growing China's domestic recycling industry (with the support of international partners) than the use of import restrictions that will significantly impact legitimate trade of high quality materials produced through safe and environmentally responsible recycling operations.

The U.S. recycling industry stands ready to help China to prevent deficient practices that harm the physical environment in China. The U.S. recycling industry also supports the Government of China's

efforts to improve domestic collection, processing and distribution of scrap materials and welcomes the opportunity to provide information and training on operational best practices, including RIOS™. U.S. industry can share information and analysis of market conditions and how to develop supply chains to ensure the efficient use of scrap materials, especially with environmental sustainability in mind. We also recommend that the Chinese Government officially recognize industry-wide standards as outlined in the ISRI Specifications Circular. ISRI Specifications are the language by which scrap producers, processors and customers trade these valuable commodities around the world. Thus, we request that the Chinese government please work closely with us so as to prevent a disruption in trade of specification-grade commodity materials that are in high-demand in China and supplied from the United States.

We again thank you for the opportunity to comment on the proposed regulations and welcome the opportunity to provide information and support as needed to help address the concerns outlined in these comments, as well as to further strengthen responsible recycling globally.

Sincerely,

A handwritten signature in black ink, appearing to read "Robin K. Wiener". The signature is fluid and cursive, with the first name "Robin" being the most prominent part.

Robin K. Wiener
President