



## CRS Report for Congress

# Health and Safety Concerns Over U.S. Imports of Chinese Products: An Overview

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### Summary

China is the second largest source of U.S. imports, a major supplier of consumer products (such as toys), and an increasingly important supplier of various food products. Reports of unsafe seafood, pet food, toys, tires, and other products imported from China over the past year have raised concern in the United States over the health, safety, and quality of imported Chinese products. This report provides an overview of this issue and implications for U.S.-China trade relations and will be updated as events warrant. (For an overview of issues concerning U.S. food imports from China, see CRS Report RL34080, *Food and Agricultural Imports from China*, by Geoffrey S. Becker).

China is a large and growing source of U.S. imports; in 2006, they totaled \$288 billion and accounted for 16% of total U.S. imports. Over the past year, numerous recalls and warnings have been issued by U.S. firms over various products imported from China, due to health and safety concerns. This has led many U.S. policymakers to question the adequacy of China's regulatory environment in ensuring that its exports to the United States meet U.S. standards for health, safety, and quality; as well as the ability of U.S. government regulators, importers, and retailers to identify and take action against unsafe imports (from all countries) before they enter the U.S. market.

### Warnings, Recalls, and Detentions

The Food and Drug Administration (FDA) in March 2007 issued warnings and announced voluntary recalls on certain pet foods (or products such as rice protein concentrate and wheat gluten used to manufacture pet food and animal feed) from China believed to have caused the sickness and deaths of numerous pets in the United States. In May 2007, the FDA issued warnings on certain toothpaste products (some of which were found to be counterfeit) found to originate in China that contained poisonous chemicals. In June 2007, the FDA announced import controls on all farm-raised catfish, basa, shrimp, dace (related to carp), and eel from China after antimicrobial agents, which are not approved in the United States for use in farm-raised aquatic animals, were found. Such shipments will be detained until they are proven to be free of contaminants.

**The National Highway Traffic Safety Administration (NHTSA)** in June 2007 was informed by Foreign Tire Sales Inc., an importer of foreign tires, that it suspected that up to 450,000 tires (later reduced to 255,000 tires) made in China may have a major safety defect (i.e., missing or insufficient gum strip inside the tire). The company was ordered by the NHTSA to issue a recall. The Chinese government and the manufacturer have maintained that the tires in question meet or exceed U.S. standards.

**The Consumer Product Safety Commission (CPSC)** has issued alerts and announced voluntary recalls by U.S. companies on numerous products made in China, most of which have involved toys suspected of containing high levels of lead.<sup>1</sup> Examples of CPSC alerts on toys since March 2007 include (lead-related unless otherwise noted):<sup>2</sup>

- (March) 108,600 units of children's necklaces and 128,700 toy sets;
- (April) 396,000 metal key chains and 4 million children's bracelets;
- (May) 103,000 units of children's metal jewelry and 4,500 toy drums;
- (June) 1.5 million toy train units and 20,000 units of children's jewelry;
- (July) 1 million "Easy-Bake Ovens" (burn danger) and 20,000 units of children's jewelry;
- (August) 9.3 million play sets (loose magnets), 1.2 million toy products, 250,000 cartoon address books and journals, and 66,000 spinning tops.
- (September) 675,000 Barbie accessory toys, 80,000 model rockets (injury risk), 21,000 doll strollers (injury risk), 425,000 infant play yards (injury risk), 23,400 children's metal jewelry, 10,000 puppet theaters, 16,000 toy rakes, 350,000 toy gardening tools and chairs, and 290,000 train toys.
- (Through October 23) 110,000 game pieces (loose magnets), 1 million glow sticks (choking and strangulation hazard), 49,000 play doll sets, 1.6 million Cub Scout badges, 82,000 toy rattles, 35,000 color blocks, 79,000 toy flashlights, and 15,000 children's toy decorating sets.

