

July 2, 2004

Excelentísimo Señor Presidente Néstor Carlos Kirchner
Presidente de la Republica
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Excelentísimo Senhor Presidente Luiz Inácio Lula da Silva
Presidência da República Federativa do Brasil
Palácio do Planalto
Praça dos 3 Poderes
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The Honorable George W. Bush
President of the United States of America
The White House
Washington, D.C. 20500

Dear Sirs:

The undersigned trade associations, representing agricultural interests throughout South and North America, encourage your immediate attention to the expanding abuses of international rules and conventions by the Government of the People's Republic of China. It is our profound concern that recent actions by China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and/or the Ministry of Agriculture (MOA) disregard World Trade Organization (WTO) commitments for established Sanitary and Phyto-Sanitary procedures and ultimately threaten all global agricultural trade. These actions were preceded by similar abuses which, under the guise of protective health measures, provided support for actions by the Chinese private sector to avoid contractual obligations that ultimately cut across three months of contract commitments made by Chinese companies for soybeans from Brazil.

Unfortunately, these are not the first instances where efforts to manage trade flows through the establishment of WTO-illegal non-tariff trade barriers have disrupted grain and oilseed trade with China from the Americas. Just last year, Chinese authorities citing previously unreported quality concerns, threatened to blacklist companies from shipping soybeans from every major origin.

The actions over the past two months, however, have been even more flagrant. The first action dates to approximately early May 2004 and was reportedly based on Chinese concerns over the presence of the seed coating agent carboxin. That action took the form of blacklisting firms, precluding all future shipments by the companies of Brazilian origin soybeans to China. These actions fell under the cover of China's undeclared zero

tolerance policy. In our view, the AQSIQ action failed to provide required prior notice, lacked transparency, and resulted in dramatic defaults in the Chinese commercial market.

The situation has since turned for the worse. Within the past week, Chinese authorities have issued a series of announcements that throw a cloud of commercial and legal uncertainty over global trade in agricultural products and, we believe, test the very foundation of WTO principles and member obligations. Specifically, AQSIQ Announcement 73 unilaterally imposes new and additional standards to imports of all plant and animal agricultural products and expressly rejects the sanctity of international sampling and testing procedures that have been developed and respected over time.

As organizations who share a common objective of maintaining and improving conditions for the international trade of agricultural commodities, we are united in our response to China's disregard for their obligations under world trade law. The resulting lack of respect for contract sanctity threatens the foundational underpinnings of international trade. Unless actions are taken to mitigate Chinese actions, the substantial legal and financial risks associated with exporting agricultural products may prevent exporters from pursuing export sales.

Representatives of our trade associations have begun a joint effort to assess how commercial agriculture interests can address the increasing prevalence of technical barriers to trade and identify solutions to prevent similar problems from occurring in the future. Our current focus is on the actions of China's AQSIQ and MOA. We intend to provide encouragement and information to the governments of Argentina, Brazil, the United States and others in an effort to execute multilateral responses to actions, like those of China, that inappropriately disrupt or prevent agricultural commodity trade.

To aid this endeavor we together take the unusual step to petition our governments to develop an aggressive response to China and to take the following actions.

First, we respectfully urge the governments of Argentina, Brazil, and the United States to establish a technical working group to consider the appropriate, science-based practices to guide the establishment of technical, environmental, plant, animal and human health policy related to the global trade of agricultural products. The initial charge of such an effort should be to address the appropriateness of the current Chinese actions and to make specific recommendations on standards to address Chinese concerns. We agree to a mandate for the application of sound science to this process.

Second, we respectfully ask each government to immediately initiate efforts to examine the legality of the current and past actions by the AQSIQ and MOA. After a legal study is complete we further encourage our governments to move forward jointly to address this indiscretion under the WTO process.

Finally, we suggest consideration for the inclusion of additional governments to any actions in this regard. Most of our hemisphere, and indeed the world, has a critical

interest in providing a sound environment that will facilitate international trade. We leave to your judgment the addition of other countries to join this critical effort.

We pledge our support to all of these efforts. We will work to facilitate the effort by developing more specific information and providing testimony on commercial experience. We appreciate the opportunity to provide advice on how trade and economic progress can best be facilitated.

Thank you for your prompt consideration and action on this critical issue.

Sincerely,

Associação Brasileira das Indústrias de Óleos Vegetais (ABIOVE)

Associação Nacional dos Exportadores de Cereais (ANEC)

Cámara de la Industria Aceitera de la República Argentina (CIARA)

Centro de Exportadores de Cereales (CEC)

National Oilseed Processors Association (NOPA)

North American Export Grain Association (NAEGA)

Contact Information for Each Organization:

In Argentina:

Argentine Oil Industry Chamber (Cámara de la Industria Aceitera de la República Argentina; Phone: 54-11-4311-4477; Fax: 54-11-4311-3899): The Argentine Oil Industry Chamber (CIARA) was established in 1980 to protect and promote the interests of the Argentine oilseed processing industry. It consists of most of the vegetable oil and protein meal processors throughout the country. CIARA works to foster the development of the oilseed processing sector; encourage the growth and diversification of oilseed production; and promote technological innovation. Contact: Lic. Alberto Rodríguez, Executive Director.

Chamber of Grain Exporters (Centro de Exportadores de Cereales; Phone: 11-4311-1697; Fax: 11-4312-6294): The Chamber of Grain Exporters (CEC), established in 1943, consists of the 12 largest grain exporting companies in Argentina. Its member companies combined market approximately 30 million tons annually. Contact: Raúl S. Loeh, President.

In Brazil:

National Association of Grain Exporters (Associação Nacional dos Exportadores de Cereais; Phone: 55-11-3812-7803 or 55-11-3814-5449; e-mail: anec@uol.com.br):

The National Association of Grain Exporters (ANEC) was founded on June 22, 1965 with the aim of boosting the development of activities related to the production and export of grains, as well as advancing its members' interests in their dealings with public and private institutions. The association is a nationwide organization headquartered in São Paulo. ANEC is a worldwide entity known for its contracts (47, 71, 81) for soybeans, soyabean meal and soyabean oil, respectively, which are used throughout international commerce. Contact: Sérgio Teixeira Mendes, General Director.

Brazilian Oilseed Processors Association (Associação Brasileira das Indústrias de Óleos Vegetais; Phone: 55-11-5536-0733): The Brazilian Oilseed Processors Association (ABIOVE) was established in 1981 and consists of 12 associate members that process approximately 80 percent of Brazil's soybean crush volume. The association's objective is to represent and serve the vegetable oil industries, work with the Brazilian government on policies to enhance the oilseed sector, promote Brazilian products, and conduct studies and generate statistical data on the sector. Contact: Carlo Lovatelli, President.

In the United States:

North American Export Grain Association (Phone: 202-682-4033; e-mail: gcmartin@naega.org): The North American Export Grain Association (NAEGA) represents private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA members together ship the vast majority of the approximately \$20 billion in U.S. exports of bulk agricultural commodities. Contact: Gary C. Martin, President.

National Oilseed Processors Association (Phone: 202-842-0463; e-mail: THammer@nopa.org): The National Oilseed Processors Association (NOPA) represents oilseed crushers of canola, flaxseed, safflower, soybeans and sunflower. NOPA's 12 regular member firms are engaged in the actual processing of oilseeds. NOPA members account for approximately 95 percent of soybeans processed in the United States. Contact: Thomas Hammer, President.