

## **New Chinese Rules on Agricultural Products Concern Senators**

(Letters from Finance, Agriculture Committee leaders)

### **Office of International Information Programs**

**July 2002**

China's new biotech product approval and labeling regulations could disrupt agricultural trade between the United States and that country and may be incompatible with China's World Trade Organization (WTO) commitments and its bilateral agreement with the United States on agriculture, according to the leaders of the Senate Committees on Finance and Agriculture.

Earlier this year, China's Ministry of Agriculture "sought to suddenly impose scientifically questionable regulations on U.S. grains exports," Senators Max Baucus (Democrat of Montana) and Charles Grassley (Republican of Iowa), the chairman and ranking member of the Senate Finance Committee respectively, wrote in a June 27 letter to the Chinese ambassador to the United States.

An interim U.S.-China agreement on safety certification for biotechnology products that expires on December 20, 2002 has allowed agricultural trade between the two nations to continue, but China's new approval and labeling regulations present U.S. agricultural exporters "with time constraints that are entirely unrealistic," the two supporters of free trade with China added.

According to Baucus and Grassley, the Chinese government now requires that U.S. agricultural exporters complete "field testing of each biotech event for each commodity as part of the complete data submission required for a safety approval before the interim measures expire on December 20."

These requirements, they continued, "clearly inhibit the ability of United States exporters to complete the required field testing in China by December 20, and it is highly likely that trade in biotechnology-related products will end at that time, unless China modifies its regulations or the time for compliance."

The Montana Democrat and the Iowa Republican urged Beijing "in the strongest terms, to take appropriate steps to ensure that implementation of these new safety regulations do not interfere with trade."

Senators Tom Harkin (Democrat of Iowa) and Richard Lugar (Republican of Indiana), the chairman and ranking minority member of the Senate Agriculture Committee respectively, joined Grassley and Baucus in a letter to President Bush on the same issue.

The four legislators said that without a quick resolution to the problem, American agriculture producers and food manufacturers would "be severely harmed."

The lawmakers called on President Bush "to bring this matter to the attention of the Chinese government as soon as possible and emphasize in the strongest possible terms how critically important it is that these new biotech regulations not unjustly impede U.S. agriculture exports."

The lawmakers said they would continue to work with the Bush administration "to ensure proper monitoring and enforcement" of China's WTO obligations and added that they were ready to assist the President in "taking the necessary steps to ensure compliance."

Following are the texts of the June 27 letters to China's ambassador to the United States and to President Bush:

June 27, 2002

The Honorable Yang Jiechi  
Ambassador Extraordinary and Plenipotentiary  
of the People's Republic of China to the United States  
2300 Connecticut Avenue, NW  
Washington, D.C. 20008

Dear Mr. Ambassador:

We are writing to express our strong concern about continuing difficulties related to China's proposed use of questionable biotechnology product approval and food labeling regulations that threaten U.S. exports of soybeans, soybean products, processed food and other agricultural products to China.

We are concerned that these new regulations, particularly the regulations recently proposed by China's Ministry of Health, will completely undermine the improved market access China granted to U.S. exports of corn, wheat, and other agricultural products when China entered the World Trade Organization.

Earlier this year, China's Ministry of Agriculture sought to suddenly impose scientifically questionable regulations on U.S. grains exports. A disruption in trade was averted through an interim agreement on safety certification for biotechnology products that expires on December 20, 2002.

Since that interim agreement was reached, China's Ministry of Health has issued additional approval and labeling regulations that again threaten to cut off our exports. We have serious concerns about whether these regulations are compatible with China's WTO commitments.

One important concern is that these new regulations have not been notified to the WTO as required. Further, the new MOH regulations are being imposed in a manner that does not provide sufficient time for clarification of their numerous ambiguities. In fact, China has not even provided guidance on compliance with the MOH regulations, even though they take effect on July 1, 2002.

In the case of the new Ministry of Agriculture regulations, U.S. exporters are faced with time constraints that are entirely unrealistic. These rules require field testing of each biotech event for each commodity as part of the complete data submission required for a safety approval before the interim measures expire on December 20.

These requirements clearly inhibit the ability of United States exporters to complete the required field testing in China by December 20, and it is highly likely that trade in biotechnology-related products will end at that time, unless China modifies its regulations or the time for compliance.

We believe that it is crucially important that trade between our two countries not be disrupted. Accordingly, we urge your government, in the strongest terms, to take appropriate steps to ensure that implementation of these new safety regulations do not interfere with trade.

Sincerely,

Chuck Grassley  
Max Baucus



June 27, 2002  
The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

We are writing to express our concern about the severe market access difficulties, which continue to face United States agricultural exports.

We are particularly concerned about the impact which China's ongoing efforts to adopt new biotechnology product approval and food labeling regulations is having on our ability to export to this potentially large market.

U.S. soybean exporters have already lost an estimated \$240 million worth of sales to China due to the uncertainty caused by the Chinese Ministry of Agriculture's attempt to impose scientifically questionable regulations on U.S. grain exports earlier this year.

Without your timely intervention and conclusion of an interim agreement with China, losses would have been much higher. Since conclusion of the interim agreement, the Chinese government, through the Ministry of Health and the Ministry of Agriculture, has issued additional biotech approval and labeling regulations which again threaten to impede U.S. agriculture exports to China.

We have a number of concerns with these new requirements and regulations and question whether they are compatible with China's commitments under the World Trade Organization and certainly our bilateral agreement with respect to agriculture.

For example, the new Ministry of Health regulations, which are to take effect on July 1, 2002, still have not been notified to the WTO as required. Further, there has been insufficient time for U.S. exporters to seek clarification of the numerous ambiguities inherent in the regulations.

Finally, the Chinese government has not provided any guidance as to how U.S. exporters are to comply with the new regulations. We also are concerned that the new Ministry of Agriculture regulations are also being implemented in an unrealistic manner.

For example, Ministry of Agriculture rules now require field testing for each commodity as part of the data requirements necessary for U.S. exporters which must be submitted before December 20, 2002, to receive the required safety approval to export to China.

However, Chinese authorities are limiting the ability of U.S. exporters to import the seeds needed to complete the required field testing, clearly inhibiting their ability to complete the tests and gather the data needed to

comply with the December 20, 2002 deadline.

Mr. President, U.S. exports of soybeans, corn, wheat, and other agricultural products, which were granted improved market access by China when China entered the World Trade Organization, continue to be threatened by these new regulations.

Without quick resolution of these problems, U.S. agriculture producers and food manufacturers will be severely harmed. Accordingly, we urge you to bring this matter to the attention of the Chinese government as soon as possible and emphasize in the strongest possible terms how critically important it is that these new biotech regulations not unjustly impede U.S. agriculture exports.

We will continue to work with you to ensure proper monitoring and enforcement of China's WTO obligations and stand ready to assist you in taking the necessary steps to ensure compliance.

Sincerely,

Chuck Grassley  
Max Baucus  
Richard Lugar  
Tom Harkin

(Distributed by the Office of International Information Programs, U.S. Department of State)