IDFA Trade Policy Priorities for the Biden Administration

May 2021

The International Dairy Foods Association (IDFA), based in Washington, DC, represents the nation's dairy manufacturing and marketing industry, which supports more than 3 million jobs that generate $159 billion in wages and $620 billion in overall economic impact for the United States. IDFA members include a range dairy processing companies, dairy farmer cooperatives, numerous food retailers, suppliers, and other companies. Together they represent approximately 90 percent of the milk, cultured products, cheese, ice cream, infant formula and dairy ingredients produced and marketed in the United States and sold throughout the world. IDFA members are proud to provide safe, nutritious and sustainable dairy foods to people of all ages, everywhere.

Short- and Medium-Term Priorities

A. **Canada – Immediately initiate consultations with Canada under U.S.-Mexico-Canada Agreement (USMCA) on their failure to abide by tariff-rate quota (TRQ) administration and price class commitments.** The U.S. International Trade Commission estimated in 2019 that the United States stood to gain approximately $227 million in additional annual dairy exports to Canada based on the commitments in USMCA. Canada has yet to align both its dairy TRQ allocation conditions and published price class information with USMCA commitments. IDFA has been requesting USTR to initiate consultations with Canada on these actions since July 2020. The United States exported $735 million in dairy products to Canada in 2020.

B. **Mexico** – **Pursue discussions with Mexico under USMCA to elevate Mexico's increasing and wide variety of inconsistent, unscientific, and unjustified measures against dairy imports.** A variety of Mexican agencies have recently taken aim at increasing scrutiny on both dairy products and imports through a variety of measures. These measures ultimately treat imports differently than domestically produced product, create discord between regulatory agencies in Mexico, and leave wide gaps for interpretation and enforcement that are creating market uncertainty and destabilizing the trade relationship with the biggest U.S. dairy export market. IDFA requests USTR to prioritize discussions with Mexico to ensure U.S. dairy products are treated with the favorable access established by USMCA, and to begin stabilizing the trade relationship with Mexico. The United States exported $1.4 billion in dairy products to Mexico in 2020.

C. **China – Take immediate action to improve commercial relationship with China by removing retaliatory tariffs and committing to maintain the gains made for U.S. dairy exporters under Phase One of the U.S.-China Agreement**. China has historically been a top market for U.S. dairy products, but exports to China were depressed by China's implementation of regulatory facility registration barriers and retaliatory tariffs. Although Phase One resulted in the removal of the regulatory barriers, the retaliatory tariffs remain a depressant to U.S. export potential in China relative to U.S. competitors. U.S. dairy exporters also remain cautious that without Phase One commitments, China may reverse the removal of regulatory barriers. Balancing the positive gains against the removal of retaliatory tariffs must be a priority for the Biden Administration. The United States exported $539 million in dairy products to China in 2020.

D. **European Union – Take initial steps towards long-term improvement of the trade relationship with the European Union by resolving outstanding certificate negotiations, and pending those negotiations, removing the retaliatory tariffs associated with the WTO Boeing/Airbus dispute.** The trade relationship with the EU has historically been severely imbalanced due to market-distorting advantages the European Commission has created for its producers and the barriers it uses to keep U.S. products out. On its face, the retaliatory tariffs in the Airbus dispute would seek to correct that imbalance, but ultimately U.S. dairy importers are also suffering under the current conditions. At the same time, in 2020, the EU proposed new onerous certificate requirements that disregard U.S. animal health status, previous equivalence agreements, and existing international standards. The U.S. dairy industry and its global partners need the U.S.-EU trading relationship to be reset in a manner that seeks the long-term correction of the trade imbalance. IDFA urges the U.S. government to begin this process by resolving certificate negotiations and ultimately removing the mutual retaliatory tariffs associated with the WTO disputes. The United States exported just under $84 million in dairy products to the European Union (without the United Kingdom) in 2020.

E. **United Kingdom – Complete negotiations with the United Kingdom (UK) and work with Congress to obtain a vote on the proposed agreement before June 30, 2021.** IDFA appreciates any effort by the United States government to negotiate full and preferential agreements that facilitate the preferential access of increased U.S. dairy products to that market. The negotiations with the UK as part of their departure from the European Union are no different, and IDFA members report that despite 2020 year-to-date (YTD) trade data showing significant growth, still more opportunity for growth exists for U.S. cheeses and butters, in particular. IDFA urges the U.S. government to ensure the efforts of the U.S.-UK negotiations are not lost by completing negotiations and collaborating to ensure a vote is taken on the proposed agreement before the expiration of Trade Promotion Authority (TPA). The United States exported over $35 million in dairy products to the UK in 2020.

