



# The End of the Little Black Bag?

2 piasters doesn't seem like a lot of money these days. But when the Ministry of Environment proposed a 2 piaster tax on plastic bags hoping to spur innovation and environment-friendly alternatives, it found itself accused of threatening the viability of hundreds of local businesses and the livelihood of thousands.

By Andrew Dumm.

PLASTIC BAGS ARE a rather ubiquitous part of life in Jordan. Floating lightly above the streets or caught in fences and trees, some jokingly refer to the wayward bag as the national bird. In the past year, though, government officials have taken a serious look at the environmental and health effects of the Kingdom's plastic bag dependence and have begun to propose some bold steps to reduce use. Government regulation is never without its detractors in business and industry, however, who question both the timing and feasibility of a national campaign against the plastic bag.

Citing widespread pollution and threats to wildlife, in a Jordan Times article in November of last year the Ministry of Environment floated a number of ideas to phase out plastic bags in Jordan. Environment Minister Khaled Al Irani said that in addition to a public awareness campaign, his ministry was

considering raising import tariffs on manufacturing materials and levying an excise tax on shopping bags distributed by supermarkets and retailers.

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Then, in a February article of Al Ghad newspaper, the Ministry of Health came forward with its own concerns over the dangerous interaction between plastic bags and hot food products, prompting a study of a nation-wide ban of plastic bags in Jordan's bakeries.

Today, Ministry of Environment plans seek to incorporate all of these factors in a broad national campaign, according to Dr. Mohammed Kha-

shashneh, Director of the Hazardous Substances and Waste Management Directorate. "We need a comprehensive and integrated approach to reduce and

eventually phase out plastic bags in the Kingdom altogether."

The Ministry is commissioning a study, supported by the new USAID-funded Sustainable Achievement of Business Expansion and Quality (SABEQ) program, to evaluate plastic bag manufacturing in Jordan with respect to international best practices and recommend short, medium, and long-term regulatory steps to cut use.

## An Environmental Tax

In the short run, the Ministry plans to ban black plastic bags smaller than 45 by 50cm, a staple of Jordan's neighborhood supermarkets, produce shops, and shawerma stands.

Khashashneh explains that black polyethylene bags contain up to 80 percent recycled plastics compared with less than 15 percent found in white or colored bags. Their smaller size makes them prone to wind-borne pollution and unsuitable for reuse as trash bin liners.

While the higher incidence of recycled or "second grade" plastics makes black bags 40 percent cheaper, it also renders them unsafe for food storage. Khashashneh expects the ban to be in place by the end of 2008, and says manufacturers and retailers will have six months to comply before facing fines.

Based on the results of the SABEQ study, the Ministry of Environment also expects to impose "prior fees," or essentially a tax, of about JD0.02 on all polyethylene bags produced in or imported to the Kingdom. As the tax is reflected in a higher market price and ultimately passed on to consumers, the Ministry hopes it will reduce use and discourage overuse.

The revenues will go to a nascent Environmental Protection Fund, a key goal of the wider SABEQ initiative, to support better recycling practices in the industry and subsidize paper and reusable alternatives.

Khashashneh says the combination of prior fees and subsidies is designed to make alternatives more competitive with disposable plastic bags and help the Ministry promote reusables at shopping malls and large supermarkets. Here, Khashashneh cites Carrefour as a successful model of how close coordination with the commercial sector can spur innovation.

## Ahead of the Game

Carrefour, the French superstore, is set to introduce heavy-duty reusable plastic bags to its Jordan branch this month at a cost of JD0.60 to customers. According to Human Resources and Administrative Manager Mohammed Al Wakid, however, the Carrefour program is less a joint venture with the government than it is a homegrown initiative.

"The idea for the reusable bags comes directly from Carrefour headquarters in France, and Majid Al Futtaim Hypermarkets Jordan L.L.C. is implementing the decision per its licensing and operating agreement for the Amman branch."

Although Al Wakid says environmental responsibility is the primary goal of the initiative, Carrefour also hopes to attract environmentally-savvy Westerners living in Jordan and Emirati customers who grew used to the reusable bags when they were first introduced to regional Carrefour locations in Dubai in 2006.

Al Wakid welcomes any future plans by the Ministry of Environment to subsidize reusable bags, but says a more logical first step is to simply remove the import taxes on the finished products. "We set the price of the new reusable bags at cost with no margin for the store, so without the taxes, we could be charging customers even less."

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## "People Need Plastic"

Expectedly, Jordan's plastic bag manufacturing sector is more skeptical of the Ministry of Environment's plans. "You cannot remove plastic bags from life in Jordan," says Imad Al Taweel of Jordan Star Plastics, Jordan's top plastic bag manufacturer with an output of roughly ten tons of bags a day. Fawaz Mously, partner in the smaller Mously & Co., agrees: "People need plastic bags in their everyday life, and any proposed solutions must keep the needs of the end-user in mind."

While Mously & Co. and Jordan Star Plastics are capable of absorbing the black bag ban because of dynamic production configurations, they claim a polyethylene bag tax would increase

prices without significantly improving manufacturers' recycling capacities. Because production generates a lot of plastic waste from cutting processes and quality control, they explain, most manufacturers already practice in-house recycling to keep production costs low.