## U.S. Imports of Products of Concern from China

**Table 1** lists products imported from China in 2006 that have been the subject of recent U.S. health and safety concerns, such as toys, seafood, tires, animal foods, and toothpaste. It indicates that in 2006, China was a major source of imports for many of these products. For example, China was the largest supplier of imported toys (86% of total), seafood products (15%), and tires (22%); the 2<sup>nd</sup> largest foreign supplier of animal food products (24%); the 6<sup>th</sup> largest supplier of toothpaste (4%); and the 16<sup>th</sup> largest source of imported pharmaceuticals and medicines (1%).<sup>3</sup>

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<sup>1</sup> To date in 2007, over 80% of CPSC recall notices have involved Chinese-made products.

<sup>2</sup> Several other Chinese-made products have been recalled as well: see the CPSC website at [<http://www.cpsc.gov/>]. In addition, some retailers have announced that they have pulled certain Chinese products from their shelves, due to health and safety concerns.

<sup>3</sup> Imported Chinese-made pharmaceutical products and ingredients have not been subject to any major recalls to date. However, press reports of the proliferation of fake and ineffective drugs (sold in China or exported from China) have raised concerns over the effectiveness and safety of China's growing pharmaceutical exports to the United States. For example, China was the largest foreign supplier of U.S. imported vitamins and their derivatives in 2006 (\$241 million or (continued...))

**Table 1. U.S. Imports of Selected Products from China: 2006**

<b>Product Description</b>	<b>Imports From China (\$ millions)</b>	<b>China's Rank as a Source of Imported Product</b>	<b>Imports From China As a % of Total U.S. Imports (%)</b>
Dolls, toys, and games	14,593	1	86.0
Fish and other seafood products	1,959.6	1	14.6
Tires	1,896	1	22.0
Animal foods	135	2	23.8
Toothpaste	3.3	6	3.5
Pharmaceuticals & medicines	698	16	1.1

**Source:** USITC DataWeb using various classifications systems.

## China's Poor Regulatory System

China is believed to have a rather weak health and safety regime for manufactured goods and agricultural products. Problems include weak consumer protection laws and poorly enforced regulations, lack of inspections and ineffective penalties for code violators, underfunded and understaffed regulatory agencies and poor interagency cooperation, the proliferation of fake goods and ingredients, the existence of numerous unlicensed producers, falsified export documents, extensive pollution,<sup>4</sup> intense competition that often induces firms to cut corners, the relative absence of consumer protection advocacy groups, failure by Chinese companies to effectively monitor the quality of their suppliers' products, restrictions on the media,<sup>5</sup> and extensive government corruption and lack of accountability, especially at the local government level.

Chinese officials contend that most Chinese-made products are safe and note that U.S. recalls for health and safety reasons have involved a number of countries (as well as U.S. products). They also argue that some of the blame for recalled products belongs to U.S. importers or by U.S. designers. They further contend that some U.S. products imported into China have failed to meet Chinese standards.<sup>6</sup> However, they have acknowledged numerous product health and safety problems in China, as reflected in reports that have appeared in China's state-controlled media:

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<sup>3</sup> (...continued)

38.9% of total imports).

<sup>4</sup> For example, many fish farmers in China reportedly feed various drugs to the fish to help keep them alive in polluted waters.

<sup>5</sup> China's media often reports on health and safety problems, but rarely criticizes the central government for such problems.

<sup>6</sup> Since June 2007, China has seized, rejected, or complained about U.S. shipments of orange pulp dried apricots, frozen chicken, pork products, pacemakers, soybeans, frozen potato slices, wood packaging (pest infestation), and sardines. In September 2007, China reportedly ordered increased inspections of imported U.S. products. Some analysts contend that these actions are retaliation for U.S. recalls of Chinese products.

