



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

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Grassley Praises U.S.-China Trade Progress, Urges More Chinese Action

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today recognized the progress made this week in resolving certain United States-China trade differences, yet urged China to take action on several additional trade issues, including China's de facto import ban on porcine proteins and its procedures for granting import permits for U.S. agricultural commodities.

The text of Grassley's letter today to Chinese Vice Premiere Wu Yi follows.

April 22, 2004

Her Excellency Wu Yi
Embassy of the People's Republic of China
2300 Connecticut Avenue, NW
Washington, D.C. 20008

Dear Vice Premiere Wu:

I am pleased that progress was made this week in resolving trade differences between our countries through the meetings of the U.S.-China Joint Commission on Commerce and Trade (JCCT). In particular, I commend China for agreeing to issue final safety certificates for U.S. biotech soybeans. Likewise, China's announcement of eleven new biotech commodity approvals should benefit U.S. farmers as well as Chinese consumers.

While I appreciate these achievements of the JCCT meetings, I recognize that much work remains to be done to resolve other trade disagreements. I would like to make you aware of some additional trade issues that remain to be resolved. I strongly encourage Chinese officials to work with their U.S. counterparts to address these trade problems in the shortest time possible.

De Facto Import Ban on Porcine Proteins

Since the detection in December 2003 of one cow in the United States infected with bovine spongiform encephalopathy (BSE), officials at China's General Administration of Quality, Supervision, Inspection and Quarantine (AQSIQ) have refused to issue import permits for U.S. porcine proteins, *e.g.*, blood, plasma, and gelatin. This policy constitutes a *de facto* ban on imports of U.S. porcine proteins. In justifying its decisions not to issue import permits, AQSIQ has expressed concerns about the possible cross-contamination of cattle products with porcine proteins. These concerns are scientifically unfounded as U.S. plants have separate lines dedicated to porcine proteins. Moreover, I am aware that major producers of porcine proteins in Iowa limit their production solely to porcine proteins, so these companies process no cattle products. Thus, cross-contamination at these plants is impossible.

China's *de facto* ban on imports of U.S. porcine proteins is not based on science and, accordingly, appears to violate China's obligations under the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures of the World Trade Organization (WTO). China should come into compliance with its WTO obligations and begin issuing import permits for U.S. porcine proteins.

Import Permits for U.S. Agricultural Commodities

I also have concerns over AQSIQ's import permit application procedures as applied to shipments of U.S. agricultural commodities. These procedures are overly complicated. In addition, it appears that all too often this process constitutes a non-tariff barrier that allows AQSIQ to control the flow of imports. For example, it has been brought to my attention that quarantine officials at times inquire into whether prior soybean shipments to Chinese plants have been utilized before issuing new import permits. Such information should be irrelevant when granting import permits. As another example, AQSIQ officials apparently limit the availability of import permits to traders working on behalf of specific processors. This arbitrary practice provides AQSIQ with yet another means of regulating the flow of trade. Moreover, these procedures and others of Chinese quarantine officials do nothing to protect the lives of humans, animals, or plants.

AQSIQ's import licensing policies bring into question China's compliance with its WTO requirements concerning licensing rules and SPS measures.

Tariff Rate Quotas

I am pleased that China agreed this week to take needed steps to increase the transparency of its tariff rate quota (TRQ) system. By providing the names of domestic quota holders to U.S. exporters, China will -- in part -- alleviate confusion being experienced by U.S. exporters with regard to China's TRQ policies. I urge China to continue to make its TRQ system more transparent.

Cattle, Beef and Beef Products

I commend China's decision of this week to resume imports of U.S. cattle embryos, semen, and tallow. I strongly encourage China, in line with its SPS commitments under the WTO, to take further steps to reopen its market to imports of U.S. beef and other cattle products. With its decisions

based upon science, I am confident that China will permit the resumption of imports of these products.

Currency

Iowa farmers and manufacturers are justifiably concerned that China's exchange rate peg may provide an artificial competitive advantage to China's exporting industries. Given China's level of economic development and its importance to the world economy, China should adopt policies that will lead to a more market-based currency. Moreover, it is in China's long-term interest to change to a floating exchange rate. I am encouraged by press reports that Chinese officials have acknowledged that China is planning to introduce flexibility into its exchange rate system, and I urge China to implement such a policy promptly.

Conclusion

As chairman of the Senate Finance Committee, and as a strong supporter of a vibrant U.S.-China trade relationship, I appreciate the progress that is being made toward a more market-oriented Chinese economy and toward full implementation of China's WTO commitments. However, there are many areas where more can be done. I hope that China will be able to take steps toward resolving these outstanding issues in the near future.

Sincerely,

Charles E. Grassley
Chairman