

US-China Food Safety and Trade

2007.09.20

Drew Thompson
Director of China Studies and Starr Senior Fellow
The Nixon Center
DThompson@nixoncenter.org

Summary

- Overview of bilateral food trade
- China's challenges
- What China has been doing
- Prospects

Overview of Bilateral Food Trade

- China's total food and ag exports 1980: \$7.5 bn
- China's total food and ag exports 2005: \$53.3 bn
- China has gained market share through low price, not quality
- US is #1 agricultural supplier to China
- US exported \$6.7 bn, imported \$3.75 bn in 2006
- China represents about 5% of US processed food imports

Overview of Bilateral Food Trade

- Key US food exports to China
 - Soybeans, hides, cotton, poultry, wheat & feed
- Key Chinese food exports
 - Prepared food, fruits, vegetables, tea, pork, garlic
- Seafood and Aquaculture
 - China's seafood exports to the US have increased from \$550 million in 2001 to \$1.9 billion in 2006.

China's challenges

- China's agricultural system
- Changes in economy, reform and opening
- Local government capacity
- Political structure
 - Legal system, civil society, media

China's challenges – Agricultural System

- Broad range in quality among processors
- Small farmers and processors dominate
 - 78% of food processors are cottage industries or have 10 employees or less
 - Officially 448,000 enterprises
- High level of production through intensive labor, high-use of fertilizer & vet drugs
- Fragmented distribution systems

China's challenges – Changing Economy

- Rural policies to support income growth
 - Food processing is a key source of income for rural families
- Infrastructure investment
 - Highways
 - Telecommunications



China's challenges – Local Capacity

- Local government capacity is often weak, has conflicting interests with higher levels
- Counterfeits widespread
 - Sophisticated, high profit fake drugs
 - Low-tech, profitable food stuffs, agricultural chemicals
- Corruption: are the chickens scared yet?

China's challenges – Political System

- US food safety system is highly dependent on voluntary industry participation
 - Strong consumer safety law
 - Independent legal system
 - Free media
 - Civil society
- China lacks similar systems to encourage voluntary compliance from industry
- Can China find substitutes?

What China has been doing

- Coordinating committee under Wu Yi
- 5 Year Food and Drug Safety Plan
- Food Safety White Paper
- Recall system
- Crackdown, “increasing supervision”
- Updating standards
- Export qualification certification program

Prospects –

It may come down to rural areas

- High-level political attention
- Local processors greatest in numbers where government is weakest



Prospects – Can cottage industries be effectively regulated?



Prospects – Farm to table?



- How is it possible to trace informal rural distribution networks?

Prospects – US-China Engagement

- US and Chinese officials are engaged
- The issue is a mutual interest
- Food safety is a Chinese domestic interest
- Trends are positive overall