CHINA’S FOOD SECURITY SITUATION:
KEY ISSUES AND IMPLICATIONS FOR CANADA

ANNA KUTELEVA

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**CHINA’S FOOD SECURITY SITUATION: KEY ISSUES AND IMPLICATIONS FOR CANADA**

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The China Institute is pleased to publish this Occasional Paper by Anna Kutleva on the subject of food security.

Concerns regarding the security of the national food supply are certainly not limited to China. However, in China this preoccupation stretches back millennia, in part due to China’s limited arable land that has had to feed a large population, and in part due to the sad history of natural disasters to which much of China is prone.

This paper examines the role that food security still plays in contemporary agricultural policy in the People’s Republic of China, a subject of longstanding interest, but with China’s current status as the leading trading economy, the issue has assumed a greater importance, especially for exporters of agricultural products. The Chinese demand for safe and high-quality food opens significant opportunities for Canadian exporters, but the Chinese market remains complex and with various trade barriers, both tariff and non-tariff.

As Canada, under a new federal Government, re-examines its China policies it is likely to ponder how to achieve a closer economic relationship with China. Part of this policy re-set will certainly include how Canada can grow and diversify its agri-food exports to China. Chinese food security policies remain relevant to this broad objective.
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I would like to express my deepest appreciation to all those who provided insight and expertise that greatly assisted my research. I am grateful to Dana Mackie of the Economic Development and Trade, Government of Alberta for valuable comments. I also wish to offer my sincere thanks to the reviewers Gordon Houlden, Director of the China Institute, Ron MacIntosh, Senior Research Fellow of the China Institute, and the anonymous reviewer for their generous time and thoughtful input. The publication of this paper would not have been possible without the contributions of my colleagues at the China Institute. My thanks go out to Jia Wang, Kai Valdez Bettcher, and Erin Asselin for helpful suggestions and assistance, as well as to Jingjing Zheng for the design and formatting.
China is home to over 22% of the world’s population; however, China only has 7% of the world’s arable land and 6% of the world’s surface fresh water supply. Over the past three decades, China has successfully lifted a record number of people out of poverty and achieved a rapid increase in living standards. China’s experience is often cited as an exceptional example of a developing country that has succeeded in increasing food productivity and availability, improving access to food, and ensuring stability of food supplies. While China’s record in protecting its basic food security is indeed impressive, the challenges facing its pursuit of food security are still many and complex.

China’s government still concentrates considerable resources on eliminating hunger among the 150 million people who live in rural areas. However, recent social and economic developments, such as marketization of the economy, rapid urbanization, and rising incomes add complexity and pressure to the Chinese food security situation. China is experiencing rapid growth in food consumption and fundamental transformations in the food system, and its pursuit of food security now includes meeting the dietary aspirations of an increasingly affluent population that seeks to consume more meat, poultry, fish, fruit, and dairy products.

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The consumption of meat and fish has almost doubled since the 1980s and China is now leading the global Livestock Revolution.\(^5\) Another important trend is growing consumption of dairy products. According to the report issued in 2015 by China’s General Administration for Quality Supervision, Inspection and Quarantine, dairy products, with an estimated value of US$9.54 billion, represent China’s largest food import category. Importantly, these shifts in dietary patterns—from the consumption of basic staples towards a more diversified diet—have generated a sharp rise in demand for grain for indirect uses: namely, to produce meat and dairy products. At the same time, food safety has emerged as one of the most significant public concerns and has come under increasing scrutiny. Consequently, while in the 1980s and 1990s Chinese leaders were preoccupied with their ability to simply feed the populace, in the 2000s the major challenges are rapidly growing dependence on the global food system and food safety.

This paper examines how China’s food security situation is changing and why. The paper will first explore the concept of food self-sufficiency and its implications for current food security policies. Second, the discussion will focus on China’s growing dependency on global food markets and China’s food safety situation. The final section of this paper will summarize the key points and findings and will suggest implications of China’s food security for Canada.

China’s perceptions of food security are shaped by memories of famine and hunger. Historians have called China “a land of famine,” pointing out that “no other civilization has had such a continuous tradition of thinking about famine, and no other nation’s modern history has been so influenced by hunger and famine.” Not so long ago, during the High-Maoist era of socialism between 1959 and 1961, China lost, by some estimates, 52 million people in the Great Famine. In this context, food security in China has acquired a very specific meaning that emphasizes maintaining basic food availability, rather than variety or quality of food.

