



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 6/13/2007

**GAIN Report Number:** CH7043

## China, Peoples Republic of

### Food and Agricultural Import Regulations and Standards

### AQSIQ Quarantine Import Permit Changes

### 2007

**Approved by:**

Maurice House  
U.S. Embassy

**Prepared by:**

Mark Petry, Joseph Jacobson, Jennifer Schriber, Zhang Jianping

---

**Report Highlights:**

All agricultural imports are required to obtain a Quarantine Import Permit (QIP) prior to importation into China. Despite long-standing concerns from the United States and other trading partners about the limitations the QIP system places on trade, little improvement in the QIP system has taken place since China's accession to the WTO. In the case of meat products, the QIP system has actually become more restrictive. Chinese officials continue to justify the relevance of the QIP system by insisting that it ensures an adequate number of port quarantine examiners are on duty to properly certify and inspect shipments upon arrival.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Beijing [CH1]  
[CH]

**Table of Contents**

<b>Background .....</b>	<b>3</b>
<b>QIP Improvements Still Lacking .....</b>	<b>3</b>
<b>Meat Quarantine Import Permit (MQIP) Administration Changes .....</b>	<b>4</b>
<b>MOFCOM Management of the Automatic Registration Form (ARF) on Poultry .....</b>	<b>5</b>
<b>Appendix I – Commodity Permit Table .....</b>	<b>5</b>
<b>Appendix I - Quarantine Import Permit (QIP) Application Process.....</b>	<b>5</b>
<b>Appendix II - Meat Quarantine Import Permit (MQIP) Application Process.....</b>	<b>5</b>
<b>Appendix III - Automatic Registration Form (ARF) Application Process .....</b>	<b>6</b>

## Background

In the early 1990s, China began to substantially reduce the number of products subject to import licensing requirements. With its WTO accession in December 2001, China committed to the fair and non-discriminatory application of licensing procedures. China committed to limiting the information that a trader must provide in order to receive a license, to ensure that licenses are not unnecessarily burdensome to obtain, and to increase transparency and predictability in the licensing process. The former Ministry of Trade (MOFTEC) issued new regulations and implementing rules to facilitate licensing procedures shortly after China's accession to the WTO. However, license applicants initially reported that they had to provide sensitive business details unnecessary for simple import monitoring. In some sectors, importers also reported that MOFTEC was using a "one-license-per-shipment" system rather than providing licenses to firms for multiple shipments. MOFTEC began to allow more than one shipment per license in late 2002 following U.S. interventions, without officially modifying the measure authorizing the "one-license-per-shipment" system. [Note: The General Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ) replaced the former ministry MOFTEC as the administrator of the QIP system.]

AQSIQ formally required importers to obtain a Quarantine Inspection Permit (QIP) prior to signing purchase contracts for nearly all traded agricultural commodities through the publication of regulations in two official announcements – the *Administrative Measures for the Entry-Exit Inspection and Quarantine for Grains and Feed Stuff* (effective in March 2002) and the *Administrative Measures for Entry Animal and Plant Quarantine* (effective September 1, 2002) (See GAIN reports CH2003 and CH2039).

## QIP Improvements Still Lacking

In order to import any agricultural good into China, a company must apply for a quarantine import permit to cover that contract amount. The importer must supply documentation regarding the volume of the shipment to AQSIQ with the QIP application. A QIP can technically cover multiple load/containers and is valid for six months.

In 2004, following repeated bilateral engagement and interventions made by the United States and other WTO members, some improvements were made to the QIP. In June 2004, fulfilling a Chinese commitment made in connection with the April 2004 JCCT meeting, AQSIQ issued Decree 73, *Items on Handling the Review and Approval for Entry Animal and Plant Quarantine* (GAIN CH4020). This regulation extended the validity period of QIPs from three months to six months. Though AQSIQ generally issues QIPs within established time lines, there remains a great deal of uncertainty. Even with the extended validity period, AQSIQ continues to administer the QIP system in a seemingly arbitrary manner and QIPs still locks purchasers into a very narrow period to purchase, transport and discharge cargos or containers.

Though traders should technically possess a QIP prior to placing an order, in practice, this is unfeasible because of the commercial necessity to contract commodity shipments when prices are beneficial. Due to the inherent delays in having QIPs issued, many products such as soybeans and poultry arrive in Chinese ports without QIPs, creating delays in discharge and resulting in demurrage. In addition, traders report that shipment quantities are often closely scrutinized and are at risk for disapproval if considered too large. Moreover, AQSIQ can slow down or even suspend issuance of QIPs at its discretion, without notifying traders in advance or explaining its reasons, resulting in significant commercial uncertainty.

Traders continue to be hesitant to press AQSIQ for change because they fear falling out of favor. Traders claim that AQSIQ unofficially places quantity requirements on QIPs and this is

causes serious concern in industry as trade volumes grow. Trade sources note that quantity requirements have been used by AQSIQ during peak harvest periods to limit the flow of certain competing commodity imports. In 2006, traders reported that AQSIQ not only limited QIP quantities, but also required some companies to use up the majority of a QIP before being issued another one and required other companies to use up their QIPs or risk being "de-listed."

