

China’s Recycled Wastepaper Import Policies: Part 2 Economic Effects and Implications for Associated Industries

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China’s restrictions on wastepaper imports, initially implemented in January 2018, have altered wastepaper global value chains as well as the financial condition of associated industries. The first in this two-part series Executive Briefing on Trade discussed the motivation for China’s change in import rules and their initial effect on the U.S. recycling industry. This second publication focuses on the continued economic effects of China’s wastepaper import policies.

China’s Wastepaper Import Policies and the Preliminary Impacts

China’s 2018 wastepaper¹ import policies, which were adopted for environmental reasons, include bans on mixed paper (unsorted waste and scrap) and strict contaminant level limitations of 0.5 percent on materials such as old corrugated containers and old newspapers. The United States, reflecting its heavy waste generation, has long been the largest global exporter of wastepaper and China had been its biggest market. Accordingly, China’s policies have greatly impacted relevant U.S. stakeholders. Wastepaper prices plummeted, harming U.S. wastepaper collectors and sellers but benefiting U.S. buyers. What would have been U.S. exports of wastepaper to China, particularly the wastepaper sub-category of mixed paper, are largely following three paths: as exports to other countries, especially India and Indonesia; as feedstock for U.S. paper mills producing new paper products; and as waste dumped in U.S. landfills or burned in incinerators.

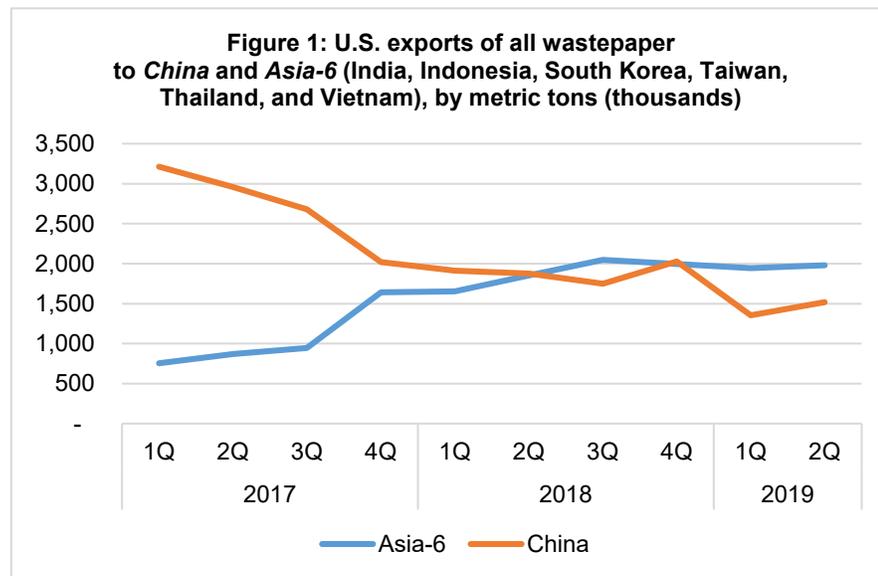
China is now considering further restrictions, including a possible ban on imports of all wastepaper grades by the end of 2020. In addition, emerging alternate export destinations are considering their own wastepaper restrictions following their recent increase in wastepaper imports. For instance, Indonesia is considering restrictions on imports of wastepaper, such as a 0.5 percent contaminant level. According to an industry source, India and Vietnam are also considering wastepaper import restrictions.

Plummeting Prices

Reduced Chinese import demand coupled with oversupply from developed countries have greatly decreased global, regional, and national prices of all wastepaper types. In particular, mixed paper prices have dropped precipitously, falling from over \$60 USD a ton in 2017 to less than \$0 in 2018, where they still remain. In this context, when a product’s price is less than zero, it means the “seller” (frequently a municipality) must pay the “buyer” to take the product.

Trade Diversification

Despite China’s wastepaper restrictions, U.S. exports of all wastepaper increased 4.1 percent during 2017-18, from 18.3 million metric tons to 19.0 million metric tons.² Although China continued to be the largest individual importer of all U.S. wastepaper (33.9 percent by quantity in the second quarter of 2019), there has been substantial trade shifts from China to other countries. For instance, China’s imports of U.S. wastepaper has fallen below that of the “Asia-6” in three of the last four quarters for which there are data (figure 1).³



Source: USITC DataWeb/USDOC, HS 4707 (accessed September 5, 2019)