In addition, China’s anxiety over food security has been stimulated by international discourses on the supposed threat emanating from China’s increasing demand for food. In the widely discussed book Who will feed China?, Lester Brown argues that “two more beers per person in China would take the entire Norwegian grain harvest.” Brown’s pessimistic scenarios of China’s development in the mid-1990s set off heated public and academic debates about the international implications of China’s food security. Importantly, it ignited a huge political firestorm in China, accentuating deeply ingrained concerns that food can be used as a political weapon against China. The debates over the possibility of “food wars” and a repetition of a scenario like the 1980 grain embargo against the Soviet Union led some Chinese commentators to conclude that, for China, “a victory in a ‘food war,’ will be more important than a victory in an ‘oil war.’” In sum, China’s government felt obligated to demonstrate to the world that “the Chinese people will feed themselves.”

In the mid-1990s, China’s government adopted a food security strategy that equates food security to self-sufficiency in staple foods. The self-sufficiency target of 95% for such essential crops as rice, wheat, corn, and soybeans was established in 1996, and over the past two decades, with the exception of soybeans, this target has

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largely been achieved and food production has kept pace with the growth in demand.

The commodity spike of 2008 confirmed the worst fears of China’s government and strengthened the focus on self-sufficiency within China’s food security discourse. Between 2001 and 2008, as food commodity prices rose by 100%, and with prices increasing by almost 300% for rice and some other commodities,11 China’s government began to regulate the domestic market more aggressively, providing various supports to domestic producers and restricting food exports in order to minimize the effects of higher prices on China’s population.

While there is nothing uniquely “Chinese” in a desire to achieve food security by following a self-sufficiency policy, China is an exceptional case, inasmuch as China’s government is "obsessed" with the idea of self-sufficiency:12 Self-sufficiency in staple foods is a political project rather than an economic necessity. The not-so-distant memories of famine and hunger, together with international doubts over China’s capability to feed itself and a rapidly growing dependence on the global food system, are viewed by the leadership of the Communist Party as a potential threat to China’s domestic and international stability and even the legitimacy of one party rule.

President Xi Jinping’s administration supports the historical narratives that were set by its predecessors, and is evasive about publicly acknowledging the extent of the Great Famine and how the Party’s policy mistakes contributed to the tragedy.13 Promoting a positive evaluation of the Party’s contribution to China’s national development, official ideology still claims that the agricultural crises and deaths of the Great Famine were caused by natural disasters and intensified by “counter-revolutionary forces.”14 At the same time, Xi Jinping’s administration makes extensive efforts, on both the domestic and international level, to showcase China’s credentials as a leader of the developing world in the fight against global hunger and malnutrition.


In the 2010s, the main goal of China’s food security strategy remains self-sufficiency.

“The food bowl of Chinese people must remain firmly in their own hands.”

- Xi Jinping

Since the mid-1990s, China’s government has been undertaking significant measures to encourage greater cultivation of wheat, rice, corn, and soybeans. One of the pillars of China’s pro-agriculture policies is the price support program introduced in 2004. Using reserves under its direct and indirect control, China’s government sets minimum purchasing prices on a regular basis at the start of a marketing year for wheat and rice and implements temporary purchase and storage policies for corn and soybeans. Consequently, the reserve system is used as a “buffer stock”: state-owned enterprises purchase commodities when market prices are particularly low, storing and selling them at auctions during periods of high prices. Maintaining domestic prices for targeted commodities at the level that guarantees producer profitability, China’s government enhances the stability of production and supply of these commodities.

In addition to this, in order to promote modernization of traditional labor-intensive and low-productivity methods of farming, in 2003 China’s government adopted a policy known as the “four reductions, four subsidies” (si jianmian, si butie). An agricultural tax, agricultural specialty tax, slaughter tax, and livestock tax were eliminated. Simultaneously, the government began to expand agricultural support, offering farmers subsidies for grain production, seeds, farm machinery, and other inputs such as fertilizers and pesticides. China’s Minister of Agriculture Han Changfu reported that these major subsidies alone in 2013 cost China’s government 160 billion yuan (more than US$25 billion). If coupled with other subsidies and awards, China’s government spends over one trillion yuan (roughly US$160 billion) each year in support of the domestic agriculture sector.

