



European Association representing the trade in cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply
Comité du commerce des céréales, aliments du bétail, oléagineux, huile d'olive, huiles et graisses et agrofournitures

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COCERAL views on the EU-US Transatlantic Trade and Investment Partnership (TTIP)

COCERAL welcomes the negotiations for the EU-USA Transatlantic Trade and Investment Partnership (TTIP). This agreement represents a unique opportunity to address regulatory issues that have restrained the vast potential for trade in agricultural raw materials between the two transatlantic partners.

The USA is one of the main EU partners for the supply of agricultural raw materials destined to the EU food and feed industries. Imports of cereals, oilseeds and their derived products are alone worth €2.7 billion¹ per year and are necessary to sustain food and feed industries in the European Union. Despite being major trade partners and global players, a number of trade barriers still persist both in terms of tariffs and even further as technical obstacles. They hamper the potential for importing raw materials from the USA with the result of partially excluding a key agricultural supplier from the EU market.

Trade barriers are responsible for increasing the production costs of import-dependant EU industries in the food and feed sector and for their loss of competitiveness. At the same time, the trade sector bears the burden of legal compliance issues arising from diverging regulatory systems.

COCERAL recognises the diverging regulatory environment as the main barrier to transatlantic trade. This takes the form of mostly but not exclusively sanitary and phytosanitary (SPS) issues, which are exposed in further details in the following pages. In order to address these trade barriers, the on-going TTIP negotiations should focus on:

- **Regulatory cooperation:** the establishment of a continuous and formal platform for cooperation in regulatory matters will contribute to narrow the gap between existing legislative discrepancies and to harmonise future legislative frameworks. Regulatory cooperation can be achieved in different ways, including through mutual recognition, equivalence and harmonisation.
- **International standards:** both the EU and US actively participate to the establishment of international standards. These are widely recognised provisions that go through international scrutiny before approval and application. International standards are the best regulatory benchmark to provide for global rules harmonisation and for reducing trade barriers. International standards can be applied in different contexts worldwide, without limiting the individual countries' ability to adapt them to their local conditions.

COCERAL members trust that the TTIP will continue on the liberalisation path taken by the EU with the last trade agreements, including with Canada, to facilitate trade of grains, oilseeds and their derived products.

COCERAL also call on the EU to maintain a high level of ambition throughout the TTIP negotiations for reaching a comprehensive trade deal that will harmonise rules and curb technical barriers to transatlantic trade, including in agriculture.

Further details and recommendation on technical barriers to trade are provided here below.

¹ Eurostat

Main technical barriers to trade

Plant biotechnology

The EU imports 70% of its plant protein need to supply the feed industry and ultimately to support livestock farmers. In turn the US is one of the worldwide leaders for the production of protein sources, such as maize and soybeans.

Sourcing of protein-rich raw materials from the US is restricted by risks of trade disruption due to minute traces of genetically modified (GM) crops. The US has already 69.5 million ha cultivated with GM soybeans, maize and rice. Furthermore, the authorisation and commercialisation of GM crops follow a steady pace to which the EU authorisation procedure fails to keep up. Once an event is commercialised in the US – and in any other producer country, it is only a matter of time before trace levels of the event will appear in international grain shipment. Detection in the EU of low levels of an event authorised in the US for 100% consumption is not a food safety issue. But it is a legal compliance issue by which trade stops, breaking the supply of raw materials and compromising the competitiveness of the EU feed and food industries.

The zero tolerance policy or minimal thresholds for events that are not authorised in the EU – but authorised in the US – imposes significant costs to all operators in the supply chain and has a substantial influence on increasing food and feed prices. Costs for compliance increase exponentially as the threshold decreases.

European grain and oilseed traders have had to face numerous GM-related incidents in the last 15 years, due to the asynchronicity in GM event approval across the Atlantic and the lack of a low level presence policy to protect trade flows. A single incident, e.g. a 50,000 tons shipment of maize detained at custom and then rejected, means a €25 million loss.

