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SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS STAFF TRIP REPORT

Food from China: Can We Import Safely?

BACKGROUND

Rep. John D. Dingell, Chairman of the Committee on Energy and Commerce, and Rep. Bart Stupak, Chairmen of the Subcommittee on Oversight and Investigations, authorized a bipartisan staff delegation from the Committee to travel to China on August 17, 2007, to ascertain whether foodstuffs from that country could be imported safely into the United States and to determine whether China has taken or is taking the necessary steps to assure the safety of their food exports.¹ Committee staff met with Chinese and Hong Kong Government officials, U.S. Government officials, American and other multinational executives involved in processing or distributing food in China and Hong Kong, and news reporters from bureaus in Beijing and Hong Kong that cover food safety and export issues for their media outlets.

Based on information gathered before and during this trip, Committee staff has made the following observations:

- It would appear that the Chinese food supply chain does not meet international safety standards. It is, in fact, responsible for very serious domestic Chinese food poisoning outbreaks.
- The Chinese Government appears determined to avoid embarrassing food safety outbreaks in export markets due to the damaging and potentially lasting effect this would have upon their “Made in China” branding.
- The lack of meaningful internal regulation of farming and food processing in China, the advanced development of the document counterfeiting industry, and the willingness of some entrepreneurs in both China and the United States to

¹ In addition to the food safety issue, staff also made preliminary inquiries regarding unfair trade practices generally and attempted to acquire information regarding the import of toys from China that contained lead-based paint. The toy inquiry met with very limited success due to the efforts of Mattel and one of their Hong Kong-based manufacturing contractors, Early Light, to block both plant visits and interviews of company personnel.

smuggle foodstuffs that do meet quality standards, necessitates a much more vigorous program of inspection and laboratory testing in China and at U.S. ports of entry than the Food and Drug Administration (FDA) has been able or willing to pursue to date.

Certain foods (beef, pork, and chicken products) are not imported from China at all. The law requires that the Food Safety and Inspection Service (FSIS) of the United States Department of Agriculture (USDA) determine that China or any other country seeking to import meat products into the United States has a system equivalent to ours for assuring the safety of such products before they can be lawfully imported into this country.² If such a standard were to be applied to the 80 percent of the U.S. food supply regulated by FDA, most imports from the developing world would be halted and U.S. consumers would pay a substantial price at the supermarket. No other country has opted for such a ban.

And while the threat of contaminated food from China should not be minimized, it should be recognized that China is not the only threat to Americans from food originating abroad. China is a large and rapidly growing source of food for the American consumer, but it is not the largest source of imports from the developing world—that honor belongs to Mexico. India's food item imports are rejected as unfit for human consumption at our borders more often than Chinese imports. Moreover, the most serious outbreaks of human food poisoning cases in America last year originated within the United States.

DOMESTIC FOOD REGULATION IN CHINA

The Chinese food production system is no longer collectivized. Committee staff was told that there are now hundreds of millions of private farms, many no larger than a basketball court. Food produced in a local area is gathered by “factors”—or intermediaries—and funneled into a processing industry that is also largely composed of very small, family-based operations. The Chinese Government has minimal ability, even at the local level, to monitor food production activities in order to ensure product safety.

In a system where a crop's failure is catastrophic for a farmer's economic survival, it is understandable that a farmer's priority would not be to ensure that the agricultural chemicals used are without safety or health consequences, even if the farmer is aware of the adverse health consequences. Similarly, when outside forces place steady downward pressure on prices, to discover that a chemical such as melamine had been added during processing to artificially inflate the protein content levels of wheat gluten or animal feed, should not come as a surprise.

Structurally, China has split the responsibility for domestic food safety among a number of Ministries at the national level and, more significantly for enforcement issues, regulators at the provincial and other local levels. The Ministry of Agriculture (MOA) supervises the quality of primary agriculture products including fruits, vegetables, meat, and other agricultural products. The responsibility of regulating processed foods for domestic use falls to other Ministries, including the Ministry of Health (MOH) and the State Food and Drug Administration (SFDA).

² In fact, the U.S. catches millions of pounds of misdeclared meat products (mostly poultry) attempting entry each year, often smuggled in as seafood.

