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# Trade Barriers and Countermeasures for Export of China's Agricultural Products

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**Abstract** At present, export of China's agricultural products is faced with many trade barriers, especially technological barriers. Trade barriers include (1) technological barriers (such as quarantine and inspection barrier, identity certification/authentication barrier and labeling rules barrier); (2) trade remedy barrier; (3) other non-tariff barriers (NTB). Through positioning and analysis of trade barriers of China's agricultural products, it is known that technological barriers should not be deemed unreasonable totally. Some barriers also have certain positive significance. To respond to trade barriers, it comes up with countermeasures and recommendations from the perspective of agricultural producers and government. Agricultural producers should actively improve product quality, abide by requirement of importers, and treat quarantine and inspection in a rational manner; government should supply information and issue early warning, assist domestic producers in responding to lawsuits, and take advantage of WTO platform to solve trade disputes.

**Key words** Agricultural product export, Trade barrier, Countermeasures, China

## 1 Introduction

China is not only a large agricultural country but also a large trading nation. Agricultural product trade is an important part of China's foreign trade and also an important channel for expanding market and increasing income of farmers and agricultural product processing enterprises, thus it is of great significance to development of China's rural economy. However, China's agricultural product export is faced with various trade barriers in recent years, which greatly influences income of agricultural product export. Therefore, study on trade barriers of China's agricultural product export has important significance for China's agricultural product trade.

## 2 Trade barriers faced by China's agricultural product export

Trade barriers are tariff and non-tariff measures taken by a country to control import of commodities in quantity and price, so as to protect domestic commodity and economy, protect domestic resource or for some political or military purposes<sup>[1]</sup>. From this definition, it is known that trade barriers include tariff barriers and non-tariff barriers. Through several WTO round of negotiation of tariff reduction, the effectiveness of tariff as trade barrier gradually declines, and non-tariff barrier plays the major role in practice. Non-tariff barriers faced by China's agricultural product export includes following 3 types.

**2.1 Technological trade barriers** Technological trade barriers refer to mandatory or non-mandatory technological regulations or technological standards on certain characteristics of commodities, to test whether commodity conforms to certification, approval and test procedures of these regulations or standards<sup>[2]</sup>. Technological trade barrier is one of the most effective ways of countries, especially developed countries, in limiting import of agricultural products. Through surveying obstacles to export of China's agricul-

tural products, there are 3 common technological trade barriers.

**2.1.1 Quarantine and inspection barrier.** Quarantine and inspection are inevitable process in international trade of agricultural products, and also the justifiable right of an importer. If quarantine and inspection standard is strict, those agricultural products that fail to reach the standard will be rejected. In recent years, Japan and European developed countries or regions constantly expand scope of quarantine and inspection of imported agricultural products, and raise the corresponding standard, mainly in strictly controlling animal disease and pesticide residue. For example, due to bird flue, European Union has banned imports of live poultry and poultry meat products from China in 2005–2008<sup>[3]</sup>; comparatively speaking, agricultural products exported from China have common and prominent problems of use of prohibited pesticides or additives and excess of pesticide residue. In 2011, South Korea detained a total of 293 batches of Chinese foods for the most important reason that additive fails to conform to standard or exceeds standard, pesticide residue exceeds standard, radiation exceeds standard, as well as residue of heavy metals<sup>[4]</sup>. In January 2011, FDA detained 60 batches of Chinese products, 14 of which are agricultural products (foods), for the most important reason that illegal additives were found in foods<sup>[5]</sup>. In March 2012, Japan detained 9 batches of Chinese foods mainly for bacteria or additive exceeding standard<sup>[6]</sup>.

**2.1.2 Identity certification/authentication barrier.** In international trade, implementation of identity certification/authentication system for agricultural products will create effective barrier for hindering import of agricultural products. For example, the Rice Traceability Certification System implemented in Japan requires that all imported rice shall mark variety, origin, and producer name and certification number; otherwise, it is not allowed to sell<sup>[1]</sup>. Besides, from May 2012, some American aquatic product importers launched DNA inspection for crab, oyster and traditional fish<sup>[7]</sup>. Undoubtedly, these measures will increase difficulty and cost of China's agricultural product export.

