



**CHEESE IMPORTERS
ASSOCIATION OF AMERICA**

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Statement of
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Director, Government Relations and Legislative Affairs
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Re Docket No. USTR 2019-0003
Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute
May 16, 2019

The Cheese Importers Association of America (the CIAA) appreciates this opportunity to appear before the Section 301 Committee to express our strong opposition to the proposed increase in tariffs on virtually 80% of all cheese imported into the United States from members of the European Union (the EU). The CIAA is a trade association representing companies and individuals responsible for the importation of the majority of cheeses entering the United States. We believe that the inclusion of the listed cheeses, most of which are already subject to tariff rate quotas with significant out of quota tariffs, would be contrary to the interests of American consumers and disruptive to the supply chains that many small and medium sized business rely on. Further, using tariffs on food and agricultural products in retaliation for measures unfairly benefiting industrial products exposes US agriculture, including dairy, to similar treatment by our trading partners, and is contrary to our long-term support for the negotiation of a comprehensive trade agreement with the EU.

USTR has requested comments, in part, regarding:

- The specific products to be subject to increased duties, including whether products listed in the Annex should be retained or removed, or whether products not currently on the list should be added; and
- Whether increased duties on particular products might have an adverse effect upon U.S. stakeholders, including small businesses and consumers.

We believe that the focus on this hearing should remain on those items and not focus on matters that go beyond the scope of this proceeding.

CIAA Urges a Long-Term Trade Agreement with the EU

CIAA agrees with the thrust of the World Trade Organization (WTO) description of countermeasures where the WTO says: *“In principle, the sanctions should be imposed in the same sector as that in which the violation or other nullification or impairment was found”*. We therefore agree with others who have submitted testimony saying that if retaliatory tariffs are imposed, they should be directed at related products. Imposing burdens on other industries not directly involved in the dispute in question is a disservice to efforts to move toward free and reciprocal trade. As importers we already pay nearly \$100 million in tariffs on cheeses imported from the EU. Increasing tariff rates by as much as 100 percent in our view is likely to reduce these revenues and disrupt well established commercial activities.

Indeed, it is ironic that the National Milk Producers Federation is advocating for both the retention and expansion of the dairy items listed as they have suffered significant losses when the Mexican government employed the same tactic in retaliation for the United States' imposition of Section 232 tariffs on steel and aluminum. As Tom Vilsack, the CEO of the United States Dairy Export Council, noted in a March 31 interview about US-Mexico trade policy *“So, it's great to talk about steel; it's great to talk about autos. We should talk about those things, but not in a way that creates problems for our farmers and our agriculture.”* We believe the argument holds true with respect to the Airbus dispute. Imported cheeses should not be part of this discussion. While we understand and respect the concerns raised that the EU does not import sufficient amounts of American dairy products, that is a matter that should be negotiated apart from the Airbus matter. The proposed increase in tariffs on European cheeses and other dairy products have already encouraged the EU to place American agriculture exports on the EU's retaliation list in the companion Boeing case. The inclusion of cheeses on a final retaliation list here will likely hurt, not help, US efforts to establish a “mutually beneficial dairy partnership” with the EU like the one that Mr. Vilsack noted exists with Mexico.

Thus, CIAA believes that many of the matters raised by NMPF should be addressed as part of comprehensive trade negotiations between the United States and the European Union.

Higher Tariffs Would Hurt Consumers

Many of the listed cheeses are unique to the EU, either as varieties or by virtue of artisan production processes. Thus, cheeses from sheep's and goat's milk like Pecorino, Manchego, Feta and others are not produced in the United States, while many cow's milk cheeses are produced utilizing traditional methods that result in cheeses with unique qualities that are sought after by consumers.

A tariff increase would be passed on to the consumer in the form of higher prices, and, as noted, many of these products have no domestic counterpart that would serve consumers as a substitute. Thus, any tariff action taken here would either significantly increase consumer cost, or more likely price the product out of the market, leaving the consumer with less choice in the marketplace.

Potentially Devastating Impacts on Individual Importers and Others in the Supply Chain

Cheese importers directly employ a large number of employees. Some individual importers point to hundreds of employees at their companies based at import locations and other facilities around the United States. We recently heard from representatives of the Food and Drug Administration (FDA) that approximately 60 percent of all cheeses imported into the United States enter through FDA's Division of Northeast Imports. As cheese supply chains extend far beyond importers to include dockworkers, trucking companies, retailers of all sizes, and the people who work for these firms, any reduction in imports would have a particularly adverse impact on importers, customs brokers, wholesalers, freight forwarders, shipping companies, and their employees particularly in but not limited to the New Jersey and New York areas. These jobs, and the economic activity they generate, would be at risk. We also know of several retailers that specialize in regional or country specific products. These retailers would suffer disproportionately if the products that they offer to consumers are priced out of the market.

Finally, we note these cheeses are imported under licensing programs (7 CFR 6.25(b)) that require importers to import not less than 50% of the licensed amounts in each of three of the past five years. Failure to do so would result in importers permanently losing significant portions of their licenses. If lower volumes of cheeses are imported because of higher tariffs, that action risks impairing the future viability of individual importers. In addition, should the United States no longer import these products European producers will have no choice but to

seek alternative markets. Given that these cheeses are of limited volume, as importers we risk being unable to regain access to these products in the future.

Conclusion

CIAA believes that imposition of any additional tariffs on EU cheeses fails to appropriately focus on related products for retaliatory action. Higher tariffs on cheese will not aid the US industry increase dairy exports to Europe and are more appropriately handled as part of comprehensive trade negotiations. The imposition of higher tariffs on cheeses will disrupt existing markets, rob American consumers of the ability to choose or afford the products they want, hurt importers, intermediate participants in the supply chain, retailers, and the thousands of people who work for these diverse operators. For these reasons we urge you to exclude all cheeses from the proposed retaliatory action.