The Ministry of Agriculture establishes the standards for Chinese farms to meet for control of both chemical residues and pathogens. MOA claims 94 percent compliance for vegetables, a number that could not be confirmed by the outside observers that the Committee staff consulted. Domestically, the Ministry of Agriculture is responsible for farm produce and livestock throughout the chain—farm to wholesale to retail. Avian flu and SARS has made their live bird markets particularly troublesome in recent years.

MOA has made recommendations for new supervision laws that they claim close any remaining loopholes. The goal is to make the agricultural producers responsible for the safety of the food in the market. When adopted, if the mandatory standards are violated, a fine of 10–20 times the value of the product may be imposed and raw materials, tools, and product can be seized.

Enforcement of the old and new standards, however, remains up to the local authorities. These authorities can be provincial, but are often even more local, such as at the city or village level. Committee staff was assured that the new initiative would increase enforcement at the local level by making local authorities responsible not only for the facilities that they certify, but for all the producers in their area. A ministry official described the initiative as a way to eliminate the “it’s not my problem” defense.

Committee staff asked if the Ministry believed that local administrative officials had the laboratory and other technical resources necessary for carrying out a rigorous program. The response was that there are 323 laboratories certified by MOA, mostly connected to universities and science academies. These would presumably include the laboratories in each of the 31 provincial China Inspection and Quarantine offices (CIQs).³

Knowledgeable persons outside the Chinese Government, however, advised Committee staff that local regulation was spotty. Some voiced the opinion that some corruption was evident at the local level. Another explained that local authorities report to the local Communist Party, not to Beijing, and that economic growth is the first priority of the Party. Clearly, the economic problems of the rural areas of China are of such a magnitude that even if the Party did not have as a goal such growth, it would still be the most logical priority.⁴

CHINESE REGULATION OF FOOD EXPORTS

The responsibility for quality assurance for both imports and exports rests with the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (AQSIQ). This Administration has oversight of all exports, including food and toy exports. Their control system for food begins with registration of firms. Only a limited number of farms and factories that are registered can legally export. These farms and factories are subject to more stringent oversight from MOA and the AQSIQ.

³Committee staff toured the Beijing CIQ lab, which appeared to compare favorably with FDA labs.

⁴Committee staff was told that Party policy in the form of 5-year plans is reconsidered at each Party Congress. The next Congress is this October 2007 where the upcoming 5-year plan is to be formalized. It is not expected to vary significantly from existing policy, but there have been concerns about over heating of the economy and the need to protect the “Made in China” brand in overseas markets that could result in some modification of the push to maximize economic growth.

Committee staff found that both the Ministry of Health and SFDA had a minimal role in regulating exported food products. MOH food responsibilities involve issues of public concern such as infant formula, catering, hygienic food, food additives, and children's food. The Ministry has departments for approval of food additives, stipulating appropriate packing materials, food sanitation standards, supervision of the catering trade and related businesses, establishing guidelines for nutrition and diet, and some surveillance monitoring for food sanitation and food borne contamination for risk assessment purposes.

MOH also sets limits on pesticide residues on food and hormone usage. They have 400 food sanitation standards. When Committee staff asked how closely these standards are followed, the response was that the firms holding a MOH license are believed to follow the standards by and large, but they had no information about compliance by the unlicensed firms. All catering firms, presumably including restaurants and other cooked food providers, need a license from the Ministry of Health, while food processors require both MOH and AQSIQ licenses.

Committee staff was told that China uses international standards and methods, but also develops their own. In response to staff questions, MOH officials disavowed any responsibility for determining contaminant levels in fish, informing us that such standards are entirely up to the Ministry of Agriculture.

Committee staff met with State Food and Drug Administration officials, but learned little about food regulation. This organization approves drug applications, and its Director was recently executed for taking bribes to grant approvals to a firm that ultimately was held responsible for producing pharmaceutical products that resulted in deaths and other injuries. SFDA officials maintained that their role was one of "coordination." When asked what their "coordination" function meant for assuring the safety of the food supply, these officials would only cite their role in disseminating food safety information.

