

Guidance to ISRI Staff on the North American Recycling Agenda for the North American Free Trade Agreement¹

Overview

In North America, The Institute of Scrap Recycling Industries, Inc. (ISRI) and the Canadian Association for Recycling Industries (CARI) represent more than 1,500 processors, brokers and consumers of scrap materials, including ferrous and non-ferrous metals, paper, plastic, tire and rubber, glass, textiles and electronics. The scrap recycling industry's total economic impact is nearly US\$117 billion in the United States and more than C\$5 billion in Canada, and our industry directly and indirectly supports more than 530,000 jobs in the United States and approximately 100,000 jobs in Canada. Globally, in 2016, our industry processed more than 130 million metric tons of recyclable commodities valued at more than US\$14 billion. As such, the North American scrap recycling industry is an environmental steward and an economic driver and is vital to the health of the manufacturing sector across the continent.

The scrap recycling industry is the first link in the global manufacturing supply chain and is thus dependent upon both a healthy manufacturing base and access to global markets. The need for market-based movement of scrap commodities across borders – void of unnecessary delays and excess costs – is a critical pillar to the recycling industry's success as well as to the success of the manufacturing industries. The only way to maintain price and supply stability in the global marketplace for scrap commodities is to allow those materials to trade freely and fairly.

Tariffs. All recyclable commodities are Most Favored Nation (MFN) duty free in the United States and Canada and, under the current NAFTA, exempt from Mexico's MFN duties. **We wish to maintain this important advantage.**

Standards and Regulations. A universal understanding of product standards – a system that uses its own, commonly known language – is integral to free-flowing trade. Having a wide array of unique regulations, standards and conformity assessment procedures leads only to unnecessarily burdensome and costly processing, thus a barrier to trade, especially if they are non-science/risk based and implemented in a discriminatory manner. In the recycling sector, the ISRI Scrap Specifications Circular (available at www.isri.org) is the globally recognized guideline for scrap commodity specifications, many of which are cited in Harmonized Tariff Schedule (HTS) Codes and import regulations around the world. We recommend that the **ISRI Scrap Specifications Circular becomes an official standard within NAFTA, preferably as the recognized standard for scrap commodities.** This may be accomplished within the Technical Barriers to Trade (TBT) chapter or in a sector-specific annex that makes specific reference to a system of regulatory coherence and/or harmonization of standards, including mutually recognizing ISRI Specifications as a preeminent guideline for testing and inspecting scrap commodities by customs authorities.

Furthermore, while we understand the unique circumstances that have led to different regulatory systems in each of the three NAFTA countries, we ask that the new agreement **find opportunities to increase regulatory coherence** in order to reduce the burdens on our recyclers and their customers to conform to each regulation, and to allow the industry to provide input into the creation of future regulations so that they do not add new but unnecessary burdens to manufacturers.

¹ As adopted by the ISRI Board of Directors on June 20, 2017.

Rules of Origin. Recyclable commodities are traded on global markets according to supply and demand drivers and are dependent on global commodity prices. NAFTA was critical to creating integrated supply chains into the North American manufacturing sectors, and the recycling industry wishes to maintain that integration. But as products are made with inputs from many different sources – and these products have different end-of-life cycles – it is difficult to track the origins of the raw materials that went into a 30-year-old automobile or a building built in the 1950s, thus potentially imposing unnecessary and sometimes impossible burdens on our customers to track materials. We recommend that there be **product- or sector-specific rules of origin**, that may be reviewed periodically depending on changing market conditions and take into account the complexities of commodity supplying markets, and **maintain the acceptance that scrap collected for recovery and/or processed in one of the NAFTA countries is considered as originating from that country.**

Trade Facilitation/Customs. Integrated supply chains come with the need to deliver materials on time and within budget. The scrap commodities trade responds directly to market forces with daily fluctuations on prices. While materials move reasonably well between the three economies, we support opportunities to **improve the physical infrastructure of our land and sea ports, streamline customs paperwork and clearances (including with harmonized and/or mutually recognized regulatory clearances as stated above and uniform procedures that can speed up the customs clearance process), increased transparency of regulatory and entry/exit procedural changes, and greater automation of the overall system.**

Furthermore, our members increasingly face problems of materials theft, especially in trade routes that are historically vulnerable to organized crime and with little to no ability to investigate the crime, locate the materials, prosecute the criminals or gain restitution. Therefore, we recommend there be **an automated system set up that involves customs and law enforcement authorities in all three countries to improve their collaboration on ensuring the security of tradable goods in all three jurisdictions – provided it does not slow down the clearance process.**

Services. Global supply chains mean businesses are more global, with presence in more than one economy. In North America, this often means a manufacturing site or scrap yard on one side of the border is overseen by management that lives on the other side of the border or has to be serviced by maintenance companies on the other side of the border. We support the ability for **people, equipment and maintenance services to have unfettered crossings at the border points.**

Additionally, global recyclers require access to credit, insurance and other financial services to keep pace with the ups and downs of commodity markets and the global economy – whether from government sources (*e.g.*, U.S. Export Import Bank) or private sources. While our financial system is relatively open, unfortunately, law enforcement problems can negatively impact credit insurance terms in high risk regions. We support efforts to **ensure a stable access to credit and credit insurance, including facilities that protect borrowers from unforeseen lapses in law enforcement.**

Investment/Incentives: It is the providence of states and provinces to promote economic development within their borders by offering incentives for companies to locate operations within their state/province. However, such incentive programs should not be used contrary to the principles of an open market economy by discriminating against certain market players or creating a monopoly.

Contrary to the Canadian Government's policy to increase recycling and reduce waste and unnecessary burning of used tires, the Government of British Columbia has imposed a moratorium on expanding the tire recycling sector



ISRI is the voice of the recycling industry, promoting safe, economically sustainable and environmentally responsible recycling through networking, advocacy and education.



while also maintaining incentives for its sole processor to be able to sell recycled rubber (“crumb rubber”) into the United States at below-market value. We request the negotiators **address these market-distorting measures to level the playing field for all recyclers.**

Additionally, we support **U.S. companies’ continued use of Mexico’s Industrial, Manufacturing, Maquiladora, and Service Export (IMMEX)** to maintain a strong supply chain and support manufacturing growth in the United States.

