

Oral Testimony for the U.S.-China Economic and Security Review Commission Hearing

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On behalf of the North American Meat Institute (“Meat Institute”) thank you for the opportunity to testify at the U.S.-China Economic and Security Review Commission hearing on “China's Agricultural Policies: Trade, Investment, Safety, and Innovation.” I am William Westman, Senior Vice President of International Affairs at the Meat Institute. We represent meat packers and processors of beef, pork, lamb and turkey products accounting for 95 of the red meat and 70 percent of the turkey production in the United States. The Meat Institute’s focus areas in representing our 725 members includes addressing regulatory issues, public affairs and communications, legislative concerns, international trade and trade policy, scientific affairs and education. Our annual convention, the International Production and Processing Expo (IPPE) is one of the fastest growing trade shows in the United States. In some respects, we are an international meat association with members from Brazil, Canada, China, Denmark, Japan, Mexico and Italy. From the international affairs perspective, our goal is promoting trade in meat and poultry products, both imports and exports, by eliminating tariff and non-tariff barriers to trade and basing trading rules on sound science and standards and policies developed by international organizations such as World Organization for Animal Health, Codex Alimentarius, and the World Trade Organization to name a few.

The People’s Republic of China (“China”) represents a market of tremendous opportunities and challenges for U.S. agriculture producers and exporters. My testimony today focuses on how these opportunities and constraints affect the U.S. meat and poultry industry, the activities and programs the Meat Institute supports in China and our work with our Chinese partners to benefit from market opportunities and concurrently enhance food safety, food security and sustainability.

China is a world leader in agricultural production, the largest based on volume, with 20 percent of the world's population and only 7 percent of the world's arable land. China is similar in land area to the United States (and Brazil) but with four times the population, similar stocking levels of beef and dairy cattle and five times as many sows.

China in recent years has turned its attention to promoting national policies to increase production efficiencies in the farm sector, implement environmental stewardship incentive programs for national and provincial leaders, and adjust agricultural self-sufficiency goals to allow greater imports to meet domestic protein demand especially for beef and sheep meat. At the same time, the projected growth in cash crops, livestock and fisheries production is not expected to meet domestic demand over the next five to 15 years. As well, intensive land use has created additional environmental pressures as the Gobi desert continues to expand, the water table in many major urban centers and production areas continues to decline and the country is still faced with high water and air pollution levels.

Against this backdrop, China over the past 39 years has emerged as the world's second largest economy with the rapidly growing middle class, a demographic with increasing levels of disposal income. With China's domestic production constraints and increasing demand from consumers for high quality, safe food products the resulting import demand offers significant opportunities for agricultural exporters. Indeed, China is the number two market for U.S. agricultural commodities and products, behind Japan. U.S. exports of beef, pork and poultry products to China/Hong Kong exceeded \$2.5 billion in 2017, up nearly 13% compared to 2016. U.S. exports of beef and beef variety meats to China/Hong Kong in 2017 totaled \$915 million, up 34% compared to 2016. In 2017, mainland China opened its market to U.S. beef and exports for the last six months of 2017 came in at \$31 million, a relatively small start to the market opening but also encouraging given the restrictive requirements under the China protocol for U.S. beef. U.S. exports of pork and pork variety meats in 2017 dropped slightly from 2016 levels to \$1.1 billion while poultry and poultry variety products increased to \$476 million over the same period. Additionally, China is the primary export market for many byproducts of the U.S. meat industry. In 2017, The U.S. industry exported more than \$1 billion worth of cattle hides, pig skins and semi-processed leather products to China's booming leather and footwear manufacturing industries, accounting for over 50% of total U.S. production of these items. For

the byproducts of the U.S. meat industry, China is not just an important market, it is an essential market.

The United States is in an excellent position to compete in the Chinese market if the U.S. can avoid unnecessary, unjustified barriers to agricultural trade.

China restricts market access for U.S. agricultural products through various means:

- High tariffs, quantitative barriers, an opaque system of licenses and import permits, sanitary and phytosanitary measures, regulations and outright bans on many agricultural products.

China prohibits the export of the following U.S. meat/poultry products:

1. Prepared meat products—based on requirements to divulge business confidential information, many firms are reluctant to meet these requirements to start exporting to China (as expected there are concerns about intellectual property rights violations).
2. Pork bungs and intestines--the protocol and export certificate remain to be negotiated between China's Administration of Quality Supervision Inspection and Quarantine (AQSIQ) and the USDA Food Safety and Inspection Service (FSIS).
3. Re-inspection Process Improvement—China bans the use of in lieu of or replacement certificates for shipments of meat and poultry products. The inability to use replacement certificates even due to minor typographical errors is very costly to our industry.
4. Laboratory protocols—China requires duplicative certificates of analysis (COAs) for exports of pork products to China. China does not allow imports of edible and non-edible tallow and lard—there is no scientific justification for banning these products.
5. Lamb and Sheep Meat—Currently, China implements a ban on imports of U.S. lamb and sheep meat due to Transmissible Spongiform Encephalopathies (TSEs). There is no justification for the ban on imports of U.S. lamb and sheep meat.
6. Maximum residue limit (MRL) tolerance for meat products or better testing methods – U.S. pork is subject to beta agonist free production (AMS EV programs). U.S. beef is subject to destination testing, also beta agonist free. If China could show some flexibility in these restrictions we could request a Codex MRL for imported meat products similar to Japan.

7. China's current ban against U.S. poultry due to highly-pathogenic avian influenza (HPAI) cases in 2015 continue today. This prolonged ban is unscientific and is far outside of the norms adopted by most countries and recommendations of the World Animal Health Organization (OIE).
8. China allowed direct U.S. beef market access last year and contends that the U.S. must abide by the 2007 agreement to allow access to the U.S. market for Chinese-origin poultry (broiler meat). The Chinese have been steadfast that they will not allow access for any other U.S. products until then China poultry slaughter rule is published in the Federal Register. The U.S. made this offer so it is time to honor that commitment, made 11 years ago.

Changing the Nature of the U.S. China Relationship

The U.S. China Agriculture and Food Partnership (AFP) is designed to support the bilateral agricultural relationship by creating opportunities through increased cooperation, more effective issue advocacy and development of a more positive relationship between the U.S. and Chinese food and agriculture industries. The Animal and Animal Products Working Group (WG) operates with our Chinese partners to establish best practices throughout livestock, meat and poultry production, distribution and marketing chains to foster the adoption of proper production methods and ensure the safe distribution and use of quality food products. The WG over the past couple of years worked very closely with the China Meat Association to hold the "Executive Roundtable," a meeting of top-level meat and poultry company executives to exchange views, discuss meat and food production methods and focus on food safety throughout the production and distribution chain. Additionally, the WG participated in food safety training and orientation meetings with the China Food and Drug Administration and with the China Agriculture University to design and implement livestock production technology training for students and mid-level managers.