Recommendations

The TTIP is the occasion for two leading trade countries worldwide to set the example of regulatory cooperation. To avoid trade disruption due to low level GM presence, the EU and US should cooperate towards a synchronised approval process. Through a cooperation platform the two governments could develop a common approval data package and exchange information during the risk assessment process. This would guarantee the approval processes to run in parallel in both countries so to avoid trade disruption risks linked to asynchronous approval.

The EU and US have their own risk assessment processes for authorization of GMOs. The TTIP should consider all options towards mutual recognition of equivalent risk assessment procedures. In particular with respect to GMO low level presence (LLP) situations, the TTIP should envisage mechanisms that could be set, including exchange of data, in order to prevent occurrence of LLP incidents once one of the party of the TTIP granted approval. It is suggested to consider the Codex LLP Safety Assessment Annex Guidelines² as far as the data set requirements are concerned.

Plant protection products

Differences in the levels of residues authorised for pesticides represent another technical barrier to trade. They result from different approaches used to assess consumer risk exposure and thus leading to different maximum residue limits (MRLs) in the EU and the US. Another reason for discrepancy in the MRLs can be found in the relative economic importance of one crop over another in different countries, which drives the plant protection industry to prioritise the request for pesticide authorisation for some crops rather than for others. When there is no

² http://www.fao.org/fileadmin/user_upload/gmfp/docs/CAC.GL_45_2003.pdf

submission for authorisation of the pesticide on one crop, its MRL is set at an arbitrary default value that is normally very low and does not allow for any tolerance in cases of, for example, cross-contamination. Despite these cases are not linked to food safety, they do carry the risk of jeopardising trade.

Recommendations

By sharing their approaches to risk assessment, the relevant authorities in the EU and US could find a convergence in the exposure models. This would allow for reaching comparable conclusions and aligning MRLs. The TTIP can facilitate cooperation and exchange of information on exposure risk assessment procedures and it should also explore new approaches to risk assessment that have minimal impacts on trade.

In the context of a regulatory cooperation platform under the TTIP, the EU and US should consider the establishment of a threshold of regulatory concern for pesticide residues in those cases where the authorisation on a certain crop was prioritised in the trading partner but not in the importing country. This threshold would be at a low enough level to comply with the exposure profile, yet flexible enough to be compatible with the reality of trade patterns. A threshold of regulatory concern is a pragmatic approach to guarantee consumers' safety and trade at the same time.

Sustainability

In recent years both the EU and US have worked on policies aimed at preserving natural resources and limiting greenhouse gas emissions. The concept of sustainability, however, goes largely beyond the environment and covers also social and economic aspects. The objectives of sustainability policies are to a large extent overlapping in the EU and US. Yet the trajectories to achieve them may not always be comparable or compatible with the trade reality.

Recommendations

Sustainability is an underlying element of all policies in all sectors and its role in determining future policy directions will become more and more prominent. Within the regulatory cooperation dialogue promoted under the TTIP, the EU and US should not fail to consider sustainability also in its trade component. Whilst traders are committed to sustainable practices, policy makers should avoid turning sustainability matters into trade barriers.

The EU and US should pursue an objective-oriented evaluation of the respective sustainability policies in their quest towards regulatory harmonisation. This way the potential sustainability-related trade irritants would subside considering the large degree of similarity between the sustainability objectives in the two trading partners' policies.

COCERAL is the European association of cereals, rice, feedstuffs oilseeds, olive oil, oils and fats and agrosupply trade. It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above mentioned agricultural products. COCERAL's full members are **30 national associations** in **19 countries** [Austria, Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxemburg, Poland, Romania, Slovenia, Spain, Sweden, the Netherlands and the UK] and **1** European association [Unistock] With about **2700 companies** as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses. COCERAL has an associated member in Switzerland.