The most recent policy initiatives of Xi Jinping’s administration aim at reducing obstacles that undermine development of the agricultural sector in rural areas by enhancing the security of land tenure and by extending land-use rights,

restructuring residency mobility regulations (the *hukou* system), and improving access to credit.18 These measures are expected not only to “fulfil, protect, and advance various interests of Chinese farmers,”19 as China’s Minister of Agriculture claims, but also to kick start consolidation of small family farms into larger commercial agriculture enterprises and stimulate development of competitive agribusiness in rural areas.

In addition to the direct support of the modernization of agriculture industry, the food security strategy of Xi Jinping’s administration also includes official recognition that environmental problems, such as degradation of land, insufficient water supply, and effects of climate change have adverse impacts on China’s agriculture. As a case in point, the 13th Five-Year Plan (2016-2020), approved in March, 2016, includes stringent policies on the protection of cultivated land. To the “red line” that determines the minimum national agricultural land of 180 million hectares (*18 yi mu gengdi hongxian*), China’s government is to add two more lines: “an ecological protection red line” and “an urban development boundary.”20

In sum, in the 2010s, the main goal of China’s food security strategy remains self-sufficiency. Discussing the Food and Nutrition Development Program for 2014-2020, Xi Jinping emphasized that “the food bowl of Chinese people must remain firmly in their own hands.”21 It is clear that Chinese leaders believe that options for the development of domestic capacity are not fully exhausted, and in the coming years China will continue to rely on its own agricultural production, focus on domestic markets, and moderate import demands.

Modeling studies project that China’s agricultural production will progress steadily for most commodity groups.22 However, it is obvious that a growing population, rising incomes, and increasing urbanization will continue to add new constraints to China’s self-sufficiency strategy. Particularly, the rapidly-growing demand for agriculture goods to supply the food production industry, mainly for the meat and dairy sectors, cannot be met by domestic production alone. China has already found it impossible to meet its soybean requirements from domestic resources23 and now is reaching a tipping point in the production of corn.24

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23. In 2013, soybeans were removed from the self-sufficiency target, instead the aggregate 95% target is to be attained for the remaining crops.

China’s food imports have been consistently rising in recent years and are expected to continue to grow at a high rate over the coming decades. Currently, China is importing agricultural products from countries such as Brazil, Australia, Canada, New Zealand, and Argentina, yet the US is China’s leading supplier, accounting for over 24% of China’s imports by value.\textsuperscript{25} Soybeans and other oilseeds account for almost a half of China’s agricultural import value (US$39.6 billion). They are processed to extract oils, whereas the residual meal is used as a protein supplement for livestock. China also imports significant quantities of fats and oils (US$11.9 billion) used in the production of consumer oil products, as well as grains and feeds, including corn, wheat, and rice (US$8.5 billion). China’s self-sufficiency in meat and dairy products has been declining, and, as a result, imports of these product categories have been increasing (to US$9.6 billion). In recent years the mix of agricultural imports has been expanding and diversifying into new commodities. In particular, China’s purchases of fruits, vegetables, nuts, (US$6.4 billion) and sugar (US$2.3 billion) have accelerated.

China’s market has become a focus of global agricultural expansion, and yet China’s government systematically favours the interests of domestic producers by moderating import demands through various protectionist policies, which sends a confusing signal to China’s international partners. China’s regulates imports of wheat, rice, corn, and soybeans through a system of tariff rate quotas. Low tariffs of 1% are applied on imports up to the quota amount, which is adjusted yearly at a rate of approximately 5% of overall consumption, whereas high tariffs of 65% are charged on imports above the quota\textsuperscript{26}. China’s unwillingness to open its agriculture sector to Australia was a sticking point in negotiations on their free trade agreement, and it is indicative that, despite China’s strategic motivations to strengthen relations with Australia, reductions of tariffs on wheat, rice, corn, and soybeans, as well as some other seeds and vegetable oils, were not included in the agreement.\textsuperscript{27}

\textsuperscript{26} Ibid., p. 10.
Another tool that is used to influence food production and imports is investment in overseas agriculture. According to a report released by China’s Ministry of Agriculture, in 2014 over 300 Chinese companies have invested in agricultural, forestry, and fishing projects in 46 countries. The same report indicates that, by the end of 2013, Chinese private and state-owned enterprises had cultivated over 230,000 hectares of land abroad (see Appendix China’s investment in overseas agriculture, land acquisitions, and public opinion). While China is one of the largest international agriculture investors, when it comes to China’s overall investment stocks, agriculture still represents only a fraction of the total investment stock. Chinese officials, however, claim that outward foreign direct investment in agriculture is in its early stages and its scale and scope will gradually expand.

