



Special News Bulletin

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China: consequences of Operation Green Fence

On April 17, 2013 WCO reported in its Special News Bulletin No. 12 about the so called 'Chinese Green Fence' regulation, a 10-month long initiative that kicked off in February to prevent the importation of solid waste-contaminated shipments.

In the meantime, as the 'Green Fence Initiative' has entered into force, it is clear that the amount of recovered paper exported will be reduced. Secondary fibre packers for exports to China are struggling to meet the stringent specifications. Some fibre slated for export is being pushed back into the domestic market in Europe and US. Such severe interruptions in recovered paper shipments to China will have a significant effect. In March of this year China imported 2.609.500 tons of recovered paper, which is 318.000 tons less than in March 2012. Is this the influence of the Green Fence Action?

Reports from some large American and Canadian buyers of secondary fibre already mentioned that prices in North America have declined by \$ 5-10/ MT in recent weeks as inventories build in domestic markets. The same development was noticed in other parts of the world. It seems clear that Green Fence, under the current restrictive quality specification, will cause many less sophisticated waste packers to seek alternative markets, at least for the mid term. Sources in the USA advise that some volumes of fibre, which are normally collected for export to China, are being sold to developing markets such as India and Korea, rather than to China.

Fact is that China only needed 20 years to increase recovered paper imports from less than 1 million tonnes to 30 million tonnes in 2012 and there is no indication that this development is going to stop. Attempts of the Chinese government and papermakers to boost domestic collection of recovered paper continue, but are not enough to catch up with its demand growth. Therefore imports will further play a key role in the Chinese paper market. Reports from China are already indicating that Chinese mills, which are largely dependant on imported fibre, are struggling to obtain adequate supplies under the Green Fence regulations.

Over time, as China perhaps relents somewhat on the strict Green Fence regulations, WCO believes that development of OCC will normalize through 2014 because of growing and unrelenting strong demand for imported secondary fibre in China.

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