

U.S., China embroiled in trade spat over chicken feet

By Keith B. Richburg

BEIJING — The United States produces billions of broiler chickens each year, specially bred to be big and juicy, with plump, sturdy feet to hold them up. And for years, all those feet were considered excess parts that were mostly ground into pet food.

But in China, those same feet are a popular snack, often washed down with a beer. And so, a few years ago, a kind of trade synergy began, with the United States shipping to China all those otherwise worthless chicken feet.

The trade grew rapidly, from virtually nothing a decade ago to 377,805 metric tons worth \$278 million in 2009.

Then suddenly last year, it all went awry. China began imposing stiff duties — including a tax of more than 100 percent — on those American chicken parts. The move was in response to a request by Chinese chicken farmers and processors, who claimed the U.S. government was unfairly subsidizing the American poultry industry through low feed prices and then selling the “chicken paws,” as they’re known in industry parlance, into China at below-market cost.

The Chinese move raised an interesting legal question: How can the United States be dumping an item at below cost in China when that item is considered virtually worthless at home? “It’s taken what used to be a part of the bird that had to be disposed of in the United States and turned it into a revenue stream,” said Scott Sindelar, the Agriculture Department’s attaché at the U.S. Embassy in Beijing.

On Dec. 8, the Obama administration’s trade representative asked the World Trade Organization to resolve the issue. In a statement, U.S. Trade Representative Ron Kirk said, “We are serious about holding China accountable to its WTO commitments and ensuring that there is a level playing field for American businesses — including our farmers.”

The U.S. action comes, ironically, at the same time China is staging ceremonies celebrating the 10th anniversary of its ascension to the WTO.

Retaliatory strike?

The American poultry industry said it backed the administration’s latest move, and has been in close consultation with the trade representative’s office. But poultry officials said they regretted that the showdown over chicken feet had to come to this.

“Our industry cannot allow something as unjust as this to stand because of the precedent it sets for other countries,” said James H. Sumner, president of the USA Poultry and Egg

Export Council in suburban Atlanta. But he added, “We hope this does not negatively impact a lot of other areas of cooperation we have going with the Chinese poultry industry.”

China’s Commerce Ministry did not reply to a request for comment on the U.S. move for a WTO resolution of the case.

Many here and in the United States suggested that the duties were really the Chinese government’s retaliation for the Obama administration’s decision in 2009 to slap **tariffs on Chinese tires**, fulfilling a 2008 campaign pledge while trying to bolster the ailing U.S. tire industry.

Since the imposition of the tariffs, American chicken parts exported to China have collapsed 90 percent, and the industry has lost an estimated \$1 billion in exports to China, according to the council and other analyses. The blow comes as poultry farmers and manufacturers say they are already feeling financially squeezed between high grain prices and the depressed American economy that has seen lost restaurant sales and lower prices for breast meat.

China is seen as a growth market for chicken consumption in the future, and American producers are loath to be left out. Chinese now consume chicken at a relatively low rate per capita, but Sumner said that by 2025, chicken consumption will surpass that of pork, “and they’re not going to be able to produce it domestically.”

“We just feel compelled that we must get back into the China market,” Sumner said.

Growing black market

Also hurt in the cross fire have been China’s legions of chicken feet consumers, who are known to like the plumper, juicier feet of American chickens. And with China facing several food safety scares, some food producers and customers said they prefer the imported paws, which they consider cleaner and higher quality.

Other chicken-producing countries, such as Brazil and some European and Middle Eastern countries, have tried to fill the void. But also there has been a different solution to the impasse — a burgeoning black market for U.S. chicken paws, coming in illicitly to avoid the high tariffs.

The purchasing manager for Youyou Food Co. in Chongqing City, a major chicken foot distributor, said many Chinese importers now first ship the American paws to a third country, and then relabel them before bringing them into China to avoid the higher costs. “So the tariff doesn’t really cause any problems for us or other chicken feet consumers in China,” said the manager, who asked to be identified only as Peng.

According to recent Chinese media reports, customs inspectors in Nanjing have investigated four incidents of frozen American chicken parts being smuggled into China since March and arrested a dozen people.

Xinhua, the state-run news agency, reported that on Nov. 9, the provincial government in Yunnan province destroyed 450 tons of smuggled frozen meat, including pig's feet, cow's stomach and chicken paws, some of which came from the United States.

The next step for the chicken feet is up to the WTO, which will form a dispute resolution panel. "We hope, of course, that this happens as soon as possible," said Sumner, "and this doesn't become a long, drawn-out case."