

**Hearing Before the U.S. Trade Representative's Office
Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute
May 15, 2019**

**Testimony of Jim Mulhern
President and CEO, National Milk Producers Federation**

Thank you for the opportunity to be here today to discuss enforcing America's WTO rights in the large civil aircraft dispute.

In order to help incentivize EU compliance with its WTO commitments, America's dairy farmers and farmer-owned dairy cooperatives strongly support USTR's proposed imposition of retaliatory tariffs on European dairy products in response to the \$11 billion in damage European Airbus subsidies have caused the United States.

We have a unique opportunity to make a big dent in the dairy market access gap we face with Europe. Including EU cheeses, yogurt, and butter on this list, as USTR has proposed, is entirely warranted, and we would encourage you to add additional EU dairy-related tariff lines. Doing so would send a strong message to Europe about adhering to WTO rules and would bring increased attention to the gross inequities that currently define our dairy trading relationship.

To explain the severity of these inequities, I'd like to provide two important figures from 2018.

First is the number seven. That's the number of dairies America lost every day last year, according to recent USDA data. Clearly, times are tough in dairy country, and we are counting on free and fair trade to revive the rural economy. That is why the U.S. dairy industry is fighting to expand trade opportunities abroad and working to combat non-tariff barriers that are increasingly disadvantaging our farmers and businesses.

Which brings me to the second number: \$1.6 billion. That was the size of America's dairy trade deficit with the European Union last year. The U.S. imported \$1.8 billion worth of EU dairy products in 2018. But Europe – with a population 50 percent larger than the U.S. – only purchased \$145 million worth of American dairy products. Simply put, we are largely being blocked from the EU market despite being a trusted and proven dairy supplier to the rest of the world.

Europe's trade barriers have harmed our highly efficient dairy industry for far too long.

We could spend an entire day discussing the web of EU tariff and nontariff policies that actively discourage imports. But for time's sake, let's just discuss one: Europe's blatantly protectionist and cumbersome Geographical Indication – or GI – requirements that target common-name cheese products.

Under these restrictions, a country like Italy can ship large and increasing amounts of parmesan cheese to the U.S. while blocking American parmesan from entering Europe. And Europe's GI agenda doesn't stop at EU borders. As USTR noted in its Special 301 Report last month, Europe is currently engaged in an aggressive trade war spanning the globe and is bent on using GI restrictions to block U.S. dairy exports to third-country markets, too.

Given Europe's clear pattern of trade distortion and one-sidedness, and the need to select specific EU sectors to target retaliation on in order to drive EU compliance with its WTO commitments, we believe that retaliatory tariffs on EU dairy products as part of the Airbus case are justified.

To that end, America's dairy industry recommends:

- That additional *ad valorem* duties of 100 percent be imposed on the particular products imported from EU member states under the targeted subheadings.
- We also support the inclusion of all dairy-related HTS Subheadings listed in Section 2 of USTR's Annex to the Notice in the final list of products subject to increased duties.
- And we further recommend the inclusion of additional subheadings, which you can find in my written testimony.

It is essential that America deliver a clear and powerful message across the pond. Subsidies and barriers that handicap U.S. businesses in the global marketplace will not be tolerated. And the days of deficits induced by unfair trade practices are coming to an end.

America's struggling dairy sector and depressed farm economy would benefit from fairer trade with Europe, and we look forward to working closely with the USTR to accomplish that goal.

Thank you.