An integral part of China’s strategy of overseas investment in the agricultural sector is to enable “national champions” to access advanced production technologies, management techniques, and the established export networks of major OECD agriculture producers. Consequently, when investing in farmland abroad, China does not try to outsource food production but seeks to allow its “national champions” to gain direct control over international food supply chains and, consequently, food imports. As a case in point, the state-owned COFCO Group, China’s largest food processing manufacturer and trader, between 2014 and 2015 purchased majority shares of Dutch grain trader Nidera and Singaporean commodities trader Noble Group Ltd, making a combined US$2.8 billion investment. These acquisitions will allow the COFCO Group to gain access to well-developed grain export infrastructure in South America, Central Europe, and other regions. As a result, the company should be able to better compete with the most influential multinational grain traders, the so-called ABCD group: Archer Daniels Midland Co., Bunge Ltd., Cargill, and Louis Dreyfus. The chairman of COFCO Group Frank Ning highlights this approach in his comment that by establishing itself as an international grain trader with a “leadership position and competitive advantages” his company bridges national strategy and corporate strategy.

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Food safety is an integral part of food security; yet, because of the long-standing focus on maintaining basic food availability, until very recently food safety was not high on the list of priorities for the Chinese government. China’s aspiration for self-sufficiency is in conflict with food safety in two major aspects. First, China’s government is motivating farmers to maximize production, which has led to the development of some unsustainable and harmful agricultural practices (e.g., overly intensive farming, excessive use of fertilizers and pesticides). Second, China’s government is determined to make basic foodstuffs as affordable as possible for the populace and adjusts the prices of agricultural goods. As a result, producers are under pressure to cut costs in the drive for profitability by using illegal additives and adopting unsafe food processing practices.

In the mid-2000s, food safety became a high profile issue in China, with significant public health, economic, and social implications, and can be said to now “represent one of the top three governance concerns of China’s population, along with inequality and corruption.” Numerous food scandals, such as the notorious milk scandal of 2008, have led to enormous mistrust among consumers and a rapid rise of public anxiety about food quality and safety. In a survey conducted in 2014, about 80% of respondents indicated that they are not happy with food safety, with 58% believing that production and processing pose the greatest threat to consumer safety and 25% seeing planting and breeding as a major source of food safety risks.

The Chinese middle-class, which constitutes about 24% of China’s population (300 million people), has particularly high expectations about food quality and safety. While lower-income Chinese may “simply buy the products they normally buy in larger quantities, or more frequently,” middle-class Chinese “trade up to more expensive, branded version of products they already buy.” Increasingly affluent middle-class consumers are well-informed and attentive. They are very sensitive to the reputations of brand names and are loyal to brands that they perceive to be better in some way.
Many of these middle-class consumers are motivated by “individualistic health concerns.” They are willing to buy ecological and organic food at any time of the year and ready to pay higher prices for it. However, China’s domestic production capacity is not sufficient to meet this growing demand for ecological and organic food.

Consumers are distrustful of domestic organically certified products offered in mass market grocery stores and are looking for new options, but urban, alternative food networks, such as farmers’ markets, buying clubs, and community supported agriculture, are still rather underdeveloped. As a result, Chinese urban middle-class consumers are increasingly turning to imported products that are perceived as being of higher quality than local equivalents. The country of origin has become one of the key elements that influence the consumer choices of China’s middle-class.

Safety concerns and the limited availability of imported products on the domestic market push many middle-class consumers in China to buy their food from abroad rather than domestically. As a case in point, the demand for imported infant formula in mainland China is so high that in March 2013 the customs authorities of Hong Kong had to issue new export regulations to prevent an influx of traders who would buy milk powder in Hong Kong to resell it in mainland China. Under the new regulations, a person can carry only 3.9 pounds of baby formula out of Hong Kong. Similarly, in 2013 Australian retail chains in Melbourne and Sydney established limits on the number of tins of infant formula one customer could buy in order to prevent Chinese nationals from exhausting local supplies. According to Australian mass media, retailers faced challenges enforcing the limits and dealing with “shelves often stripped bare as quickly as new stock arrives.”

