



Brussels, 11 February 2014
13TRA311

FEDIOL Position

on

Transatlantic Trade and Investment Partnership Agreement (TTIP)

FEDIOL represents the EU Vegetable Oil and Proteinmeal Industry, whose members are European oilseeds crushers, protein meal producers, vegetable oils refiners and processors.

The Transatlantic Trade and Investment Partnership Agreement (TTIP) negotiations is set to define the future of trade and economic relations between the EU and the USA and will be the essential framework for trading of goods and commodities.

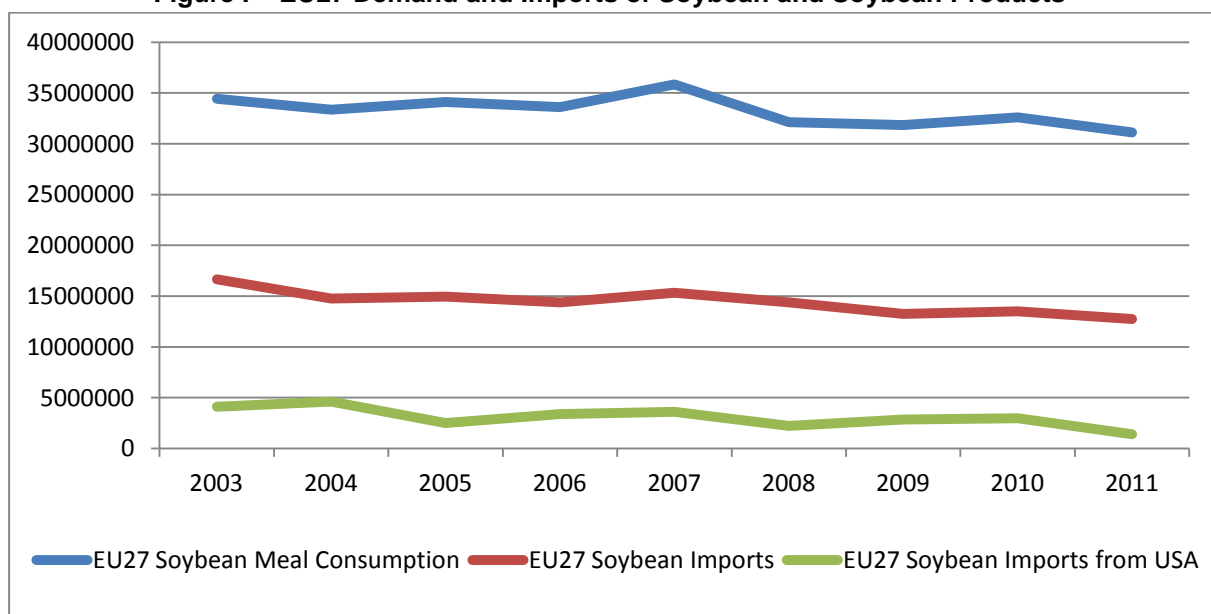
FEDIOL supports the negotiations between the EU and the USA and believes that striving for regulatory convergence and harmonisation should be enshrined in all trade-related areas of the final agreement.

Oilseeds Crushing in Europe

The EU has a structural protein deficiency and depends on the importation of key agricultural raw materials, where production within the EU is insufficient, such as soybeans. The USA is an important soybean producer country in the world and has a competitive and strong crushing industry.

Today, 16% of US agricultural exports to the EU are soybeans. Due to regulatory divergence and non-tariff barriers to trade, the imports of soybeans and soybean products from the US have been declining, despite the high demand for protein-rich soybean meal in Europe. This situation limits the EU crushing industry's sourcing possibilities to a reduced number of producing countries.

Figure I – EU27 Demand and Imports of Soybean and Soybean Products



Access to agricultural raw materials and non-tariff barriers to trade

As early as 1990, the EU crushing and refining industry started facing regulatory and non-tariff barriers while sourcing the majority of its soybean needs from the USA. This led to declining trade relations with the US and raw materials' sourcing is diverted to Latin America, without leaving any other alternative.