Such administrative inconsistencies have made QIP issuance one of the most important trade policy issues affecting the United States and China's other agricultural trading partners. Eliminating these trade-hindering requirements would make the QIP system more dependent on market forces. However, AQSIQ officials continue to justify the relevance of the QIP system by insisting that it ensures an adequate number of port CIQ examiners are on duty to properly certify and inspect shipments upon arrival. In contrast, the United States and other WTO members argue that there appears to be no scientific basis for the QIP system and that it presents an unjust and overly restrictive barrier to trade.

Please see Appendix 1 for additional information on QIPs.

### **Meat Quarantine Import Permit (MQIP) Administration Changes**

In order to import any meat product into China, a company must apply for a meat quarantine import permit to cover that contract amount. The importer must supply documentation regarding the volume of the shipment to AQSIQ with the MQIP application. A MQIP can technically cover multiple load/containers and are valid for six months. An importer can have multiple outstanding MQIPs with different companies, but can have only one outstanding MQIP with a particular production plant.

In 2006, AQSIQ tightened the administration of MQIP issuance to more strictly monitor and enforce the volume an individual importer may import. Under this new regulation, importers may not apply for a new MQIP unless they have imported 75 percent or more of the quantity allotted on the original permit. Furthermore, importers not fully exhausting their previous year's MQIP cannot receive a new MQIP with an approved import quantity exceeding the actual volume imported from the previous year. New MQIPs are typically issued within one-month of application and are valid for 6 months. However, even after approval of a new application, AQSIQ will not issue new MQIPs until the entirety of the original permit has been used. The volume for each import permit is set at 400 MT and importers are allowed to make an application for a single item from one country only. Traders complain that these new policies hurt them in two ways: 1) by limiting import volumes when the market is favorable and 2) by forcing them to use at least 75 percent of their MQIP when the market is unfavorable.

This new policy forces traders to only do business with one supplier at a time and they cannot buy different items simultaneously. The trade believes this measure negatively impact meat importers by forcing traders to import when prices are not favorable in order to meet the import requirement, thereby raising costs. Furthermore, many eligible importers do not actively trade. Traders holding unused MQIP's enter into arbitrage by auctioning the MQIP to active importers unable to secure additional MQIPs at that moment. In fact, some MQIP holders reportedly do not actively import meat products and procure MQIPs primarily to sell off as a business in itself. Currently, the trade estimates that the cost of second-hand MQIPs ranges from RMB 150-450/MT. In addition to creating higher consumer costs, this additional cost diminishes the attractiveness and competitiveness of direct-import poultry products vs. grey-channel products. However, other traders seemed unfazed by paying for MQIPs, preferring the flexibility to buy when prices are good rather than feeling compelled to import in order to meet the MQIPs 75 percent minimum import requirement.

AQSIQ has been re-evaluating and accrediting additional eligible meat importers and began listing the names of importers on its website September 1, 2006 ([www.aqsiq.gov.cn](http://www.aqsiq.gov.cn)).

See Appendix 2 for additional information on MQIPs.

### MOFCOM Management of the Automatic Registration Form (ARF) on Poultry

In addition to the AQSIQ regulated MQIP, MOFCOM also administers a separate import permit system for poultry importers, the Automatic Registration Form (ARF), which allocates a specific volume amount to eligible importers. Currently, there are around 200 MOFCOM accredited importers that are eligible for ARF allocation. According to MOFCOM, there is currently no predetermined trade volume limiting the issuance of ARFs; virtually all traders who applied for an ARF in 2006 received one. However, 2006 may have been an exceptional year considering U.S. supply shortages from September-December.

Even when issued freely, ARFs still hinder trade in two ways. First, they still can only be used once. Second, the list of eligible importers is likely to remain static or even diminish in number since MOFCOM admittedly refuses to certify new companies without extensive relevant experience and/or credentials, effectively blocking any aspiring importers from entering the market. The justification for this policy is that smaller companies are more likely to sell their ARFs rather than use them for trade. Any import volume increases will therefore come through the growth of established companies.

### Appendix I – Commodity Permit Table

<u>Commodity</u>	<u>QIP</u>	<u>MQIP</u>	<u>ARF</u>
All Agricultural Commodities	X		
Meat Products		X	
Broiler Products		X	X
Fresh Milk	X		

### Appendix I - Quarantine Import Permit (QIP) Application Process

1. Importers apply for the Quarantine Import Permit directly with local CIQ offices or download the application
2. An import document must be attached to the application
3. After verification, local CIQs will forward the application to the Import and Export Food Safety Bureau of AQSIQ
4. AQSIQ will take a total of 20 working days to reply to the QIP application

### Appendix II - Meat Quarantine Import Permit (MQIP) Application Process

Currently, the MQIP process is done entirely online. In order to receive a permit, importers must complete the following process:

1. Chinese meat importers need to apply for the Meat Quarantine Import Permit through e-mail to local CIQ offices
2. Local CIQ Offices will take only a couple of days to verify whether the 75 percent import quota of the previous permit has been used and whether the applicant violated AQSIQ's regulation that an applicant shall only apply for one (same) product from the same exporting plant at one time

3. After verification, local CIQs will forward the application to the Import and Export Food Safety Bureau of AQSIQ through Internet
4. AQSIQ will take a total of 20 working days to reply whether it has approved or not on the website (Applicants have special passwords to privately check the results of their individual application on the website)

#### **Appendix III - Automatic Registration Form (ARF) Application Process**

1. Importers apply for the ARF through MOFCOM
2. They can obtain a application for their products through the local Trade Committee
3. The application only takes 2-3 days to be completed