Under the twin pressures of public concern and demand, the policy vision for food safety challenges is changing. Over the past five years, China’s government has been massively investing in enforcing the new legal system and upgrading monitoring facilities. Importantly, Xi Jinping’s administration set up a comprehensive reform of the national food safety management system. In 2013, to consolidate downstream food safety supervision and enforcement functions, the China Food and Drug Administration (CFDA), the regulatory body responsible for protecting and promoting food safety, was elevated to the ministerial level directly under the State Council, China’s highest administrative body. As a centralized authority, the CFDA is responsible for building a high-level, unified system to handle food safety issues. This reorganization of the food regulatory environment indicates the high priority that China’s current government sets on attaining food safety. Nevertheless, due to the huge scale of China’s food industry and its decentralized and fragmented structure, progress on food safety control and regulation has been limited.

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41. Ibid.


China’s record in protecting its basic food security is indeed impressive for a country of its size and limited resource endowment. Over the past three decades, China’s government has been successfully pursuing food security by maintaining self-sufficiency. China’s government uses reserves under its direct or indirect control to stabilize prices for staple food commodities and ensure profitability of domestic producers. It also widely supports modernization of traditional, labor-intensive, and low-productivity methods of farming through an extensive system of subsidies, and maintains control over food imports and exports. These policy tools ensure that China can meet domestic consumption demand with domestically produced food, and minimize its dependence on global markets. However, recent socioeconomic changes add extra complexity and pressure to China’s food security situation and a growing dependence on the global food system is already a part of the present-day reality.

Canada is one of many countries competing for reliable access to China’s market. Between 2011 and 2015, Canada’s exports to China have increased 52.8%. In 2015, Canadian agriculture and food exports to China grew to CAN$5.615 billion and accounted for 28% of the total value, making China the second-largest export destination for Canadian agriculture and food products. Such remarkable and rapid growth was advanced by the success of market access efforts of federal and provincial governments. In 2012, Canada improved access for exports of its canola seed, alfalfa hay, beef and beef products, and dairy products. New dietary aspirations of China’s increasingly affluent urban population also offer good prospects for Canadian exports of high-value farm products. For example, the new market access in China for fresh British Columbia blueberries that opened in 2015 is expected to generate up to CAN$65 million annually. Nevertheless, remaining market access barriers in the form of both tariff and non-tariff barriers still create many challenges for Canadian exporters and slow down the development of trade relations between China and Canada in the agriculture and food sector.

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47. Source: Statistic Canada (2016).
Canada’s exports to China have been heavily focused on commodities and primary processed products. Canada is particularly interested in effective market access to sell canola and canola oil without tariff trade barriers. In 2015, Canada exported 4 million tonnes of canola seed to China, valued at CAN$2.045 billion, which is almost half of Canada’s total exports during the year.51 Chinese demand for Canada’s canola oil also remains strong: in 2015 Canada sold 609 thousand tonnes of oil to China, valued at CAN$545 million. As China Institute researcher Kerry Sun points out, the fact that reduction of tariffs on seeds and vegetable oils were not included in China’s free trade agreement with Australia, signed in 2015, is “a mixed blessing for the Canadian canola industry.”52 Canada’s exports of canola and canola oil most probably will not be affected by advantages provided by the agreement to Australian producers. At the same time, China’s strong reluctance to open its agriculture sector, ostensibly on the basis of “food security” arguments, does not bode well for any future negotiations between China and Canada on tariff reductions, nor for prospects that China might be welcomed into the Trans-Pacific Partnership.

In addition to tariff barriers, Canadian exporters experience difficulties with a number of technical, non-tariff barriers that are enforced through import regulations, such as food safety standards, labeling requirements, inspections, and import licenses. China’s sanitary and phytosanitary requirements do not always match standards recognized by Canada and are not always consistent with international standards.