The EU and the USA have rightly identified that non-tariff barriers are the main obstacle in trade between both sides of the Atlantic. In this respect, tackling non-tariff barriers should become the continuous challenge and ultimate objective of the TTIP. FEDIOL urges the European Commission to tackle all non-tariff barriers to trade and to strive for substantial progress on regulatory convergence and in as many areas possible.

Regulatory Convergence and Cooperation

For FEDIOL, regulatory convergence is the prerequisite for investment certainty and for a level playing field. FEDIOL recognizes that convergence on a multitude of areas cannot be achieved in the short run, thus regulatory cooperation for increased convergence shall be enshrined in the living-spirit of the TTIP Agreement.

Notwithstanding the right to regulate and the regulatory autonomy of both the EU and the USA, the objective of negotiators should be to reduce and eliminate all existing trade-distorting divergences and asymmetries.

For future areas where divergences may emerge, the European Commission and its Directorates, the European Parliament, the European Food Safety Authority (EFSA) and other EU Agencies should, together with their respective counterparts in the US, set up a systematic and transparent procedure, and mechanisms to avoid duplicative requirements and in order to prevent the build-up of new regulatory gaps.

Processes of regulatory cooperation should be encouraged to work towards regulatory convergence, regulatory harmonization or mutual recognition when laws are comparable. The criteria for convergence shall be evaluated on the basis of weight of evidence and by objective economic and environmental impact assessments.

Regulatory cooperation is deemed as a priority by FEDIOL, as the gap in transatlantic regulatory provisions has rather increased over the years and have led to different procedures, different standards, specifications and regulations in our field.

Regulatory Divergence

i. Agricultural Biotechnologies

The significant delay and lag in EU authorisation of agricultural biotechnologies is posing threats to the trade of agricultural raw materials and ultimately compromising the competitiveness of the EU food and feed industries.

Although the EU expressed reluctance to include the GMO legislation in the package for negotiation, FEDIOL considers that efforts should be made to bridge certain gaps and work on aspects that act as major trade impediment, for example:

- Through cooperation between the two governments work towards a synchronised approval process that would guarantee that the approval processes runs in parallel and avoids trade disruptions such as those linked to asynchronous approvals. ;
- Apply a technical definition of zero for feed and food as a means to set a minimum performance standard of testing methods and hence enhance operators legal certainty;
- Consider all options for the development of a joint work stream that prevents low level presence incidents from occurring.

ii. Contaminants, product safety and other regulatory issues

The EU and US legislation on agricultural inputs, product contaminants and on product safety show asymmetries and differ considerably.

- Eliminate regulatory imbalances on pesticide legislation. While Codex Alimentarius provides an internationally recognised pesticide lists and maximum residue levels, both the EU and the USA can refer to different levels and have been applying their own standards. As a result, for many pesticides the EU and US lists of commodities for which maximum residue levels are set above the default value for absence are different. TTIP should consider which action may reduce the number of such differences.
- As complete elimination of these differences might be hardly compatible with the current risk assessment methodologies applied by the US EPA and by the EFSA, TTIP negotiators should explore new approaches to regulating levels of residues. Options such as the setting of threshold of regulatory concern for imported commodities, at a level that does not impair the current level of consumer health protection, should be considered in asymmetric situations in order to minimise the negative impact on trade.
- Differences on additives and processing aids could at least be addressed in a dialogue.

iii. Nutrition, labelling and product information to consumers

TTIP agreement is ambitious for bringing the two most important economic regions closer and encourages free circulation of goods and commodities. Looking at the EU and the USA, this would mean that 28 EU Member Countries and 50 States of the USA will form a distinct economic market, with over 825 million consumers.

In such a big market, with dissimilar and layered governing structures, harmonisation and simplification of product labelling requirements is deemed necessary.

- Avoid multiplication of labelling requirements for finished products. In the US, there is a tiered system for labelling trans-fatty-acids (TFA) and this practice is not in line with the EU regulations. This could risk finished products' exportation to the USA.
- Avoid additional authorisation requirements as this practice could create a new barrier to trade, where ingredients of finished products will be required to go thorough administrative authorisation, increasing costs and creating potential barriers to trade.

Environment

Environmental protection and the fight against climate change are among the top priorities of the EU agenda towards 2020 and beyond, where the EU Institutions are setting highly ambitious objectives.