Several AQSIQ officials, including the Vice Minister, quoted statistics to demonstrate that food exports are safe. They claim that the compliance of food exports from China to the U.S. is greater than 99 percent, somewhat higher than the compliance rates for imports to China from the United States.⁵

The AQSIQ advised the Committee staff that they had been studying the area of exported food safety and had reached three conclusions. First, there are some real safety and quality problems, and when those problems arise, they are dealt with according to law and regulation. For example, in the melamine case, the Government shut down the factories that introduced the chemical into the vegetable proteins and filed a lawsuit against the companies.

Second, differing international standards have caused certain problems. The example cited was the addition of diethylene glycol (DEG) in toothpaste. China permitted this ingredient to be present up to 15.6 percent in toothpaste without a single health problem in China.

⁵The compliance rates for Chinese exports to the EU, Japan, and Hong Kong were also cited as above 99 percent. Several U.S. officials told us that China uses its food standards as a trade barrier when it wants to exclude certain imports for trade reasons. Enforcement of standards by the Chinese is particularly variable.

Nonetheless, China recently banned its use in toothpaste so as not to conflict with other international standards.⁶

Third, the officials believe that the “Western Media,” particularly in the United States, has blown the safety and quality problems of Chinese products out of proportion. Committee staff was told that China was particularly upset about unfair press reports on the issue of faulty tires. They maintain that China complied with both Chinese and U.S. standards. China was also upset about the unfair coverage of the deaths in Panama from DEG in cough syrup, asserting that it was a businessman from Panama that had put the DEG in the cough syrup, not the Chinese exporter.⁷

The AQSIQ officials issued a White Paper on August 17, 2007, regarding food safety. The export quality assurance program has the following components:

- Strengthening the supervision of planting and breeding at the source. China has thus far certified 6,031 breeding farms and 380,000 hectares of farm land as suitable for export production. All certified entities are posted on the AQSIQ web site.
- Strengthening the supervision of food producing enterprises. As of August 2007, 12,714 firms had been certified, of which 3,698 have passed Hazard Analysis and Critical Control Point (HACCP) certification from the authorities.
- Strengthening inspection and quarantine before the food is exported. This begins with an export certificate for a specific shipment that must meet the standards of the receiving country and be inspected again at the port of exit. These measures are designed to assure traceability of all food exports.
- Strengthening of the export enterprise credit system. The Chinese include a “red list” and a “black list.” The red list or List of Sound Enterprises is composed of companies that maintain a complete and effective control system, including control of safety risks and a good reputation in the importing country. They receive favorable treatment. The black list or List of Unlawful Enterprises is composed of firms that have avoided inspections or cheated the inspection and quarantine authorities. As of August 17, 2007, there were 55 firms that had qualified for the black list.

Committee staff was taken to a juice bottling facility outside Beijing to see how the system worked. This is an HACCP facility with systematic hazard controls including testing at various stages.⁸ Staff was told that if the juice was to be exported, a sample of each batch would be pulled for testing by the on-site CIQ inspector and then sent to the CIQ laboratory for testing against both Chinese and American (or other destination) standards. The export certificates are granted by the local CIQs, the provincial or municipal equivalents of the AQSIQ.

⁶This does not explain why DEG, used in the U.S. as antifreeze, was labeled as glycerin, which is a harmless ingredient.

⁷Ibid

⁸Hazard Analysis and Critical Control Point is a systematic preventive approach to food safety that is currently required for four food groups: low-acid canned foods, seafood, juice, and infant formula. FDA has failed to extend such a program to all food processing in the United States.

The Committee staff received a tour of the Beijing CIQ offices and laboratory and was shown how the exporter's paperwork joins with the laboratory test results before the certificate is issued. When the certificate is issued, the information is sent to the port of exit electronically to ensure that the physical goods correspond to the export certificate before loading.

The Chinese position is that this is a closed system that assures foods bearing the CIQ certificate and seal are safe. To date, FDA has refused to acknowledge the Chinese certificates; and, as a result, FDA has no prohibition against the entry of food products that do not bear this certification. By definition, exports without the CIQ certificate have evaded the Chinese inspection and testing system, and thus, are unlawful exports. Chinese officials maintain that incidents such as the wheat gluten laced with melamine would not have occurred had FDA required a CIQ certificate on food products before entering the United States. The melamine-contaminated wheat gluten was declared to U.S. Customs as a food product, but it bore no CIQ approval.

