



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

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Summary

China is the largest source for U.S. imports, accounting for a 16% of total U.S. imports in 2008. China is a dominant supplier of many imported consumer products. For example, 90% of U.S. toy imports come from China. Numerous reports of unsafe products from China over the past few years, including seafood, pet food, toys, tires, drywall, and medicines have raised concern in the United States over the health, safety, and quality of imported Chinese products. The United States and China have sought to boost cooperation on health and safety issues. For example, China agreed to boost efforts to ensure that its toy exports to the United States did not violate U.S. regulations on lead content.

This report provides an overview of U.S. concerns over the health and safety of Chinese products, identifies challenges China faces to develop an effective health and safety enforcement regime, summarizes U.S.-China cooperative efforts, and analyzes how this issue could impact China's economy and U.S.-China trade relations. This report will be updated as events warrant.

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In 2007, China overtook Canada to become the largest source of U.S. imports (at \$322 billion). In 2008, U.S. imports from China totaled \$338 billion. U.S. imports from China as a share of total U.S. imports rose from 6.5% in 1996 to 16.1% in 2008. Over the past few years, 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 (and products 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, bass, 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. On January 25, 2008, the FDA posted on its website a notice by Baxter Healthcare Corporation that it had temporarily halted the manufacture of its multiple-dose vials of heparin (a blood thinner) for injection because of recent reports of serious adverse events (including an estimated 81 deaths and hundreds of complications) associated with the use of this drug. On February 18, 2008, the *New York Times* reported that a Chinese firm that produces an active ingredient used to produce heparin was not certified by the Chinese government to make the drug and had not undergone FDA inspection; many have speculated that the Chinese plant is likely the source of the problem.¹ On September 12, 2008, the FDA issued a health information advisory on infant formula in response to reports of contaminated milk-based infant formula manufactured and sold in China, and later issued a warning on other products containing milk imported from China. On November 12, 2008, the FDA issued a new alert stating that all products containing milk imported from China would be detained unless proven to be free of melamine.

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. For example, in 2007, over four-

¹ *New York Times*, "China Didn't Check Drug Supplier, Files Show," February 16, 2008.

fifths of CPSC recall notices involved Chinese products. Over this period, roughly 17.6 million toy units were recalled because of excessive lead levels. Recalls were also issued on 9.5 million Chinese-made toys (because of the danger of loose magnets), 4.2 million “Aqua Dots” toys (because beads contain a chemical that can turn toxic if ingested) and 1 million toy ovens (due to potential finger entrapment and burn hazards). In 2008, around 2.5 million toy units from China were recalled due to high lead content. From January 1 to June 3, 2009, about 1.1 million children’s items (mainly toys and shoes) from China were recalled because of excessive lead.

There have been a number media reports in 2009 about potential health and safety hazards of Chinese-made drywall products that have been installed in American homes in an number of states (including Florida, Louisiana, Mississippi, Texas, and Virginia) over the past few years. It has been claimed that these products emit sulfur gases that corrode copper coils and electrical and plumbing components.² The CPSC reports that it has received over 365 reports from residents in 18 states and the District of Columbia who believe their health symptoms or the corrosion of certain metal components in their homes are related to the presence of drywall produced in China.³ The CPSC reportedly began an investigation of Chinese-made drywall in February 2009 to evaluate the relationship between the drywall and the reported health symptoms and electrical and fire safety issues and to trace the origin and distribution of the drywall. China’s media reported in March that the government is also investigating these complaints.⁴ U.S. imports of plaster products, which includes drywall, from China rose from \$3.6 billion in 2005 to \$32.3 billion in 2006, then fell to \$5.7 billion by 2008.⁵

In Congress, H.R. 1977 and S. 739 would require the CPSC to study and test drywall imported from China in 2004-2007, analyze its composition, determine the impact that chemicals and organic compounds in the drywall had on metal items in homes as well as potential health effects, and to issue an interim ban on drywall products deemed to constitute a substantial product hazard. In addition, S.Res. 91 would call on the CPSC to initiate a formal proceeding to investigate drywall imported from China in 2004-2007, prohibit the further importation of drywall and associated building products from China, order a recall of hazardous Chinese drywall, and to seek civil penalties against the drywall manufacturers in China that produced or distributed hazardous drywall and their subsidiaries in the United States to cover the cost of the recall effort and other associated remediation efforts.