**2.1.3 Labeling rules barrier.** For example, new Food Labeling Regulations of the US stipulate that food label must indicate clearly nutrition information, including vitamin, mineral substance, protein, calorific value, carbohydrate and fat content, *etc.* Food additive must use special name approved by government. In January 2011, FDA detained a batch of Chinese peanut, claiming that it contains 2 or more types of ingredients, but the label fails to indicate clearly<sup>[5]</sup>.

**2.2 Trade remedy barrier** Trade remedies are trade policy tools that allow governments to take remedial action against imports which are causing material injury to a domestic industry. Within WTO frame, trade remedies are divided broadly into anti-dumping action, countervailing duty measures, and safeguard action. Trade remedies aim to ensure fair trade in international economic interaction. However, in practice, they are often abused by importers and become tools for promoting trade protectionism. In field of agricultural products, these measures become trade barriers of China's agricultural product export. For example, on October 17, 1996, United States Department of Commerce carried out anti-dumping investigation of fresh lobster tail meat originated in China. On August 1st, 1997, United States Department of Commerce made finalization of anti-dumping, and decided that dumping margin of Chinese enterprises concerning the case reached 91.50% – 201.63%. On October 30, 2009, United States Department of Commerce carried out the 18th antidumping new exporter review of this case. On December 12, 2010, United States Department of Commerce made finalization of anti-dumping, and decided that dumping margin of Chinese enterprises concerning the case reached 5.439% – 41.92%. According to the above decisions, American government levies antidumping duties on lobster tail meat exported from China all the time, which increases export burden of Chinese enterprises. Garlic products exported from China have similar problem. As early as 1994, the United States decided that garlic products exported from China have antidumping action, and the duty rate is up to 376.67%. On September 1, 2011, the United States launched a new round of review on this case. On April 12, 2012, United States International Trade Commission (USITC) made the sunset review decision to continue to impose anti-dumping tax on garlic products imported from China<sup>[8]</sup>.

**2.3 Other non-tariff barriers** Apart from the above common barriers, trade barriers impeding China's agricultural product export also include quota in traditional non-tariff barrier and license system, as well as intellectual property right barrier, animal welfare barrier, ecological environment barrier, and customs evaluation barrier, *etc.* Especially under the economic background of American-European countries hit by debt crisis and high domestic unemployment rate, trade protectionism rises, and various barriers are constantly ascending. Thus, in a long period, China's agricultural product export will face extremely complicated international competitive environment.

### 3 Orientation and analysis of trade barriers of agricultural products

Both theory circle and practice circle take the negative attitude towards trade barriers faced by China's agricultural products. Some scholars even define technological barriers as "unreasonable trade

barriers"<sup>[2]</sup>. This is open to discussion. Trade barriers, especially technological barriers, pose obstacle for smooth export of China's agricultural products. However, it is not preferred to generally believe it improper. According to whether trade barriers can be transcended or overcome, I divide trade barriers into absolute barriers and relative barriers. Absolute barriers can not be transcended. Once these barriers are set, it is impossible for foreign products to enter the country setting these barriers. For example, the EU forbids importing poultry products from domestic China. For relative barriers, although importers stipulate higher standard or impose additional duties, foreign products still can enter importer country, technological trade barriers and anti-dumping tariff belong to this type. According to main purpose of setting, trade barriers can be divided into reasonable and unreasonable barriers. For reasonable barriers, especially relative reasonable barriers, it should take objective attitude. Developed countries or regions have higher technological level and living standard, so we give no cause for much criticism that they adopt more strict food standards. At present, many Chinese agricultural products fail to reach such standard, showing the gap with developed countries. This is objective fact we should accept. In addition, backward and not uniform Chinese domestic inspection standards, as well as inadequate supervision, aggravate the severity of this problem to certain degree. China's food security problem is very prominent, the solution is nothing but to improve inspection standard, enhance strict law enforcement, and strengthen supervision. With rapid economic development, China's agricultural product standard will become gradually close to international general standards or European – American higher standards, then their technological regulations are not barriers. Thus, for reasonable relative barriers, we should overcome them from ourselves. The existence of such barriers can promote improvement in China's agricultural products and accelerate upgrade of agricultural product standard to a certain extent. On the contrary, it is useless to only criticize harsh European – American inspection standard without regard to our own problem. Certainly, for those unreasonable barriers with deep color of trade protectionism, we should argue strongly on just grounds and safeguard our rights and interests.

