

China – End of state monopoly on salt – Change in legislation on the sale of salt in the domestic Chinese market

Position Paper
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The European Salt Producers' Association (EUsalt) is voicing its concern regarding the People's Republic of China's (PRC) recent change in implementing acts regulating the sale of food grade salt on the domestic Chinese market, as these changes will have a grave impact on the trade and sales of salt used for direct consumption and food preparation on the PRC's domestic market. We are particularly concerned by the ban on the import of European food grade salt for domestic sales in the People's Republic of China.

As European salt producers, we have cooperated with China based partners for quite some time by importing high-quality food-grade edible salt to respond to the increased domestic demand for high quality food grade salt. This sudden shift towards an import ban for European high quality food-grade edible salt has challenged the already established commercial cooperation between European salt producers and their Chinese partners.

Therefore, EUsalt calls upon the European Commission to raise concern on this unilaterally imposed restriction and provide a solution to these unfair trade practices and to further EU-China trade cooperation and deal with the import restrictions of EU-food grade salt into China.

It is important for us to stress the following issues so that the European Commission is provided with argumentation and substantiating for the People's Republic of China (PRC) be fully comprehending the negative impact of this change in legislation on the Chinese and European business partners as well as on the salt requirements of Chinese citizens.

SUMMARY

EUsalt stresses that this new legislation will only lead to:

- 1. Protectionist measures and unfair trade practices:** Recent changes in legislation have liberalised the market, however, the persistent technical barriers together with unnecessary administrative hurdles and discrimination restricts the market access for European salt producers. The People's Republic of China continues to restrict trade and installs unfair limitation of market access to European companies, without any valid regulatory, food sanitary or quality motivation.
- 2. Risks for Chinese consumers:** Protectionist measures do not provide the Chinese market with food grade salt in line with European quality standards, hence limiting consumer choice. With the People's Republic of China's previous salt monopoly, only Chinese salt producers had the possibility to sell their products on the Chinese market. In recent years, Chinese consumers were presented with a broader scope of salt products, including European high-quality food grade salt. Providing Chinese consumers with the possibility to choose from an enlarged scope of products is very beneficial to the consumers, enabling them to have an informed choice for certain specialised high-quality food products and responding to their specific needs and requirements, including the market access to iodized or non-iodized salt.

1. Persistent protectionist measures and unfair trade practices:

We welcome the People's Republic of China's (PRC) resolve to reduce the role of government in business operations and end its monopoly on edible salt. By attempting to stop its millennia-old monopoly, the Chinese government is stopping controls on the price and distribution of edible salt. The recent changes in legislation aim to encourage greater competition among firms and tackle inefficiencies within the market. By liberalising the market, salt prices will no longer be fixed and the wholesale trade of edible salt and the distribution market will be opened up. To achieve greater competition, the reforms will allow larger provincial-level salt wholesalers to sell their products to provinces and cities outside their current remit, while smaller ones may sell salt in different markets within the province.

However, these changes in legislation do not apply to European salt producers. We strongly advocate against the government's protectionist measure of keeping control on the licencing of salt producers, as no new licenses will be issued for edible salt producers, particularly European salt producers. The vast majority of China's salt producers are state-owned and new players find it almost impossible to overcome administrative hurdles to enter the market. This is an opening for Chinese salt-producing companies alone. In essence, this remains a state monopoly. It protects Chinese state-backed producers from new/European competition, which will have a detrimental impact on the productivity, quality and competition levels within the Chinese market.

Access to the Chinese market is particularly important for European salt producers as China is the world's largest consumer of salt, according to mineral consultancy Roskill Information Services. With its fast-growing population of nearly 1.4 billion, it accounted for nearly a quarter of global demand in 2012.

We call upon the all concerned and involved stakeholders to act according to the fair trade practice rules and to work closely with the representatives of the People's Republic of China (PRC) to further trade cooperation. We stress to EU representatives the importance of reiterating and encouraging the People's Republic of China (PRC) to abolish its continuous trade barriers and allow European salt producers to conduct fair and open business activities in China.

2. Continued risk for Chinese consumers:

We welcome and share the overall objectives of this legislation with regard to strengthening the management of salt, guaranteeing the effective implementation of salt iodization, ensuring the safety and security of salt, and protecting the health of Chinese citizens.

However, preventing European salt producers from competing within the Chinese market hinders the Chinese consumer's ability to make a fully informed choice in terms of specific quality and speciality salts. By allowing European salt producers access to the Chinese market, competition and

productivity will increase, and most importantly for Chinese consumers, they will have the possibility to make an informed choice amongst a broader product salt quality scope.

Moreover, the new rules aim to take a more “scientific and precise” approach towards iodine requirements, adjusting dosages based on environmental and dietary factors. With such a large and varied territory, the People’s Republic of China and European salt producers are in the possibility to address these concerns and serve the population with the correct iodine dosages and eradicate iodine deficiencies or surpluses, as both cause grave damage to human health.

EUsalt, thus, calls on the People’s Republic of China to open up its market to European salt producers, stop its unfair trade practices and remove the technical barriers together with unnecessary bureaucratic hurdles, and discrimination. By doing this and working with European salt producers and legislators, the Chinese population will be served in terms of good quality salt and salt iodisation.

Conclusion:

Persistent technical barriers, unnecessary bureaucratic hurdles, and discrimination mean that China is not securing a level-playing field for European producers. This kind of protectionist behaviour jeopardises the continued efforts to establish closer trade relations.

For the sake of mutual growth both sides have to cooperate more effectively and refrain from protectionist measures. By removing the many existing trade barriers and promoting deeper economic cooperation remains of paramount importance in the bilateral relations. Closer economic ties will lead to many benefits for both parties, not merely in terms of trade, profit and innovation, but also, and most importantly in terms of food health and safety.