

Trade Standards Compliance Capacities in China

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Since 2012, in cooperation with the United Nations Industrial Development Organization (UNIDO), the Institute of Developing Economies at the Japan External Trade Organization (IDE-JETRO) has analyzed the data on agri-food import rejections provided by the food safety regulatory authorities of major markets (Australia, EU, Japan, and US) and the results of the studies are published as *Meeting Standards, Winning Markets – Regional Trade Standards Compliance Report – East Asia 2013*¹. The report provides a detailed look at trade standards compliance issues facing East Asian countries and offers policy suggestions. In the report, we give special attention to China, with case studies on frozen vegetables and the eel supply chain².

Issues facing agri-food exporters in China

In late 2001 and 2002, Chinese frozen spinach imported by Japan was found to contain residues of the pesticide chlorpyrifos. In August 2002, the Japanese government issued advisory notices to halt imports of frozen spinach from China, which had the effect of stopping the imports of all frozen vegetables from China into Japan. This incident put food safety in regards to imports from China to Japan at the top of the agenda. While the rejection of products imported from China is large in absolute terms, the rejection rates of Chinese products are much smaller when the overall volume of trade is taken into account.

Trade standards compliance capacity of China

Table 1 lists the number of Japanese rejections of exports from China, grouped by food product group. The table shows that two food product groups account for the bulk of the rejections. These categories are “Fish and fishery products” and “Fruit and vegetables.”

Table 1: Trends in food product groups of Chinese exports rejected by Japan, 2006–2010

	2006	2007	2008	2009	2010
Fish and fish products	170	145	76	73	96
Fruits and vegetables	137	131	55	104	63
Nuts and edible seeds	44	38	23	21	20
Herbs and spices	19	15	7	3	7
Cereals and bakery products	24	44	12	7	7
Other processed foods	8	7	5	13	4

Source: Calculated by authors from Japanese Ministry of Health, Labour and Welfare (MHLW) data

The rejected Chinese products are affected by problems such as “Bacterial contamination”, “Pesticide residues” and “veterinary drug residues” (see Table 2). These issues have been consistently problematic for food products exported from China. Rejections associated with “Additives” have decreased significantly in number, which suggests that Chinese firms may have learned and adapted to the regulations concerning allowable additives in Japan³.

Table 2: Trends in reasons for Japanese rejection of Chinese food products, 2006–2010

	Number of rejections
Bacterial contamination	437
Pesticide residues	386
Veterinary drug residues	262
Additives	248
Mycotoxins	111
Others	78
Hygiene condition/controls	48
Other contaminants	36
Adulteration/missing document	34
Heavy metals	3
Packaging	2
Others microbiological contaminants	1
Labeling	0

Source: UNIDO dataset and analysis, based on Japanese MHLW data.

Actions taken by the government

Faced with food safety issues, especially in regards to exports, the Chinese government has taken actions to compartmentalize the agriculture and food processing industry into export and domestic market segments. The government has introduced a production base (PB) system for the export segment. The purpose is to improve the quality of export agriculture commodities by aggregating uncontaminated agricultural land into large registered farms. By doing so, enforcement of food safety regulations is made easier. Similarly, food processing firms that handle exports are required to register themselves. Through these initiatives, the Chinese government has ensured that export commodities meet regulations in importing countries. The implication is that the export sector is dominated by large players. While this system functions well and traceability is improved, the problem is that smallholder farms and small-scale food processing firms are left behind.

Additional policy levers

While compartmentalization and the resulting vertical integration has led to improvements in food safety among export products, further actions aimed at smallholder farmers and small-scale food processing firms are needed to improve the overall food safety in China. First, stricter control of pesticides and other production input materials is needed to ensure that banned substances are not used. Second, formal agricultural technical extension services in China need to be strengthened to improve knowledge of food safety among farmers. Third, investment in cold chain facilities is necessary to maintain the quality of food throughout the supply chain and for future export development.

1. The report can be downloaded from http://www.ide.go.jp/English/Publish/Download/Collabo/UNIDO_2013.html
2. In addition to the report, the detailed case studies can be downloaded from <http://www.ide.go.jp/English/Publish/Download/Dp/390.html> (frozen vegetables) and <http://www.ide.go.jp/English/Publish/Download/Dp/418.html> (eel).
3. It is also possible that Chinese firms have diverted those products containing additives prohibited in the Japanese market to other markets.

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