MELAMINE ISSUE

Committee staff discussed two other topics that have been subjects of Committee investigation, melamine in wheat gluten and antibiotics and fungicides found in farm-raised fish, with officials from the Ministry of Agriculture. MOA is not responsible for exported food products, which is a function performed by the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ).

Committee staff asked MOA about reports in the media that melamine was widely used in animal feeds in China.⁹ Feed producers allegedly bought scrap melamine, an industrial chemical produced from coal, from chemical plants or over the Internet, in order to artificially inflate the measure of protein in chicken, pork, and fish feed, as well as in the vegetable proteins that were shipped to the U.S., which eventually found its way into pet food and animal feed sold in the United States.

Both MOA and later AQSIQ officials were very defensive about the melamine incidents. The Ministry of Agriculture officials that we met with denied that it was a contamination problem in animal feed in recent years, alleging that none had turned up in their testing. Animal feeds had come under regulation in 1998, and feed quality and safety was the subject of a 2001 "action plan." They conceded that China had not required testing for melamine per se (they claim to have tested for other chemicals that have been used to get false protein measurements) until May 2007. They told Committee staff that while this testing is incomplete, they were certain that the final compilation of results would show no more than sporadic use of melamine in animal feed. Again, the Chinese Government believes that the problem has been blown out of proportion, and the Ministry official expressed doubt regarding the media reports of substantial numbers of pet deaths in the United States.

SFDA told Committee staff that the pet food deaths in the United States were the result of an exporter and two manufacturers violating Chinese law by misdeclaring the wheat gluten exports as industrial, instead of food, for which they were not licensed. This was a recurring

⁹New York Times, 4/30/07

theme in the explanations of Chinese officials. According to officials, when the fraud was discovered, the Chinese Government acted quickly and the miscreants were dealt with promptly.¹⁰

FISH CONTAMINATION

Committee staff also raised the issue of the use of antibiotics and fungicides in farm-raised fish.¹¹ MOA officials were asked if aquaculture products in China are routinely tested for antibiotics. The official responded that local agencies did perform tests on fish for domestic consumption, but that the standards for use in China were different from the standards of importing countries. Exports are the province of AQSIQ.

Chinese officials also insisted that the U.S. “ban” on farm-raised fish from China was unfair. MOA stated that the ban represented a loss to the Chinese industry of some \$500 million. This was probably an annual projection based in part on a misunderstanding of the meaning of an “Import Alert.”¹²

PROBLEMS WITH THE CHINESE EXPORT CONTROL SYSTEM

If the Chinese system worked as described, it would be a closed and therefore safe system. Committee staff, however, did not find an American or other multinational executive operating in China who believes that China has a competent, independent inspector stationed at each of the 3,700 plants that, according to Chinese officials, are fully HACCP-controlled. Committee staff also was unable to find anyone who believed that every single lot was sampled. It is further believed that the export certificates are subject to counterfeiting.

Although there was agreement over the sincerity and scope of the AQSIQ efforts, there was less confidence over the willingness of local CIQs to follow the Central Government’s dictates. And Committee staff was told that it is at the local level where the system succeeds or fails.

Some of these problems suggest their own solutions. Since the United States currently requires prior notice of all food shipments proposed to enter the country and that information is transmitted electronically, it would seem that the prior notice of goods from China could also include the identifying export certificate data including any required laboratory analysis. This would eliminate the problem of export certificate counterfeiting.

¹⁰Actually, the Chinese Government delayed FDA’s visas so the when the American inspectors were finally allowed to visit the suspect plants, one had been bulldozed and the other chained with its equipment removed. In both cases, requests to view the shipment records of the firms in order to determine if other melamine laced vegetable proteins had been exported to the U.S. were denied on the grounds that the records were in the possession of the local police and those files were confidential.

¹¹Five varieties of farm-raised fish are subject to an import alert that requires that all such imports be tested for such contaminants from any source in China before entering the commerce of the United States. Once a given producer has five consecutive negative test results, that producer would be removed from the alert and its mandatory testing requirement.

