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## **Comments on Negotiating Objectives for a U.S.- European Union Trade Agreement**

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U.S. Wheat Associates (USW) appreciates the opportunity to provide comments on negotiating objectives for a potential trade agreement with the European Union (EU).

### **Agreement Scope**

The United States has never engaged in regional trade agreements that exclude agriculture. First, even though other countries have done it, this would seem to be a violation of the World Trade Organization (WTO) requirement that these agreements cover substantially all trade. Second, agriculture is such an important part of the U.S. export mix, particularly for rural states and regions, that ratification of an agreement excluding this sector seems impossible. In spite of objections from EU leaders, agriculture should be part of any negotiations on a trade agreement with the EU.

### **Section 232**

USW also notes with concern that tariffs in retaliation for existing and prospective Section 232 tariffs present a threat to U.S. agricultural exports. While further tariffs are purported to be on hold as negotiations are ongoing, the United States should rescind the threat of tariffs under Section 232 on automobiles and auto parts. These tariffs would almost certainly result in further damage to U.S. agriculture.

### **Wheat Market Access**

U.S. wheat exports to the EU in recent years have primarily occurred under a unique system that allows duty-free imports of wheat that meets minimum protein requirements. There are several WTO TRQs, and one large U.S.-specific TRQ for lower protein wheat, albeit subject to an in-quota duty. This has rarely been used in recent years, as the duty is still somewhat high (roughly 5 percent ad valorem equivalent at current prices) and the EU typically has ample supplies of lower protein wheat. Consequently, the vast majority of U.S. wheat exports to the EU have been durum and high protein hard red spring wheat. With zero tariffs on U.S. wheat, there could be more opportunity in normal years for lower protein wheat, either for niche uses or to blend with higher protein shipments that could make U.S. wheat more competitive overall. In years with

crop problems in the EU, duty-free access would allow U.S. wheat to better compete against other origins for these opportunities. A top priority for U.S. wheat farmers for these negotiations is tariff elimination on wheat imports.

### **Non-Tariff Barriers**

There are also technical challenges in the EU that make U.S. wheat less competitive. The biggest threat at the moment are policies related to pesticide residues. The EU pesticide regime has the potential to disrupt imports of wheat and a number of other commodities due to the non-science-based hazard approach. In particular, the unjustified uproar in parts of the EU over the use of glyphosate threatens U.S. wheat exports, both through commercial and policy barriers. Residues can sometimes be found on U.S. wheat, but always well within EU, U.S., and Codex limits. Last year, the European Commission extended glyphosate registration for just five years (instead of the usual 10-15 years) and individual countries have threatened to ban glyphosate altogether. The EU should agree to base its pesticide policies on scientific analysis and robust risk assessments rather than public perceptions that are not backed by even European scientific institutions.

Additionally, the EU has a burdensome and time-consuming process for approval of products developed with biotechnology. The EU risk assessment process by the European Food Safety Authority now takes nearly 4.5 years, far beyond the 19-22 months prescribed by EU law. While there is no biotech wheat event commercialized, open regulatory systems based on science are vital for trade to flow freely. We would support adoption of the biotechnology provisions that were included in the U.S.-Mexico-Canada Agreement (USMCA).

USMCA's language also included the recognition of modern biotechnology and the regulatory implications of gene editing technology. Given the current uncertainty of how the EU will regulate these new breeding techniques, particularly considering the recent European Court of Justice opinion, these provisions should enable efforts of the parties to work cooperatively on policies for products developed through new plant breeding techniques. These plant breeding innovations offer necessary tools to combat disease, pest, and climate pressures in wheat breeding, and all efforts should be made to ensure that these technologies do not impede access to the EU market.

Within the EU, Italy imposes labelling requirements on pasta based on where the wheat was grown. Pasta manufacturers must disclose the countries where the durum wheat used to make the pasta was cultivated. They are effectively required to track and segregate for individual countries to comply with labelling requires. This is in violation of EU internal market rules and WTO rules on technical barriers to trade due to the segregation requirements that drive up the cost of imported wheat. Italy is the main market for U.S. wheat in the EU, and generally the largest market overall for durum wheat in the world.

Another major problem is that European import authorities do not recognize USDA Federal Grain Inspection Service (FGIS) certification for mycotoxins, especially deoxynivalenol (DON). Most countries accept FGIS quality testing but the EU does not. The EU requires tests for DON and other mycotoxins at destination, instead of accepting FGIS analysis and certification already done at origin. This creates uncertainty, because at destination the exporter no longer has any

ability to address problems, nor do U.S. authorities have the ability to ensure consistent testing methodology between EU countries and ports. Rejections are enormously expensive.

Finally, EU regulators do not accept USDA Animal and Plant Health Inspection Service (APHIS) certification for Karnal bunt (KB), stating that the APHIS bunted kernel standard for KB does not provide adequate risk protection. The delay and uncertainty of spore testing of U.S. wheat is known to encourage buyers to seek wheat from other origins, mainly Canada, even though both the U.S. and Canada primarily ship wheat to the EU from Great Lakes ports. Areas known to be at risk for KB are regulated within the United States to ensure bunted kernels do not reach unregulated supply chains. The EU is believed to be the only group of countries that questions the sufficiency of the APHIS bunted kernel method for certifying KB. Nevertheless, APHIS and its EU counterpart have exhaustively exchanged scientific views on this issue with no progress having been made in getting the EU to modify its views on the risks posed by KB and the basis for APHIS certification.

#### **About U.S. Wheat Associates**

USW's mission is to "develop, maintain, and expand international markets to enhance wheat's profitability for U.S. wheat producers and its value for their customers." USW activities in more than 100 countries are made possible through producer checkoff dollars managed by 17 state wheat commissions and cost-share funding provided by USDA's Foreign Agricultural Service. For more information, visit our website at [www.uswheat.org](http://www.uswheat.org).