- In June 2004, the *Chinese People's Daily* reported that fake baby formula had killed 50 to 60 infants in China.
- In June 2006, the *China Daily* reported that 11 people had died from a tainted injection used to treat gall bladders.
- In August 2006, *Xinhua News Agency* reported that a defective antibiotic drug killed seven people and sickened many others.
- In May 2007, the *Xinhua News Agency* reported that former director of China's State Food and Drug Administration had been sentenced to death for taking bribes (equivalent to \$850,000) in return for approving untested and/or fake medicines; he was executed on July 10, 2007.
- In June 2007, the *China Daily* reported that a nationwide inspection of the food production industry had found that a variety of dangerous industrial raw materials had been used in the production of flour, candy, pickles, biscuits, black fungus, melon seeds, bean curd, and seafood. As a result, the government reportedly closed 180 food factories found to be producing unsafe products and/or making fake commodities. It also reported that in 2006, the government had conducted 10.4 million inspections, uncovering problems in 360,000 food businesses, and had closed 152,000 unlicensed food businesses.
- In July 2007, the *Xinhua News Agency* reported that a government survey of 7,200 different products from 6,362 enterprises found that 19.1% of products made in China for domestic consumption in first half of 2007 were substandard.
- In August 2007, the *China Daily* stated that the government had "blacklisted" and punished 429 Chinese export companies for violating quality standards.

China has announced a number of initiatives to improve and strengthen food and drug safety supervision and standards, increase inspections, require safety certificates before some products can be sold, and to crack down on government corruption:

- On May 29, 2007, the *Xinhua News Agency* reported that the Chinese government had announced that it would, by the end of 2007, complete regulations for setting up a national food recall system. It also pledged that it would ban the sale of toys that fail to pass a national compulsory safety certification.
- On July 4, 2007, the *China Daily* reported that the government had finished making amendments to all food safety standards and had established an emergency response mechanism among several ministries to deal with major problems regarding food safety.
- On August 9, 2007, *China Daily* reported that the government had announced the suspension of export licences for two Chinese toy

manufacturers involved in recent high profile U.S. toy recalls. It also pledged to spend \$1 billion by 2010 to improve drug and food safety.

- On August 15, 2007, a spokesperson from the Chinese embassy in Washington, DC, reportedly said that China would require that every food shipment be inspected for quality by the government beginning on September 1, 2007.
- On August 20, 2007, the Chinese government announced that it had created a 19-member cabinet-level panel to oversee product quality and food safety (headed by Vice-Premier Wu Yi) and would start a four-month nationwide campaign to improve the quality of goods and food.

On July 18, 2007, the White House announced that President Bush had issued an executive order establishing an interagency working group on import safety to identify actions and appropriate steps that can be pursued within existing resources, to promote the safety of imported products (it is expected to issue a report in November). On August 2, 2007, the Secretary of Health and Human Services (HHS), Mike Leavitt, announced that a delegation of HHS and FDA officials had held a series of initial meetings with senior Chinese officials to advance discussions towards achieving (by December 2007) agreements on the safety of food and feed, and drugs and medical devices. In addition, China and the United States have made the health and safety of imported products a major topic under the Strategic Economic Dialogue, and both sides have pledged to boost cooperation and meet regularly on the issue. On September 10-11, 2007, the CPSC and its Chinese counterpart, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), held talks on health and safety issues, and signed a Joint Statement. China pledged to implement a comprehensive plan to intensify efforts (such as increased inspections, efforts to educate Chinese manufacturers, bilateral technical personal exchanges and training, regular meetings to exchange information with U.S. officials, and the development of a product tracking system) to prevent exports of unsafe products to the United States, especially in regard to lead paint and toys. In addition, on September 12, 2007, the NHTSA signed a Memorandum of Cooperation (MOC) with its Chinese counterpart on enhanced cooperation and communication on vehicles and automotive equipment safety.