As a case in point, Canada’s canola seed exports are presently threatened by China’s plans to impose new regulations on the maximum allowable tolerances for dockage (straw or other foreign plant materials) in shipments. Current Chinese regulations allow dockage to contain up to 2.5% of canola seed imports from Canada; however, recently China has announced a decision to implement a tougher standard on Canadian canola shipments on September 1, lowering the maximum allowable tolerances for dockage to 1%.53 There is a disagreement as to whether new standards primarily work for the benefit of Chinese consumers and producers or represents a non-tariff barrier. According to Chinese authorities, new regulations address concerns about spreading blackleg disease from Canadian shipments to China’s domestic canola or rapeseed production, whereas Canadian experts claim that there is “virtually no risk at current dockage levels.”54 In addition, some experts see plans to toughen standards for Canadian canola shipments as an attempt to deliberately limit imports in order to facilitate the sales of China’s large domestic canola oil reserves, which deteriorate over time.55

Non-tariff trade barriers also hamper Canada’s exports of value-added food. For example, Canada has a voluntary labeling system for GMOs, inasmuch as, according to Canada’s assessments, existing GM products are not materially different as compared to conventional food products. Conversely, mandatory labeling for GM products is considered in China as a form of risk communication that allows consumers to make an informed decision.

53. In the end of February, the Canadian Food Inspection Agency was notified that China’s new standard for dockage in canola shipments will take effect on April 1, yet China has postponed implementing a tighter standard, just days before it was to take effect, until September 1. Mazereeuw, P. (April 6, 2016). Tory MPs push Liberals on China’s canola crackdown. The Hill Times, Embassy: http://www.embassynews.ca/news/2016/04/06/tory-mps-push-for-further-action-on-china%E2%80%99s-canola-crackdown/48455.
choice. Importantly, China has zero tolerance policies for unapproved and untested GMOs in food. As a result, Canadian food companies are “less inclined to invest in exporting to China because of the complexity of understanding Chinese rules about clearances and approvals.” Even though Canada has great potential in the Chinese market as a supplier of “authentic,” “safe,” and “trustworthy” food, value-added food represented only 1% of Canada's exports to China and “Chinese retailers generally don’t think about ‘Canadian food’ as a source to help them meet their customers’ food desires.”

Tariff and non-tariff trade barriers are likely to continue to impede Canada's exports of agricultural and food products to China, affecting not only the stability of Canada's exports of agricultural commodities but also restricting opportunities for diversification of Canada's export portfolio. The future of trade relations between China and Canada will depend on how well Canadian federal and provincial governments can manage to maintain and improve market access for leading Canadian agricultural exports. In addition to this, Canada's producers of value-added food could benefit from a guide that addresses the options for accomplishing their goals in the Chinese market and its unique regulatory requirements.

At the same time, constructing effective trade relations with China is not only a matter of successful intergovernmental negotiations on tariff and non-tariff barriers, but also a matter of building trust with Chinese retailers and consumers. The challenges of China's protectionist food security policies present an opportunity for Canadian producers to generate innovative solutions and creative business models. In this sense, creating brand awareness and building a reputation for “Canadian food” in the Chinese market are important goals. As recent reports indicate, currently “Canadian food remains off the radar for most Chinese consumers and retailers.” There is a need for a comprehensive and coordinated strategy, promoted by Canada's government, to improve the visibility and positioning of Canada's food products on the internet. Canadian producers should be encouraged to develop niche advertising campaigns to achieve a unique identity within Chinese food networks and to explore online retail opportunities as a market channel for their products. Should Canada open negotiations with China on a free trade agreement this would represent an opportunity to address in a comprehensive manner a wide range of access issues for Canadian food exports, including non-tariff issues. However, the Sino-Australian free trade agreement would tend to indicate that achieving enhanced access for Canadian foods would still be affected by China's deeply-rooted food security preoccupations.

57. Ibid.
58. Ibid.
Chinese investment in agriculture overseas has become an extremely sensitive topic. Lamido Sanusi, Governor of the Central Bank of Nigeria, in his article in the Financial Times, claimed that China “is no longer a fellow under-developed economy” and “is capable of the same forms of exploitation as the west,” contributing to “deindustrialisation and underdevelopment” of African countries.59