U.S. Imports of Products of Concern from China⁶

Table 1 lists various products imported from China in 2008 that have been the subject of U.S. health and safety concerns over the past few years, such as toys, seafood, tires, animal foods, organic chemicals and pharmaceuticals, and toothpaste. It shows that China was a major source of

² USA Today, “Drywall from China Blamed for Problems in Homes, March 17, 2009.

³ See CPSC drywall information center website at <http://www.cpsc.gov/info/drywall/index.html>.

⁴ China Daily, “China to investigate drywall exported to the US,” April 6, 2009.

⁵ The sharp increase in drywall imports from China (and other countries) in 2006 was reportedly caused by a shortage of domestically-made drywall that occurred because of reconstruction efforts after hurricane Katrina in August 2005.

⁶ For an overview of issues concerning U.S. food imports from China, see CRS Report RL34080, *Food and Agricultural Imports from China*, by (name redacted).

imports for many of these products. For example, China was the largest supplier of imported toys (91% of total) and tires (37%) and the 2nd for seafood products (16%) and animal foods (26%). Despite health and safety concerns, U.S. imports of most of the products listed (with the exception of drywall and toothpaste) increased in 2008 over 2007 levels.

Table I. U.S. Imports of Selected Products from China in 2008

Product Description	Imports from China (\$ millions)	China's Rank as a Source of Imported Product	Imports from China as a % of Total U.S. Imports (%)	Percentage Change in Imports in 2008 over 2007(%)
Dolls, toys, and games	20,670	1	90.5	6.2
Fish and other seafood products	2,219	2	15.5	8.0
Tires	2,583	1	26.7	6.0
Animal foods	193	2	25.7	18.2
Toothpaste	1	8	0.6	-28.8
Organic chemicals and pharmaceutical products	5,610	6	5.3	73.4
Plaster products (including drywall)	5,736	3	6.1	-23.4
Total imports from China	337,790	1	16.1	5.1

Source: USITC DataWeb using various classifications systems and digit levels.

China's Poor Regulatory System

Many analysts contend that China's health and safety regime for manufactured goods and agricultural products is fragmented and ineffective. Problems are seen as including 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,⁷ intense competition that often induces firms to cut corners, the relative absence of consumer protection advocacy groups, failure by Chinese firms to closely monitor the quality of their suppliers' products, restrictions on the media,⁸ and extensive government corruption and lack of accountability, especially at the local level.

⁷ For example, many fish farmers in China reportedly feed various drugs to the fish to help keep them alive in polluted waters.

⁸ China's media often reports on health and safety problems, but rarely criticizes the central government for such (continued...)

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 designers. They further contend that some U.S. products imported into China have failed to meet Chinese standards.⁹ 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. For example, 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.

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:

- 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). On the same day, 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 would ban the sale of toys that failed to pass a national compulsory safety certification.
- On June 27, 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.
- 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 pledged to spend \$1 billion by 2010 to improve drug and food safety.

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problems.

⁹ 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, 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.

- On August 15, 2007, a spokesperson from the Chinese embassy in Washington, DC, said that China would require that every food shipment be inspected for quality by the government by 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 December 5, 2007, the government stated that during the first 10 months of the year, it had shut down 47,800 food factories without operating licenses.
- On January 15, 2008, China announced it had inspected over 3,000 export-oriented toy manufacturers and had revoked licenses for 600 firms that failed to meet quality standards.
- On February 28, 2009, China's National People's Congress enacted a new food safety law (to take effect in June 2009) to enhance monitoring and supervision, toughen safety standards, provide recall substandard products, and increase punishment for offenders. The law bans all chemicals and materials other than authorized additives in food production, and will establish a new product identification and tracking system for nine product categories, including food.
- On March 6, 2009, China Daily reported that Chinese courts would accept lawsuits brought by parents whose children had been sickened by melamine-tainted milk products.
- On March 16, 2009, *China Daily* reported that the government had investigated 76,500 fake food cases in 2008.

Despite these efforts, reports of tainted products persist.

