



**CHEESE IMPORTERS
ASSOCIATION OF AMERICA**



European Dairy Association

June 14, 2021

VIA EMAIL

Katherine Tai
U.S. Trade Representative
United States of America
600 17th Street NW
Washington, DC 20508

Valdis Dombrovskis
Executive Vice President
European Commission
Berlaymont Building
200, rue de la Loi
B 1000 Brussels
Belgium

Re: CIAA and EDA Call for End to LCA and a Solution to the Tariff Dispute

Dear Ambassador Tai and Executive Vice President Dombrovskis:

The Cheese Importers Association of America (“CIAA”) and the European Dairy Association (“EDA”) jointly write to reiterate our call for an end to the Large Civil Aircraft (“LCA”) dispute and for the permanent removal of tariffs and sanctions authorized by the World Trade Organization (“WTO”).

CIAA represents firms and individuals responsible for importing the majority of cheeses entering the United States. CIAA members directly employ thousands of people and support many thousands more throughout the producer-to-consumer supply chain. Additionally, CIAA members import into the U.S. high quality cheeses from around the world including Europe.

EDA (EU transparency register 42967152383-63) is the voice of the European milk processing industry throughout all parts of Europe and across all types of dairy companies, cooperatives and privately-owned dairies, world dairy leaders and small and medium sized enterprises. EDA represents more than 95% of all milk volumes processed in the Union.

Your meetings in Europe are an unique opportunity to re-shape our trade relationship based on our common values and ideas and provide an opportunity to negotiate an end to this dispute.

We welcome the positive steps taken over the past several months to deescalate the dispute and hope both governments can build on this positive momentum to secure the permanent removal of the tariffs on our members’ products. We are encouraged by the decision of our governments to

temporarily suspend tariffs imposed in connection to the WTO LCA disputes and by the ongoing efforts to settle the dispute before the suspension comes to an end. While we urge the government to come to an agreement prior to 11 July to permanently remove these tariffs, we understand that additional time may be needed to negotiate. We therefore request that the governments agree to extend the suspension and announce the extension prior to the expiration date to add predictability for our members' businesses.

At the outset, we believe that the European dairy industry and U.S. cheese importers are being targeted unfairly in violation of WTO commitments as the LCA is a dispute over airport subsidies, not dairy or other agricultural policies. Article 22.3 of the Uruguay Round Agreement establishes that a dispute concerning civil aircrafts should first be dealt with by sanctions (tariffs or other means) on civil aircrafts or related goods. We believe that the U.S. has not appropriately met these obligations as the brunt of the tariffs were placed on unrelated goods and sectors, including cheese. While we sympathize with firms in the aircraft sector, retaliation should be carried out in a way that does not hurt businesses in completely unrelated sectors.

The LCA and resulting sanctions authorized by the WTO unfairly have caused severe harm to the members of CIAA and EDA prior to their suspension. At a time when our members and the dairy supply chains that they support—especially restaurants and the food service industry—are still recovering from the impacts of COVID-19, we urge the U.S. and EU to return to promoting free and fair trade between them, and stop wrongly targeting the dairy industry.

The Section 301 tariffs imposed by the United States are causing severe economic harm to U.S. cheese importers, many of which are small- and medium-sized businesses, their thousands of employees, and the businesses and employees in the U.S. imported cheese supply chain. Many CIAA members were not able to pay the increased tariffs and remain profitable when importing European dairy products. As a result, they were forced to pass the additional tax burden onto their U.S. customers, cut jobs or simply close their businesses. The impact of price increases has been especially severe on small retailers and restaurants with limited flexibility to modify product availability, many of whom were forced to charge significantly higher prices for cheese; downgrade the quality of their cheese offerings; or simply limit customer selection.

These effects of the tariffs have been compounded due to the COVID-19 public health emergency. Additional tariffs on imports of specialty cheeses have exacerbated the fragile state of the U.S. and EU food and restaurant industries. With government mandated closures, many of the restaurants and other foodservice companies that our members supply have been greatly impacted. While some U.S. cheese importers have been able to transition supply to retail markets that remain open, the restaurants, specialty food stores, and foodservice companies we supply continue to struggle as our economies slowly reopen following the pandemic.

The U.S.-EU trading relationship must be mended in order to benefit all trading partners. The U.S. and EU have a long history of mutually beneficial and intertwined supply chains. While the European dairy industry has been obviously harmed by the tariffs, the U.S. dairy industry was also being negatively impacted because dairy products exported from the U.S. to the EU have been subject to EU retaliatory tariffs.

Additionally, U.S. consumers have been harmed by the tariffs because the tariffs have reduced product availability to U.S. consumers and increased prices. For example, there is a limited number of sheep and goats raised in the U.S. for dairy production, resulting in minimal amounts of domestically produced sheep and goat milk cheese. The European specialty cheese imports are not replaceable by American cheese products due to on differences in raw materials, the recipes used, and the manufacturing practices employed—many of which have been developed and perfected over generations. Thus, U.S. consumers were not only harmed by the increased prices, they were also left with limited options. We saw an approximate twenty percent reduction in U.S. cheese imports from the EU since the tariffs were imposed when looked at on a year to date basis.

The LCA and the resulting tariffs have negatively impacted the U.S. and EU economies, during a period when both economies are already experiencing instability from the COVID-19 pandemic. We urge the U.S and EU to make it a top priority to resolve the LCA, repair the vitally important trading relationship between, and stop unfairly targeting the dairy industry in a dispute related to aircrafts.

Sincerely,

Cheese Importers Association of America

European Dairy Association

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CC: Nora Todd, Chief of Staff, Office of the U.S. Trade Representative
Michael Hager, Head of Cabinet, European Commission
Liis Laur, Assistant to Vice-President Valdis Dombrovskis, European Commission