## 4 Countermeasures and recommendations for China overcoming trade barriers of agricultural products

### 4.1 Countermeasures and recommendations for agricultural producers overcoming trade barriers of agricultural products

**4.1.1 Actively improve product quality.** For most technological trade barriers, improving quality of exported agricultural products to make them conform to inspection standard of importer is an effective way to overcome such barriers. For example, from October 1, 2011, the EU implemented harsher inspection measures for tea imported from China. Only in January 24 – 26, 2012, the EU declared 4 batches of residues of pesticides exceeding standard, influencing export of Chinese domestic tea to the EU countries. However, Xiamen tea exported from Xiamen port outshines others and is not affected. It is because Xiamen tea companies managed tea gardens in accordance with new standard, increased more than ten inspection items, invested up to a million yuan in increasing inspection equipment and personnel training, and guarded a pass

before export. This guarantees tea quality and accordingly ensures export share<sup>[9]</sup>.

**4.1.2** Strictly comply with document/data requirements of importers. Importers usually ask for relevant information of agricultural products, including producer, origin and composition, *etc.*, and attached with corresponding quarantine inspection certificate. If the data is incomplete, it will influence smooth custom clearance of agricultural products. In 2011, among foods detained by South Korea, 28.6% were because of no quarantine inspection certificate<sup>[4]</sup>. In January 2011, 4 batches of Chinese fruit and tinned fruit were detained by American FDA because producers failed to supply information related to production and processing. Therefore, if domestic producers and exporters make adequate preparation in advance, it is able to avoid such losses.

**4.1.3** Rationally respond to inspection and investigation of importers. Even if certain product is determined as "unacceptable" by importers, Chinese producers can argue strongly on just grounds to safeguard their rights. In July 2011, a batch of pickled pepper exported from a company in Heze of Shandong Province to South Korea failed to pass inspection of South Korean customs, which made declaration on its website. However, through investigation of Chinese part, the propionic acid is naturally fermented, rather than artificially added. Later, with the help of Heze Quarantine and Inspection Administration, the production enterprise filed appeal to South Korea and asked for re-inspection and reassessment. In this situation, domestic producers should actively provide related information, to fully prove that export price is not lower than normal value and no dumping exists. Domestic producer should never make no response to anti-dumping investigation, and let investigatory apparatus of the importer determine a higher dumping margin, and consequently impose higher antidumping tax.

**4.1.4** Make efforts to coordinate export price of agricultural products. One reason for Chinese agricultural products being determined as antidumping is that domestic agricultural product suppliers vie with one another to cut down prices and constantly reduce profit space, to expand export share since it is difficult for them to improve added value of agricultural products. For this, it is recommended to give full play to functions of trade associations, carry out fully communication and coordination among domestic producers, and make effort to avoid the problem of vying with each other to cut down price and cut-throat competition.

**4.1.5** Widely expand multiple sales market of agricultural products. In recent years, due to rise of domestic price, appreciation of the RMB and adjustment of tax policies, the difficulty of agricultural product export increases, profit drops, and risk increases, the export to European and American countries or regions is particularly prominent. For example, Japan set down 476 inspection items for vegetable. Once any one item is unacceptable in sampling inspection, enterprises will suffer huge losses. Thus, to minimize risks, agricultural product enterprises can exploit new market, for example, taking advantage of preferential tax of Sino-ASEAN free trade area to increase export to ASEAN regions.

**4.2 Policies and recommendations for government responding to trade barriers**

**4.2.1** Supply information and early warning timely. Both central

and local government should inform domestic agricultural product producers and sales enterprises of laws, regulations, policies and orders related to export of Chinese agricultural products, and set up early warning mechanism, to facilitate Chinese domestic enterprises to take precautions and make active response.

**4.2.2** Actively assist domestic producers to respond to lawsuit. Faced with inspection conclusion or antidumping investigation of foreign government department, domestic agricultural product producers (especially farmers and medium-sized and small enterprises) lack necessary knowledge, skill and experience. This needs assistance and guidance of government department. As necessary, it requires organizing small and medium producers to make collective response and government should provide necessary fund and personnel support.

**4.2.3** Take full advantage of WTO mechanism to settle dispute. If Chinese side believes that trade barriers of importers violate basic principle or certain agreement of WTO, Chinese government should take advantage of WTO platform to request negotiation with importers. As required, it also can use WTO dispute settlement mechanism and submit import limitation measures taken by importers to export team for evaluation, to urge importers to cancel unreasonable trade limitation measures as soon as possible.

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