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REVIEW & OUTLOOK

Playing Chicken With Trade

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Washington does a lot of complaining about trade "imbalances" with China. So at best it's puzzling that Congress is currently considering a measure that would jeopardize a booming American *export sector to China*. That's exactly what's underway now in the agricultural field, and at worst it could result in a trade war.

Agriculture exports from the U.S. to China reached \$8.3 billion in 2007 and are 92% higher in the first three months of 2008 compared to the same period in the prior year. The U.S. is China's largest supplier of agriculture products. American trade officials have invested decades in this trade relationship with China, taking down barriers while preaching a fair and scientific approach to trade. Yet budget action in the U.S. Congress is putting this trade at risk.

At issue is an amendment inserted by the House Appropriations subcommittee on agriculture to the 2008 U.S. Department of Agriculture (USDA) appropriation bill signed into law last year, and again, in the 2009 bill currently working its way through Congress. The amendment would cut off funding for any USDA actions related to discussions with China over China's poultry exports. For example, USDA staff wouldn't be able to work on the issue, nor discuss it with their Chinese counterparts, on "government time."


It might sound innocuous but in practice this would represent a major problem. This legislation would make it impossible for China to even discuss exporting fully cooked poultry to the U.S. Although this represents a fairly small commercial opportunity for China, Beijing views it as a matter of prestige for the country to have a few plants authorized to sell into the American market. If Congress stalls progress on this issue by using the appropriations bill to quash discussions, an agricultural trade war could be on the menu for October.

Already the Chinese government has delayed further discussions on all outstanding agricultural trade issues pending the rescinding of this amendment. If Congress passes the amendment a second year in a row, Beijing could ban imports of U.S. poultry and suspend negotiations on other trade conditions, choosing to take its business to Brazil or Southeast Asia instead. Future dialogue about new agricultural trade worth more than \$10 billion to American farmers is now on the line.

The effects for Americans of any Chinese retaliation on this issue could be significant given the importance of U.S. agricultural exports to the American economy. Consider chicken feet. Americans do not like to eat, or even set eyes on, chicken feet, but the Chinese love them. America therefore sells all of its chicken feet to China, trade worth more than \$380 million annually. This trade helps support the employment of 30,000 American farmers, including 6,500 at Tyson.

The members of the House appropriations subcommittee who have approved this amendment believe they are protecting American consumers from tainted Chinese exports. But an end to engagement with China isn't the solution, nor is the pending trade war. The best solution is to fully fund and empower the U.S. Food and Drug Administration (FDA) and the U.S. Department of Agriculture to protect American consumers from unsafe—as opposed to simply all-food products. This will, and

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should, include cooperating with Chinese regulators to help them improve their own standards.

Today, the USDA does not allow Chinese poultry to enter the U.S. market. It would only do so if Chinese processing plants operated at the same standards as those imposed on American producers by the USDA. The USDA and FDA, among others, have made great progress in recent years working with their Chinese counterparts to improve food-processing safety standards. The subcommittee amendment also threatens these efforts.

The U.S. has told the Chinese for years that agricultural trade should be based on science and not politics. Yet now Congress is undermining that approach itself by making trade completely political and non-scientific. America needs dialogue with her long term trading partner, China—a collaborative dialogue based on technical facts, using a scientific approach. Fair trade benefits both countries unequivocally, as is the case with chicken feet. It's up to the U.S. Senate now to remove the language in the agriculture appropriations bill proposed by the House so the USDA's experts can remain engaged with their Chinese counterparts. If dialogue stops, the end result can only be a trade war.

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