¹²Ibid

Other problems regarding the integrity of the Chinese inspection and analysis require a more hands-on approach. In that regard, Committee staff made inquiries about two possible models. One of the models, Chinese food exports to Hong Kong, was broached directly with the Hong Kong Government. The other, Chinese food delivered to Japan, was discussed with knowledgeable sources, but not the Japanese Government, due to the time limitations of the trip.

THE HONG KONG MODEL

Hong Kong continues to exist as a separate administrative entity from China under an agreement made with the Central Government in Beijing when the British relinquished control in 1997.¹³ For Customs purposes, it is treated as a separate country, despite the acknowledged Chinese sovereignty. Hong Kong and China are very sensitive to the issue of food safety because the avian flu and SARS incidents were a direct threat to the health and economic prosperity of Hong Kong.

The population of Hong Kong demands protection from food-related epidemics. Hong Kong, an entity of 7 million people, imports 95 percent of its food supply. China is the largest source of food for Hong Kong and is aware of the political unrest that results from outbreaks. While the existing food safety efforts are quite robust, the Hong Kong Government is currently drafting a new food safety law that will require all sources of food to be registered and is strengthening its recall provisions.

Hong Kong devotes considerable resources to assuring the safety of its imports. In 2006, Hong Kong sampled 64,000 food imports for microbiological or chemical contaminants. These samples were tested in government labs. This intense inspection found only .3 percent non-compliant. Hong Kong does not rely on sampling and border inspections alone. They send inspectors to the farms and factories that ship high-risk foods (meat, milk products, game, etc.) to Hong Kong under agreement with the authorities in Beijing, Guangzhou (the large adjacent province), and other provinces. For certain foods -- eggs, meat, and live animals -- they receive voluntary prenotification from their Chinese sources.

Committee staff inquired about the measures Hong Kong has in place governing certain foods. Vegetables require both a CIQ certificate and one from the registered farm. The farm is subject to audit by the Hong Kong Government. Only a single designated port of entry can be used. Some 18,000 quick tests for pesticide residues were performed at the border and in only seven cases were the pesticide levels excessive.

Farmed fish is similarly regulated. Only registered fish farms can import and the certification must include the number of fish leaving the registered farm, and they must certify that no antibiotics or fungicides are present in the fish. Finally, they have recently added the additional requirement that a net cover the hold of the ship with a numbered seal to prevent mixing with unregistered fish. Only two piers are designated to receive the fish.

Eggs are also imported only from registered farms and need an additional health certificate that states that the eggs are free of Sudan Red, a carcinogenic dye sometimes added to

¹³The agreement will continue for another 40 years.

poultry feed to make the yolk take on a reddish appearance. All chickens entering Hong Kong must come from registered farms and registered processing plants.

Hong Kong officials stressed that of the .3 percent of sampled foods that failed, many were marginally out of specification. Nonetheless, all failures were reported to Beijing, which immediately terminated the right of the farm or factory to export until all problems were fixed.

The officials stressed the seriousness with which the Chinese authorities take any threat to the food supply of Hong Kong. Even so, Hong Kong uses audits inside China and extensive sampling at the border to assure the safety of the food consumed by its residents. On a per capita basis, the United States laboratory testing of food imports pales by comparison.

THE JAPANESE MODEL

Committee staff has far less information about the Japanese system. Chinese officials said that Japan samples and tests about 15 percent of the food imported from China. By contrast we inspect less than 1 percent of our food imports and test only a fraction of those inspected.

Apparently, the Japanese rewrote their food safety law after a serious outbreak of contaminated spinach from China in 2002. Committee staff was told that they have in place a system of limited sourcing and extensive inspection of both fresh and processed food from China.

Subcommittee Staff were told that Japanese and Chinese jointly agree on a very small number of plants or farms for each commodity that is shipped into Japan. For example, we were told that up until this summer, only 36 processing plants were approved to ship processed chicken products to Japan and that Japan inspected them annually. These inspections were in addition to the CIQ inspections. Spinach farms are also subject to Japanese inspection. There is some question of how many foodstuffs are treated this way. Some of the sources believe that Japan limits the farms and processors that supply that country in every product category. Other sources believe that it applies to just a few foods that the Japanese public is particularly sensitive about, such as spinach.