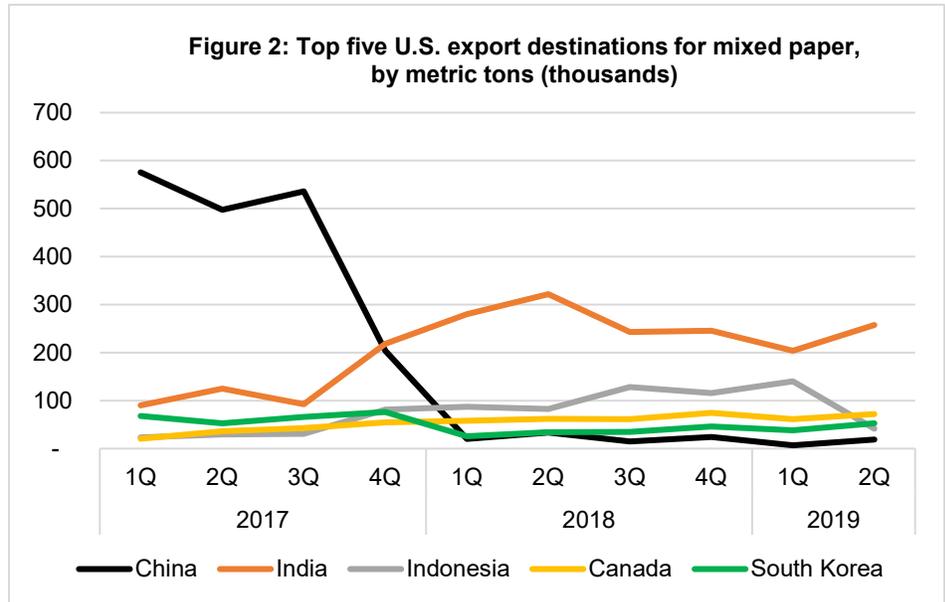
¹ Wastepaper is a commodity that can be used as feedstock to produce new paper.

² By value, U.S. exports of all wastepaper also increased, but by a lesser amount (3.7 percent) due to the price decline.

³ The Asia-6 consists of India, Indonesia, South Korea, Taiwan, Thailand, and Vietnam.

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U.S. mixed paper exports, by quantity, declined by 26.1 percent during 2017-18, from 3.5 million metric tons to 2.6 million metric tons. The main reason was that U.S. exports to China of mixed paper decreased by 98.8 percent from the first quarter of 2017 (575.6 thousand metric tons) to the first quarter of 2019 (6.7 thousand metric tons).⁴ In 2017, China was the largest destination, by quantity, of U.S. mixed paper; by 2018, China dropped to seventh place, and in the first two quarters of 2019 China dropped to ninth. India and Indonesia partially filled the gap by becoming the largest importers of U.S. mixed paper, although Indonesia slipped to fourth behind Canada and South Korea in the second quarter of 2019, likely on news of Indonesia’s possible import restrictions (figure 2).



Source: USITC DataWeb/USDOC, HS 4707.90 (accessed September 6, 2019).

Cheaper Feedstock for Paper Mills

The sharp drop in global wastepaper prices have reportedly incentivized some U.S. paper mills to restart or ramp up production and hire workers. Paper mills that produce paperboard for shipping boxes appear to be benefiting the most from the drop in used paperboard prices coupled with growing demand from e-commerce companies for their shipping needs. In addition, due to the lower prices, some U.S. paper mills are reportedly increasing the proportion of wastepaper they use for feedstock compared to virgin fiber.

Municipal Landfills: Getting Their Fill

In contrast, local governments and recycling companies have suffered as their costs have increased; instead of receiving income, they now generally must pay to transfer waste. Some recycling companies are laying off employees. The waste now not being transferred for recycling is ending up in landfills, incinerators, rivers, and oceans. Some experts theorize that the situation will incentivize reform, such as reducing single-stream (commingled) recycling, which contributes to wastepaper contamination.

Export Bans: Will Australia be First?

If the trend of waste import restrictions by developing countries accelerates, developed countries will come under added pressure to formulate new waste management policies. One policy option is to ban all recyclable waste exports; Australia may become the first to do this. In announcing his government’s proposed waste export ban in August 2019, Australian Prime Minister Scott Morrison said, "it's our waste, and it's our responsibility."

Sources: [Albeck-Ripka](#), "Your Recycling Gets Recycled, Right? Maybe, or Maybe Not," The New York Times, May 29, 2018. [Corkery](#), "The Great American Cardboard Comeback," The New York Times, March 22, 2019. [Doran and Macmillan](#), "Ban on Recyclable Waste Exports Looms as Political Leaders Commit to a Phase Out," Australian Broadcasting Corporation, August 9, 2019. [Fastmarkets RISI](#), "Recovered Paper: Indonesia Sets 0.5% Limit on RCP Imports as its Buying Has Been at an All-time High," August 23, 2019. [Franklin-Wallis](#), "'Plastic Recycling is a Myth': What Really Happens to Your Rubbish," The Guardian, August 17, 2019. [McDaniel](#), "As California's Recycling Industry Struggles, Companies and Consumers are Forced to Adapt," Los Angeles Times, August 14, 2019. [Resource Recycling](#), "Recycled Paper Prices Fall Further," April 16, 2019. [Scott](#), "China's Recycled Wastepaper Import Policies: Part 1 Impact on the United States," U.S. International Trade Commission, 2018. [Smith](#), "US Tops List of Countries Fuelling the Waste Crisis," Verisk Maplecroft, July 2, 2019. [Zhao](#), "Where is Recovered Paper's New Home?" [Fastmarkets RISI](#), July 25, 2019. Note: All [Fastmarkets RISI](#) articles require a subscription.

⁴ The U.S. has accounted for the largest share of global wastepaper exports to China for decades. *The views expressed solely represent the opinions and professional research of the individual authors. The content of the EBOT is not meant to represent the views of the U.S. International Trade Commission, any of its individual Commissioners, or the United States government.*