

Pulp *Special Edition* truth



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China's Impact on Recycled Paper Market Causes Stress

By Keith Romig

Over the past two years, China has been buying more recycled U.S. paper and paperboard. This has caused prices of recycled fiber to rise to record levels. At least two recycled fiber mills have closed in 2011 and more are at risk.

"This is yet another example of unfair trade hurting the US paper industry, American jobs and the environment," said USW International President Leo W. Gerard.

Smaller companies without virgin fiber capacity have found their profit margins squeezed to the bone by the high raw material prices. By contrast, some larger companies are themselves major players in the China export market.

Many of these larger companies have significant virgin fiber capacity, and there has been some movement in such companies to displace recycled capacity with virgin fiber tons.

The smaller companies do not have this option. Two such, Greys Harbor Paper in Hoquiam, Wash., and Blue Heron Paper in West Linn, Ore., closed their doors in recent months, both citing the high cost of fiber. Two other similar companies, Marcal Paper of Elmwood Park, N.J., and FutureMark Paper of Alsip, Ill., just south of Chicago, continue in significant difficulty for the same reason.

"China's increased demand for recycled material results from its attempt to become the world's papermaker by illegally dumping paper and paper products on the world market" said USW Vice President Jon Geenen. "If China did not engage in unfair trade practices, its demand for recycled fiber would be much lower, driving down the cost of this input."

If the market was functioning without this manipulation, the United States would be exporting pulp and paper and converting it closer to production.

And we would not be decimating domestic companies and losing manufacturing jobs.

***"Our economy can't sustain itself by exporting its resources and not manufacturing products,"
said Gerard.***

Another problem is that much of the incentive to recycle will disappear if American communities and the US environment are not the main benefactors of the move to recycle.

USW and its predecessor unions have long favored increased recycling as a way to preserve jobs and create a more sustainable environmental footprint for the U.S. paper industry. However, there is a major concern that the jobs created by present recycling efforts are, increasingly, Chinese jobs and not jobs here at home.

Major work on recycling of multiple commodities, including paper and paperboard, has been undertaken by the Blue-Green Alliance. Increasingly the alliance's analysis shows a recycling system in the United States that is creating too few jobs at home. The problem is particularly bad with paper.

Our union has assembled a high-level team from our headquarters and legislative office that also includes technical experts who are working on recommendations for a way forward.

USW intends to work closely with its allies in industry and among the non-profit community to find a solution that preserves members' jobs and ensures that foreign economies that cheat and manipulate the system are not the benefactors of trade where we have a natural competitive advantage and market efficiency.