Committee staff was told, however, that the producers who supply food to Japan are those with the best reputations for quality. For example, Tyson's buys the chicken it uses to supply the KFC fast food restaurants in China from the processors that supply the Japanese. These processors are able to charge much higher prices.

CONCLUSION

The Japanese and Hong Kong regulatory systems offer alternatives to the current U.S. approach to regulating food products coming from China and the rest of the developing world. Regardless of how many foods to which the "Japanese model" is applied, its central feature is that it is limited to only a finite number of suppliers. Whether all firms sending food to Japan are inspected by the Japanese or whether the Japanese rely on the Chinese export certificate system in some cases, the limited number of firms creates an environment that is resistant to the relentless downward price pressure. The small number of firms creates an oligopoly where the franchises can obtain a sizable premium over market prices and can maintain the status that

confirms the premium only so long as the foreign customer is satisfied with the quality of the product. The value of this lucrative franchise, itself, and the drastic financial consequence of its forfeiture by providing shoddy or unsafe products becomes a very strong incentive for quality control.

Another alternative is for the FDA to agree with the Chinese proposal to accept their certificates.¹⁴ Entries without certificates could either be refused or be subject to sampling and testing in an FDA lab.

The Chinese system is working well in Hong Kong, but Hong Kong does audits of Chinese farms and factories. They also test a large number of samples and the consequences of circumvention of the system are taken very seriously by the Beijing Government and probably Guangzhou as well. Even if the consequences of being caught shipping contaminated product to the United States would be treated with the same seriousness as a similar act directed at Hong Kong, the model really does not fit well because of the prohibitive cost of sampling a proportionate number of imports.¹⁵

Even sampling 15 percent of our imports in FDA labs would amount to an astronomical increase from the present levels. The United States, however, needs to sample enough so that detection becomes a deterrent. This will require some multiplying of our current efforts. It will also necessitate significantly more laboratory capacity for FDA.

No one that the Committee staff spoke with believed that the current Department of Agriculture (FSIS) model is viable. We simply cannot shut down all imports from China until they meet an equivalence standard. With sufficient funding for FDA (and an electronic system to maintain the integrity of the certification system), food imports from China could become much safer. FDA could place inspectors in China the same way Customs and Border Protection agents are currently in place monitoring exports for possible chemical, biological, or nuclear weapons. FDA inspectors could audit the HACCP systems of a limited number of firms that would then be registered to ship to the United States as they are for Japan.

All of this costs large amounts of money, especially for inspection and laboratory resources. And unless the United States wants to forego the benefits of trade with China, a system that protects Americans from unsafe food must be put in place. The current system is simply not capable of dealing with the flood of food imports from China and other countries whose internal regulatory systems are insufficient to provide Americans with the degree of protection that we have come to expect from our food supply.

Can food be imported from China safely? The Japanese, Hong Kong, and FSIS models all are safer than our current system for the import of the 80 percent of the American food supply regulated by FDA. No one we met with suggested that either the Hong Kong or FSIS system was practical. The Hong Kong approach of massive testing combined with audits and the

¹⁴ Of course, this is based upon the critical proviso that an electronic system must be created to forward these certificates to the FDA in a format that would defeat counterfeiting which the Committee staff was told is rampant and well organized in China.

¹⁵ If the United States were to test a proportional amount of food imports, FDA labs would be performing well over 2 million tests annually.

certainty that corrective action will be swift because of its special relationship with Mainland China, would not be financially viable even if the political environment were not a factor. The FSIS model would simply stop all imports from China of FDA-regulated foodstuffs for the foreseeable future. Economic disruption would likely be severe.

The Japanese system of regulating Chinese food imports does appear to offer better control than that currently used by FDA. To the extent that Chinese producers, however, are insulated from excessive downward pressure on prices, the Japanese consumer pays for the added safety in the form of higher prices. The size of the price effects is not known.¹⁶

At a minimum, it would appear we could cut the safety risk significantly were FDA to limit food imports from China to those firms that have obtained the appropriate certificate from the Chinese Government. For all the reasons noted in this report, such certificates are no guarantee of safe imports, particularly if there is not an electronic transmittal system in place. The absence of such a certificate, however, most certainly means that the Chinese quality control has been evaded.

¹⁶ At least some American firms in China are willing to pay for the greater safety and still make a profit.