Public debates often inaccurately portray China’s ambitions in the agriculture sector. Particularly, discussions of China’s foreign land acquisitions often imply that Chinese investors are purchasing or renting agricultural assets that were previously owned by local farmers, whereas in reality the majority of acquisitions have been made between China and foreign companies. In addition, very often the actual size of China’s foreign land acquisitions is significantly exaggerated. Some experts go as far as to accuse Chinese investors of worsening famine situations in Africa. For example, in 2011, the German Chancellor’s Personal Representative for Africa, Günter Nooke, claimed that Chinese investment in Ethiopian agriculture is focused on land acquisitions, and thus potentially can provoke “major social conflicts in Africa.”60 However, there is no evidence to suggest that Chinese investors were to blame for a devastating famine in 2011 in Ethiopia. China actively invests in the mining and infrastructure sectors in Ethiopia, yet is absent from land investment deals. Data collected by independent observers indicates that, in 2011, a Chinese company leased a concession of 25,000 hectares to produce sugarcane and “this company claimed to be the first agricultural company from China investing in Ethiopia.”61

Another illustrative example is a massive farmland acquisition in Ukraine in 2013. The South China Morning Post reported that Ukraine will “become China’s largest overseas farmer in a 3 million hectare deal.”62 The newspaper argued that 3 million hectares in the eastern Dnipropetrovsk region would be leased to the Xinjiang Production and Construction Corps (XPCC) by KSG Agro, the largest Ukrainian agricultural company. Various international mass media copied the information, describing the deal as an unprecedented acquisition of “5% of Ukraine’s arable land, equivalent to the size of Belgium or Massachusetts.”63 However, the head of KSG Agro, Sergey Kasyanov, officially denied that his company sold or subleased land to XPCC. In fact, KSG Agro and XPCC reached an agreement for XPCC to invest in the development of a 3,000 hectare portion of assets owned by KSG Agro.64


64. KSG Agro. (2013). Refutation of information. : http://www.ksagro.com/en/2013/09/23/refutation-of-information/. On the top of it, the KSG Agro does not own 3 million hectares of land in Ukraine: by the end of 2012 the land bank of the company was only 92,000 hectares.
China’s investment attempts in agriculture are met with suspicion and mistrust by the public not only in developing countries but also in OECD countries. For example, public opinion is not favorable towards China even in countries such as New Zealand, which in 2008 became the first OECD country to sign a free trade agreement with China. China’s investment in New Zealand is mainly driven by its interest in gaining access to established dairy farms and processing facilities, knowledgeable employees, and a well-developed dairy market. While local experts point out that the economy of New Zealand has benefited significantly from China’s fast growth over the past decade,66 the public has expressed strong concerns about China’s interest in New Zealand’s agriculture.66 Despite considerable attention from local mass media and public concerns, China is not as actively expansionist “as it has been made out to be” accounting for only 14% of foreign investment in New Zealand, while 22% comes from Canada.67 A similar trend can be seen in Australia. Surveys show that 57% of Australians think that their government “is allowing too much investment from China.”68 The Australian public is particularly cautious about welcoming Chinese investment in the agriculture sector, even though so far less than 2.6% of Chinese investment went into agriculture and land acquisitions.69

Similar trends are observed in Canada. Chinese investment in agriculture is a relatively recent phenomenon, and still represents only a small part of the overall share of global inward foreign investment in Canada. According to the China Institute’s China-Canada Investment Tracker, Chinese investments were valued at CAN$66 billion as of March 2016, accounting for up to 7% of the total value of foreign investments.70 As for the agriculture and food sector, the data collected by the China Institute shows that China has funded only 13 investment projects in Canada to date, worth CAN$102.7 million.71 Increasing public concerns and other informal barriers present a challenge for Chinese enterprises operating in Canada.

A survey conducted by the Asia Pacific Foundation of Canada indicates that 49% of Canadians are opposed to foreign direct investment from China. Only 42% of Canadians have a positive attitude towards Chinese investment, as opposed to 78% towards Japanese investment, 77% towards American, 67% towards South Korean, and 59% towards Indian investment.72 The survey also shows that Canadians do not have an accurate perception of how much of Canada’s foreign direct investment comes from China. As the authors of the survey note, China has become one of Canada’s major trade and investment partners relatively recently, and thus it has yet to build “a visible and established track record of contributing to the country that could be used to counter the skeptical attitudes many Canadians have toward China in general.”73 It is also quite possible, based on the experience of other jurisdictions, that public resistance towards Chinese investment will be greater where it involves the actual acquisition of agricultural land by a Chinese company or Chinese national. Industrial investments that add value to Canadian agricultural exports would appear to be less likely to attract resistance.

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73. Ibid.