



Agriculture

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Introduction

Ties between the agricultural industries of China and the US have seen significant growth in recent times. Today the US is the largest supplier of agricultural products to China, as China is second largest export market for US agricultural products. Recent trade disputes and food safety concerns have given rise to significant complications. Lehman, Lee & Xu believes that in past year -- developments in the trade of meat products have been the predominate area of concern.

Ban on US Beef

Since 2003, China has had a complete ban on US Beef imports. In May of 2007 the World Organization for Animal Health (OIE) received a controlled risk status. This means that all beef and beef products are allowed to be traded as long as specified risk materials are removed. China is currently the only country in Asia that still has a ban on US beef. In order to resolve this issue the US needs to continue to engage in positive, constructive discussions that would allow a gradual re-introduction of US beef which permits the immediate importation of 30-month bone-in imports, and then a full OIE import regime in a staged process.

Ban on US Pork

In April 2009, China also banned imported pork from the US. This stemmed from the H1N1 flu occurrence in humans. After the Food and Agriculture Organization of the United Nations (FAO), the OIE, and the World Health Organization (WHO), and the World Trade Organization (WTO) all announced that it was not possible for humans to contract H1N1 from pork consumption. In November of 2009 China announced that it would lift the pork ban, but it has yet to live up to its commitment and allow imports again.

More Reasons behind the Pork Ban

Additionally, China has banned imported pork from 11 different US plants claiming that their products contain residue of Ractopamine, an FDA- approved Beta Agonist feed ingredient, commonly used across the Industry. It is thought that the ban on these specific pork products did not come from a completed risk assessment. The ban is more likely due to the fact that there have been known human fatalities from the ingestion of pork containing unsafe levels of Beta Agonists. Beta Agonists have been banned in China due to the existence abuse of animal health products.

How to Resolve the Ban?

It is recommended that both China and the US should refrain from using technical barriers to trade as retaliatory measures in trade disputes. It is very likely that the reason given by the Chinese government for their ban on both beef and pork are merely for the purpose of fending off foreign competition in the industry. China should avoid disallowing the importation of pork because of the domestic ban against Beta Agonists. Instead China should complete a risk assessment, and devise a guideline of what is considered a safe tolerance level of Ractopamine in meat products.

Which Steps Should China Take?

Lehman, Lee & Xu believes that restrictions on foreign investment in agricultural industries introduced in China's November 2007 Foreign Investment catalogue need to be reconsidered along with the elimination of equity caps for foreign investors in such industries. To ensure that domestic and import inspections and enforcement are consistent in practice and policy China should remove its ban on the importation of US beef and establish an import regime consistent with OIE standards. Accept a staged reintroduction of US beef that allows immediate 30 month bone-in and then moving to full OIE standards in a staged process. Additionally, China needs to establish maximum residue levels for Ractopamine in imported pork in accordance with the United Nations global standard food code (CODEX) draft standards. Furthermore, China should develop and enforce phytosanitary measures that are scientifically-based and practical, thereby eliminating non-tariff trade barriers for US agricultural products. To avoid unnecessary trade disputes, abolishing non-transparent quotas and registration systems and ensure that tariff rated quotas (TRQ) allocations are large enough to be commercially practical. Finally, equal treatment for imports and domestic products should be assured for the enforcement of value added tax enforcement.

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