As sustainability of agricultural raw materials and greening of the supply chains are increasingly coming under the focus of the EU Institutions, environmental law making has emerged as a potential new area of non-tariff barrier to international trade.

- As far as the environmental agenda is concerned, the EU and the USA should aim at reaching a common understanding and common language on environmental matters. Both parties should strive for harmonising diverging definitions, e.g. 'sustainability', in order to avoid new environmental legislation becoming barriers to trade and investment.
- A key issue for FEDIOL which should be addressed by TTIP is the evaluation of respective sustainability policies towards regulatory harmonisation. This is an important issue for oilseeds usage across different sectors and outlets in Europe, notably in the EU biodiesel chain which is today subject to certification schemes being recognised in the EU and which has not been addressed by mutual recognition. We support converging sustainability objectives and look forward to bilateral agreements being in place at the earliest opportunity.

Administrative burdens & structural challenges

FEDIOL believes that TTIP should address the administrative burdens incurred due to structural differences between the EU and US and aim at equalising horizontal regulations where possible. Such differences at different administrative levels should be streamlined and dismantled before the entry into force of the TTIP to achieve trade facilitation and ensure fair trade.

As mentioned above, in order to ensure resource efficiency and sustainable production, agricultural products and practices in the EU and the USA should be considered equivalent in terms of environmental credentials. This would reduce administrative burdens, such as those incurred by certification audits, and benefit to the growth and investments on both sides of the Atlantic.

Institutionalisation of partnership & continuous improvement

The Transatlantic Economic Council (TEC) is the political body that oversees government-to-government cooperation and aims for economic integration between the EU and the USA. While the TEC has an important role in driving the transatlantic partnership and cooperation agenda, a formal, recognised and well-established body is needed to discuss regulations and diverging practices in detail.

In line with the spirit of a 'living' TTIP agreement and in order to ensure continuous progress towards regulatory convergence, FEDIOL strongly supports the European Commission proposal to establish a 'Regulatory Cooperation Council'. This Council shall identify and assess regulatory divergences, and provide strict roadmaps for enhanced convergence. The Council shall also strive for simplifying implementation of similar regulations. Guidelines and roadmaps of the regulatory council must be respected by both sides.

Tariff barriers

As far as the tariffs are concerned, the EU oilseeds trade has, to a large extent, been liberalized over the past decades. Although the US has a competitive advantage with easier access to raw materials, cheaper access to energy and larger crushing capacities, soybean crushing in the EU has managed to remain operational. This is largely due to the import tariffs on soybean oil. In the EU, soybeans are crushed mainly for their protein rich meal content, which corresponds to 80% of the bean composition, while soybean oil is used in non-food and food applications in the EU. The import tariffs on soybean oil and soybean oil derived products support the EU industry in facing international competition. As far as the maize oil is concerned, the situation is similar to that of soybean oil, even though the volumes of EU maize germ crushed are smaller relative to soybean volumes. However, unlike soybean crushing, maize germ crushing in Europe is mostly carried out by SMEs. The US is a major producer of maize oil, which is competitively priced against European vegetable oils. With an immediate liberalisation, maize oil would have the potential to substitute EU produced oils, including rapeseed and sunflower oil, in several applications, and threaten the EU crushing industry's competitiveness in general.

FEDIOL therefore calls on the European Commission to maintain the limited import tariffs on vegetable oils and vegetable oil derived products, notably on soybean oil and maize oil at least for as long as the transition period for certain agricultural products allows.

FEDIOL remains committed to cooperation with relevant stakeholders, and will be happy to work with the European Commission and other EU Institutions in driving the transatlantic trade agenda forward.

FEDIOL represents the interests of the European vegetable oils and proteinmeal industry. With about 150 facilities in Europe, the sector provides over 20.000 direct employments. Its members process 30 million tonnes of basic products a year.

Oilseed crushing yields vegetable oils and proteinmeals as co-products. While vegetable oils are used for food and technical uses (pharmaceuticals, paints, detergents, biodiesel, etc.), proteinmeals are used to meet the increasing global demand for meat and protein.