Mously & Co., for example, is Jordan's top plastic bag recycler at about four tons a day, and claims a 20 percent market share for recycled polyethylene bags. But the company's parallel production and recycling capabilities call into question the ends-means relationship in the proposed tax. Even if the proceeds subsidized recycling processes, Mously says, "A tax on new polyethylene bags would still have a major impact because 50 percent of our output is virgin [unrecycled] plastic bags."

Manufacturers say the idea of subsidizing alternative bags is fundamentally flawed because domestic production of disposable paper and reusable cotton bags simply does not exist on a scale capable of making a dent in plastic bag demand. Mously estimates that a new paper bag manufacturing plant would require between JD5 and 7 million of investment capital, and would not necessarily be a more environmentally friendly option. Besides consuming trees, paper production requires more water and 40 percent more energy than plastic, inputs that are all relatively scarce in Jordan.

## Impractical Alternatives

At the moment, reusable cotton bags seem even more impractical. The Ministry of Environment offers samples of printed cotton shopping bags produced by a local company called Sheek Kubaj. But Amin Al Rajabi, head of the small six-person outfit, says at only 2 percent of output, they do not manufacture the bags themselves and he knows of no dedicated cloth bag producers in the Kingdom. "We specialize in screen-printing of bags and t-shirts. The cotton bags have to be special ordered from local clothing manufacturers."

The need to import paper and cotton bags makes them a costly alternative. Al Taweel of Jordan Star Plastics says that while a thin polyethylene bag costs as little as JD0.01, the paper equivalent

costs ten times that and a reusable cloth alternative at least twenty times as much. The price disincentive is so great that the Ministry of Environment's proposed prior fees tax would have to be more than twice the estimated JD0.02 per polyethylene bag to effectively subsidize a competitive paper bag.

For all their opposition as plastic bag manufacturers to a partial ban, proposed tax, and subsidized alternatives, Mously and Al Taweel frame their resistance in the even larger issue of the timing. In the context of rising prices, they argue, this is not the appropriate time to introduce regulatory strategies and taxes designed to overhaul manufacturing practices and change consumer behavior.

The rise in prices has hit Jordan's plastic bag manufacturing sector particularly hard. In line with oil, the price of first grade polyethylene inputs for new bags has jumped almost 50 percent over the past year, and energy-intensive smelting machines have exacerbated manufacturers' utilities woes. Mously & Co. is operating at only 50 percent capacity and Jordan Star Plastics has registered a 34 percent increase in operating costs in 2008. Market prices have risen accordingly. In 2007, a ton of polyethylene bags cost JD225. Since the government lifted fuel subsidies, Al Taweel says the price has increased 75 percent in only half a year to JD393 a ton.

From the industry's perspective, the rise in prices already fulfills the Ministry of Environment's desire for market pressures to reduce use. To levy taxes and artificially inflate plastic bag prices even more will simply add to the economic burden of the consumer without offering any viable alternatives to the market. Rather than encouraging recycling and innovation, Al Taweel of Jordan Star Plastics expects new taxes will push plastic bag manufacturers to relocate outside of Jordan to Saudi Arabia, where operating costs are 20 percent lower.

### Bad Timing

From a commercial perspective, the timing of the Ministry of Environment initiative could not be worse. Majdi Al Jazeel owns and operates the neighborhood supermarket Babel in Jabl Al Luweibdeh.



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The smaller size of his store means that customers use bags for smaller and more frequent purchases, making Babel an ideal target in a campaign to reduce use. But it also means that he is less able to absorb a plastic bag tax or offer alternative bags than shopping malls and larger supermarkets.

Citing the high cost of reusables and the environmental downsides to paper, Al Jazeel has no plans to introduce alternatives. In fact, he says even plain polyethylene bags have increased in price at least 20 percent in recent months, threatening fragile profit margins that are already subject to volatile food prices.

With the possibility of a tax, Al Jazeel said he is debating charging customers for bags at the checkout. "I know many bakeries are already doing this. On one hand,

it would probably reduce the number of bags I have to distribute to customers and it would keep my costs lower." On the other hand, Al Jazeel admits many customers might interpret his decision in the wrong way, an important consideration for a neighborhood grocer.

In the face of resistance from vendors and industry, Dr. Khashashneh at the Ministry of Environment stresses that all steps are still in the planning phase and specifics will depend on the recommendations of the SABEQ study. Measures that would involve other ministries in their enforcement, such as the black bag ban and prior fees tax, will have to be approved by the cabinet. Above all, Khashashneh says that the national strategy is built on a comprehensive approach and will rely on close cooperation with business and industry.

But Mously and Al Taweel insist that consultation with their industry needs to occur before any solutions are proposed, including impending steps like the black bag ban. Unconvinced by the Ministry of Environment's reassurances, they remain concerned about the scope and timing of an effort to phase out plastic bags in the Kingdom. "Jordanians cannot afford alternatives to plastic bags with the current economic situation," says Mously. Al Taweel is more blunt: "What if I have to close this factory because of new taxes on top of already high operating costs? I have diversified my holdings in other industries outside of Jordan over the past years, but what will my 200 workers and their families do?"