## **Economic Implications**

Many Members of Congress have called for tighter scrutiny (such as increased inspections and certification requirements) of imported Chinese products, and numerous bills have recently been introduced to address health and safety concerns over imported products.<sup>7</sup> Many charge that the current U.S. health and safety regulatory regime lacks

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<sup>7</sup> For example, H.R. 3477 (Ferguson), H.R. 3499 (Hooley), and S. 1833 (Nelson) would require third-party safety certification of all toys. H.R. 3100 (Kirk) would boost CPSC and FDA funding for inspections of toys, processed food, and toothpaste, and increase criminal penalties on wilful violators. H.R. 3588 (Peter King) would expand the CPSC's authority relating to recalls and mandatory testing and boost its funding. H.R. 3683 (Hayes) would direct the CPSC to investigate and issue rules on the potential safety dangers in children's clothing. H.R. 3691 (DeLaura) would

(continued...)

the ability to effectively identify and halt unsafe products,<sup>8</sup> and some have called for strengthening federal agencies that monitor imports. Others have called for new rules that would require U.S. companies that import from China to do more to ensure that such products are safe and effective. Another proposal would ban certain imports from China until they are proven to be safe. Still others contend the focus should be on pressing China to do more to enforce its own laws and regulations and to boost cooperation and assistance on health and safety issues. World Trade Organization rules allow countries to impose restrictions on imports for health and safety reasons as long as they are based on science, but forbid measures deemed to be discriminatory or protectionist in nature.

Concerns over the health, safety, and quality of Chinese products could have a number of important economic implications. Both the United States and China have accused each other of using health and safety concerns as an excuse to impose protectionist measures and some observers contend that this issue could lead to growing trade friction between the two sides. International concerns over the safety of Chinese exports may diminish the attractiveness of China as a destination for foreign investment in export-oriented manufacturing, as well as for foreign firms that contract with Chinese firms to make and export products under their labels (such as toys). Efforts by China to restore international confidence in the health and safety of its exports through increased inspections, certification requirements, mandatory testing, etc., could have a significant impact on the cost of doing business in China, which could slow the pace of Chinese exports and hurt employment in the export sector. Moreover, international concerns over the safety of Chinese products could prove to be a setback to the government's efforts to develop and promote internationally recognized Chinese brands (such as cars), which it views as important to the country's future economic development. Thus, it is very likely the Chinese government will take this issue very seriously. However, it is unclear how long it will take for the central government to effectively address the numerous challenges it faces (especially government corruption and counterfeiting) to ensure that its exports comply with the health and safety standards of the United States and other trading partners. Additionally, a sharp decrease in purchases by U.S. consumers of Chinese products could negatively impact U.S. firms that import and/or sell such products and may raise prices of some commodities as firms attempt to rectify various safety problems.

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<sup>7</sup> (...continued)

require third party testing of children's products, expand civil and criminal penalties, ban lead in children's products, enhance the CPSC's recall and inspection authority; expedite recall disclosure to the public, and provide additional resources to the CPSC. H.R. 3716 (Walsh) would require independent safety certification of children's products, increase the CPSC's inspection capability for imported products, and prohibit hazardous imports from designated manufacturing sites. S. 2037 (Klobuchar) would make it unlawful to sell a recalled product. S. 2045 (Pryor) would boost CPSC funding, allow it to function with a temporary quorum of two commissioners, require third party certification of children's products, expand penalties, require manufacturers and importers to post bonds (in case of recalls), require tracking labels on children's products, and ban the sale of recalled products. For a listing of bills on food safety, see CRS Report RL34152, *Food Safety: Selected Issues and Bills in the 110th Congress*, by Geoffrey S. Becker.

<sup>8</sup> For example, the *New York Times* reported on August 5, 2007, that inspections by the CPSC of children's toy jewelry found 20% of those sampled contained dangerous levels of lead, and the *Associated Press* on August 8, 2007, reported that at least 1 million pounds of Chinese seafood covered under the June 2007 FDA import alert had entered the U.S. market without being stopped or inspected by the FDA.