



NAFTA Consultations
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RE: RENEGOTIATION OF THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

On behalf of the Canadian Association of Recycling Industries (CARI), thank you for the opportunity to submit comments on Canada’s position in the renegotiation of NAFTA.

CARI has been the voice for this industry since 1941, a time when recyclable resources were classified as strategic materials. Today the Association represents over 250 companies that are involved in commercial recycling activities. This industry spans the complete spectrum from secondary commodity supply through to the manufacturing of products. While most CARI members are engaged primarily in the recycling of metals, CARI’s overall scope includes all recycling activities, including fibre, plastics, glass, rubber, and electronics. Each of these categories of material generates valuable secondary resources, which we define as ‘scrap.’

Ours is truly an industry of sustainable development. Recycling reduces greenhouse gas emissions, reduces material sent to landfill, and decreases the need to use scarce raw materials, while also providing significant economic benefits.

Approximately 100,000 jobs in Canada are directly or indirectly supported by the recycling industry. The total economic impact of our industry amounts to over \$5.0 billion. Many of these businesses are SMEs, which are vital to the economic health of their communities and of Canada itself.

CARI supports the Government of Canada’s commitment to free trade in North America, and to “a progressive trade agenda that creates jobs and opportunities for the middle class and those working hard to join it.” One of CARI’s core values is our support of and commitment to free and fair trade. Trade of scrap material across borders is vital to a thriving recycling industry, and an integral part of the global economy.



The scrap recycling industry is the first link in the global manufacturing supply chain. The North American recycling industry is fully integrated, and founded on fair-market principles. Canada, the United States, and Mexico currently enjoy a balanced and reciprocally beneficial scrap trade. Canada's scrap material trade with the United States is particularly significant. Canada imports \$2.0 billion of scrap commodities from the United States each year. We are one of the top export markets for U.S. scrap, and the United States is the top destination for scrap exports from Canada. Our direct trade with Mexico is less significant (primarily because of geography), but also balanced.

NAFTA PRIORITIES FOR THE RECYCLING INDUSTRY

NAFTA was critical to creating integrated supply chains, and the recycling industry wishes to maintain that integration. While CARI believes NAFTA has been largely successful in promoting fair trade and economic growth throughout North America, we welcome this chance to improve upon the existing agreement.

To protect and advance the North American recycling industry, CARI recommends the following items be addressed in NAFTA's renegotiations:

Most-Favored-Nation Treatment

Recyclable commodities are currently exempt from any MFN tariffs, and CARI would like this to see this maintained.

Rules of Origin (ROO)

Recycling is an international commodity industry that operates on a supply-and-demand basis. Recyclable materials are derived from many different sources and from products with varying end-of-life cycles. It is difficult to track the origins of the virgin 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 rules of origin be product- or sector-specific, that they may be reviewed periodically depending on changing market conditions, and that they take into consideration the complexities of commodity-supplying markets. We further recommend the rules of origin recognize that scrap collected for recovery and/or processed in one of the NAFTA countries is originating from that country.

Harmonizing Product Standards

A universally recognized standards system is essential to free and fair trade. CARI recommends the NAFTA revisions adopt the Institute of Scrap Recycling Industries' *ISRI Specifications* as the official standard for recyclable commodities. *ISRI Specifications* are globally recognized guidelines for scrap commodities, many of which are cited in HTS Code and import regulations around the world.



Customs and Border Crossings

Delivery of materials in an expeditious and cost-effective manner is vital to our integrated supply chains. Scrap materials currently move reasonably well between the three economies, but border-crossing bottlenecks and administrative inefficiencies can affect timely delivery. We recommend NAFTA's revision address streamlining customs paperwork and clearances, as well as upgrading the physical infrastructure of ports and border crossings. We further recommend increasing transparency of regulatory and entry/exit procedural changes, and greater automation of the overall system.

Regulatory Consistency

Each of the three NAFTA countries have unique regulatory systems, and conforming to each system can be time-consuming and onerous. We recommend the new agreement look for ways to increase regulatory coherence. We further ask that any future regulations be created with industry input so as to reduce any potential unnecessary burdens on recyclers and manufacturers.

Services

The global and integrated nature of the recycling industry means many businesses have a presence in more than one economy. A scrap yard on one side of the border may be overseen by management on the other side; equipment in a Canadian yard may need to be serviced by a supplier from the United States. CARI supports the ability for people, equipment, and maintenance services to have unfettered crossings at border points.

To keep pace with fluctuating commodity markets, recyclers require access to credit, insurance, and other financial services. These services can be costly and difficult to obtain for companies selling material into high-risk regions. We therefore recommend the new agreement take efforts to ensure a stable access to credit and credit insurance, including facilities that protect borrowers from unforeseen lapses in law enforcement.

Eliminating Trade-distorting Incentive Programs

CARI believes no provincial or state incentive program should interfere with the open market economy. No province or state should use product stewardship or Extended Producer Responsibility programs to discriminate against certain market players or to create a monopoly. To ensure a level playing field for recyclers across the three countries, we request incentive programs and market-distorting measures be addressed.

CONCLUSION

North American recycling industries share a commitment to open markets and fair competition. The trade in scrap material supports value-added economic activity in vital sectors in each of the three economies.



Time- and cost-effective market-based movement of scrap commodities across borders is crucial to the recycling industry's success, as well as to the success of the manufacturing industries.

CARI supports the Canadian government's strategy to promote free and fair trade. A thriving recycling industry is in Canada's best environmental and economic interest, and strengthening NAFTA is in the best interest of our industry. CARI welcomes the opportunity to work with the Canadian government in its efforts to modernize this important agreement.

Sincerely,

Tracy Shaw
President & CEO