- In January 2008, dozens of people in Japan reportedly became ill from eating dumplings imported from China that contained pesticide.
- In September 2008, the Chinese government reported that infant formula that was tainted with melamine had killed four children and sickened 53,000 others (13,000 of whom had to be hospitalized).¹⁰ The government announced on September 22, 2008, that China's chief quality supervisor had stepped down from his post over the incident. Other local and provincial officials have reportedly been sacked for trying to cover up incident. At least 22 Chinese baby formula companies have been found to have tainted products. Press reports indicate that other milk products made in China may have been contaminated as well. On October 15, 2008, the Chinese government ordered a blanket recall of all dairy products made before September 14, 2008. Several countries later banned the sale of Chinese-made milk products. On December 2, 2008, the Chinese government reported that melamine-tainted formula had killed six children and

¹⁰ Melamine is used to make fertilizers, plastics, and other industrial goods, and is believed to have been added to food products to fake its protein content. The consumption of melamine has been found to cause kidney stones.

sickened 294,000 others (51,900 of whom had to be hospitalized and 154 were in serious condition).¹¹

- In October 2008, Hong Kong officials reported that some egg imports from China were contaminated with high levels of melamine.

U.S-Chinese Cooperation on Health and Safety Issues

The United States and China reached a number of agreements in 2007 to address health and safety concerns:

- On September 11, 2007, the CPSC and its Chinese counterpart, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), signed a Joint Statement on enhancing consumer product safety. China pledged to implement a comprehensive plan to intensify efforts (such as increased inspections, efforts to educate Chinese manufacturers, bilateral technical personnel 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.
- On September 12, 2007, the NHTSA signed a Memorandum of Cooperation with its Chinese counterpart on enhanced cooperation and communication on vehicles and automotive equipment safety.
- On December 11, 2007, the U.S. Health and Human Services (HHS) announced that it had signed two Memoranda of Agreement (MOA) with its Chinese counterparts; the first covering specific food and feed items that have been of concern to the United States, and the second covering drugs and medical devices. Both MOAs would require Chinese firms that export such products to the United States to register with the Chinese government and to obtain certification before they can export. Such firms would also be subject to annual inspections to ensure they meet U.S. standards. The MOAs also establish mechanisms for greater information sharing, increase access of production facilities by U.S. officials, and create working groups in order to boost cooperation. On March 13, 2008, the FDA announced that it planned to place eight FDA staffers in China. Some members of Congress have proposed placing a CPSC official at the U.S. embassy in Beijing.

¹¹ The New York Times reported that a Chinese government survey of homes in Beijing, had found that nearly a quarter of the 300,000 families with children younger than three (or about 74,000 families), had a child who had been fed melamine-tainted milk, indicating that the number of children affected by may be much higher than official government estimates. See New York Times, "Tainted Eggs From China Discovered in Hong Kong," October 26, 2008.

Economic Implications

Congressional concerns over the health and safety of imported products (including those from China) prompted the introduction of numerous bills to tighten U.S. health and safety rules and regulations (such as increased inspections, certification requirements, and mandatory standards for children's products, such as toys) and increased funding for U.S. product safety agencies (such as the CPSC). On August 14, 2008, President Bush signed into law the *Consumer Product Safety Improvement Act of 2008* (P.L. 110-314).¹²

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 (which has already been affected by the global economic slowdown). 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.

The number of lead-related U.S. recalls of imported Chinese toys declined sharply in 2008, which may in part reflect the Chinese government's efforts to regulate its domestic toy industry. However, the crisis in China over melamine-tainted food products has seriously challenged the government's assertions that most products made in China are safe and that an effective regulatory regime has been established. There have been allegations that Chinese company and local government officials knew about the problem and did nothing (despite numerous complaints by Chinese parents) until the extent of the problem was publicized by the media.¹³ This incident

¹² See CRS Report RL34684, *Consumer Product Safety Improvement Act of 2008: P.L. 110-314*, by (name redacted); CRS Report R40527, *Consumer Product Safety Improvement Act (CPSIA): New Requirements and Emerging Implementation Issues*, by (name redacted).

¹³ Many analysts contend that the tainted milk scandal has posed a serious domestic crisis for the Chinese government, given widespread public anger over the incident. The Chinese government has attempted to respond by announcing harsh punishments (including some death sentences) against those allegedly involved, compensation for affected families, and promises to implement a nation-wide crackdown against the illegal use of melamine in food products. In (continued...)

indicates that the central government continues to face numerous challenges in developing an effective health and safety enforcement regime.¹⁴

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addition, the government has pledged to place inspectors in all enterprises producing milk powder and to inspect every batch of powder before it leaves the factory.

¹⁴ See Time Magazine, "China's Melamine Woes Likely to Get Worse," November 4, 2008.

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