F. **India – Use the groundwork laid by the previous Administration to push India to agree to the proposed U.S. dairy certificate and TRQs and allow U.S. dairy access without additional conditions not applied to other trading partners.** The U.S. negotiations with India over their eligibility for preferential treatment under the Generalized System of Preferences (GSP) under the Trump Administration resulted in the most meaningful discussions on U.S. dairy access to India in more than a decade. Though India is reluctant to give the United States access, they have no right to withhold access from those exporters willing to meet the terms of the certificate India requires of U.S. competitors. IDFA encourages the U.S. government to ensure India puts an end to the years of unfair barriers to U.S. dairy trade by agreeing to the U.S. certificate and TRQs proposed by the United States during negotiations. The United States exported $60 million in dairy products to India in 2019, although U.S. exports have drastically declined in 2020 due to India targeting U.S. lactose shipments for rejection. Previously, IDFA estimated that India as a market may have the potential to reach $150 million annually.

G. **Legislation – Work collaboratively with Congress to reauthorize Trade Promotion Authority (TPA) before it expires in 2021.** The future of the competitiveness of U.S. dairy exports hangs on the ability of the United States to quickly and effectively negotiate preferential trade agreements with U.S. trading partners that include meaningful access for U.S. dairy. With the expiration of the current TPA legislation looming, IDFA understand USTR will be called upon to guide discussions related to its reauthorization. IDFA encourages USTR to place any efforts related to TPA reauthorization as a matter of the highest priority in 2021 to ensure U.S. dairy exports remain globally competitive. In 2020, the United States exported $6.4 billion of dairy products; at the highest value, the United States exported $7 billion of dairy products in 2014.

Long Term Priorities

H. **Pursue multilateral trade negotiations that include key dairy export markets in Asia.** Increasing U.S. preferential access to global markets through free trade agreements is a critical priority for the U.S. dairy industry to maintain a globally competitive footing. While the United States withdrew from the Trans-Pacific Partnership (TPP) and focused instead on bilateral negotiations, U.S. competitor markets continued finalizing reduced tariff access that disadvantages U.S. exporters. Whether it involves initiating new multilateral negotiations or acceding to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), U.S. dairy exporters need U.S. negotiators to prioritize multilateral negotiations that result in reduced tariff and barrier access to key markets in Asia, particularly Southeast Asia. As an example, the United States exported over $3.3 billion in dairy products to TPP countries in 2020.

I. **Oppose the aspects of the European Commission's (EC) Geographical Indications (GI) regime which are inconsistent with the WTO's Agreement on Technical Barriers to Trade (TBT), including in third markets.** The EC's GI strategy is not new but continues to expand and cause increasing damage to U.S. cheese exporters globally. Most recently, the EC is proposing to expand the strategy to include protection of shapes and colors, and to incorporate GIs into the EC's overall sustainability strategy. In the meantime, the EC's GI registration regime is already now without such expansions far more trade restrictive than necessary according to WTO TBT commitments. The United States needs both liberalized defensive positions within U.S. mandates as well as new, innovative offensive strategies that hem the EC's GI strategy expansion and start to minimize its third market damages.

J. **Lead negotiations to reform the World Trade Organization (WTO).** With the entrée of a new WTO Director General (DG), the United States should exert global leadership by seeking negotiations leading to reform on a variety of reform topics that impact agricultural trade rules, including development country status and definitions, reconsideration of most-favored nation tariff levels, and subsidy limits.

K. **In partnership with stakeholders, strategically drive science-based positions and transparent processes within the international organizations that affect U.S. dairy trade, including the World Health Organization (WHO), Codex, and the United Nations (UN).** The international standards, guidelines, and recommendations workstreams of the WHO, Codex, and the UN are increasingly driven by positions that are not based on science, nor are they transparently developed. At the same time, the United States is uniquely positioned to lead a global strategy to correct these shortcomings and to provide global leadership in these organizations. Maintaining a clear focus on the impact of these workstreams on U.S. dairy trade, the U.S. government should support develop and implement a strategy that supports science, risk, and transparency as foundational principles to trade-impacting standards.

L. **Support trade policy positions on environmental sustainability, and where appropriate, climate change, that align with the U.S. dairy industry's existing and ongoing initiatives.** U.S. dairy has globally shared objectives when it comes to advancing the sustainable production and consumption of U.S. dairy products, but the potential exists for U.S. trading partners to use environmental sustainability as a pretense to mask non-tariff barriers to trade, without relying on the available science, risk, or international standards or metrics. U.S. negotiators should pursue trade commitments that both build on the investments of existing U.S. dairy initiatives on environmental sustainability, as well as protect U.S. trade from injury through environmental sustainability measures.

M. **Support the resiliency of U.S. supply chains by working across U.S. agencies to develop innovative solutions that resolve ongoing transportation and logistics problems creating barriers to trade, including port congestion, empty containers, and container and vessel shortages.** Although not a set of circumstances that have typically been handled by the U.S. Department of Agriculture or the Office of the U.S. Trade Representative, the transportation and logistics circumstances facing U.S. agricultural exporters is increasingly atypical. U.S. dairy exporters need innovative actions and brainstorming to deal with these problems which will require the full participation and support of all U.S. agencies involved, including USDA and USTR. The interagency discussions should consider a wide range of possible solutions, including whether to establish an industry advisory committee on supply chains, whether a permanent position on supply chain support is needed in the White House or USTR, and revising existing interagency tools to make them more transparent and effective (e.g. Department of Transportation's Committee on the Marine Transportation Systems).