



BULLETIN

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GMOs, Hormones, et al.: Agriculture in TTIP Negotiations

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Agriculture is likely to be one of the more controversial topics to be negotiated as part of TTIP. But it is also one of the areas with the most potential: different attitudes to sanitary and phytosanitary issues in the EU and the U.S. currently create significant barriers to trade in agricultural products across the Atlantic. Achieving agreement on agriculture would be particularly beneficial for Poland, which should work to promote that aspect of the negotiations.

TTIP and Agriculture. The “shutdown” that ground the U.S. government to a halt for two weeks had far-reaching effects, including the postponement of the second round of negotiations of the Transatlantic Trade and Investment Partnership (TTIP), which were to begin in Brussels on 7 October. This delay is particularly problematic given the difficult nature of many of the topics involved, including financial services, public procurement, and intellectual property rights. However, agriculture is likely to be an especially hard subject, given the strong reactions that it provokes among producers and consumers on both sides of the Atlantic.

Despite this difficulty, it is vital for European agricultural producers that negotiators come to an agreement. Given falling demand on the single market, European manufacturers of agricultural products are increasingly dependent on exports outside the EU. The U.S. is the single biggest importer of European agricultural products: according to European Commission data, exports to the U.S. account for 13% of total EU agricultural exports, i.e., €15 billion. Those exports are subject to tariffs averaging 13% (ranging from 0.4% to 350%). An agreement on agriculture in TTIP could thus potentially seriously benefit European agricultural producers.

The reduction of duties on imports of American agricultural products would also be beneficial for European consumers. The EU is the world’s biggest importer of agricultural products, importing €102 billion worth of agricultural goods in 2012 (the U.S., the world’s second-largest importer of agricultural products, imported only €85 billion in agricultural goods, according to European Commission data). After Brazil, the U.S. is the second largest source of agricultural products imported into the EU (it accounted for 8% of total agricultural imports in 2012). Agricultural imports from the U.S. are subject to duties averaging 48% (ranging from 2.5% to 230%). A reduction or removal of such tariffs could reduce costs for American producers and prices for European consumers.

Costly Differences. Trade disputes between the European Union and the United States are resolved in accordance with WTO rules. So far, disputes regarding agriculture between the EU and the U.S. have involved topics such as agricultural subsidies¹ and import quotas (e.g., on bananas). But the most controversial disputes in transatlantic trade have traditionally involved sanitary and phytosanitary (SPS) standards. Most prominent, a beef hormone dispute lasted more than 20 years, finally ending in 2012. A dispute regarding American chlorine-washed poultry, which began in 1997, has yet to be settled. A dispute over GMOs was resolved comparatively quickly, and lasted only from 2004 to 2006.

Problems relating to SPS standards are a result of the different approaches that the EU and the U.S. have towards food safety. The EU applies the “precautionary principle,” according to which the onus is on the producer or importer to demonstrate that a given product is not harmful to health. The U.S., however, prefers the so called “science-based

¹ It is unlikely that agricultural subsidies will feature highly in TTIP, given recent EU farm policy reform and the new U.S. farm bill.

approach,” according to which it must be proven that a product is harmful to health before it is removed from the market. As a result of these differences, some products that are used in American agricultural production are banned in the EU (e.g., the use of lactic acid in packing plants).

American producers who wish to export to the EU thus incur extra costs by adapting to European regulations on SPS norms. For example, cattle that are not implanted with hormones require an extra 3–4 weeks of feeding. Access to the American market for European producers is also limited. For example, some Polish products (e.g., chocolate manufacturers) have been held up at the U.S. border by the Food and Drug Agency (FDA) despite passing all the required laboratory tests. The FDA’s arbitrary behaviour and the abstruse nature of its rules are among the main barriers to access to the American market faced by European exporters.

Negotiating SPS Standards. Different approaches to SPS standards in the EU and the U.S. create a major barrier to transatlantic trade. However, as a result of consultations with the Directorate General for Agriculture and Rural Development (DG AGRI), the Directorate General for Health and Consumers (DG SANCO), and Member State representatives, the European Commission plans to exclude EU rules on hormones and other issues linked to human health and consumer interests from TTIP. But the U.S. Trade Representative (USTR) does not consider SPS standards to be off limits—quite the opposite, in fact. This has to do with the offensive interests of American agriculture worked out by USTR in association with the Department of Agriculture, the Environmental Agency, and the FDA, based on 380 submissions made during public hearings organised by USTR.

The ability of the EU and the U.S. to achieve any kind of agreement on SPS standards will largely depend on the willingness of American and European producers and consumers to compromise. In the U.S., sectoral groups and associations have powerful lobbying mechanisms at their disposal, including so called PACs (Political Action Committees), which finance federal representatives’ electoral campaigns. In the EU, where lobbyists have a less direct financial influence on politicians, producers and consumers have influence as voters whose preferences will affect the opinions of individual governments. Negotiators on both sides, aware of the necessity of getting the Member States and the U.S. Congress to accept the final text of the agreement, will use the views of these groups as guidelines during the talks.

Polish Agriculture and TTIP. The inclusion of agriculture in TTIP would be beneficial for Poland. A significant part of Polish agricultural production is exported (27% in terms of value), bringing in annual revenues of over €15 billion. But according to Ministry of Agriculture data, domestic demand is flagging, and as much as 78% of Polish agricultural exports go to the EU. Poland therefore is looking for new markets for its agricultural products. The U.S. displays significant potential in this respect, given the importance American consumers attach to price. Moreover, there is real room for improvement, as Poland’s total exports of food, live animals, beverages and tobacco to the U.S. amounted to just over €225 million in 2012. A reduction in transatlantic tariffs and mutual recognition of SPS standards would be advantageous to Polish producers of agricultural products who could boost their exports to the U.S.

TTIP would also create new opportunities in organic farming for Polish producers, in both the EU and U.S. markets. The debate surrounding the negotiations of SPS standards and the possible entry of American agricultural products containing previously banned substances onto the European market should increase EU consumers’ awareness of hormones and GMOs, and increase demand for organic products in Europe. The reduction of trade barriers will also improve access for European organic agricultural products to the U.S. market. Poland in particular has potential in organic agriculture. According to government data, organic farms currently account for only 4% of total agricultural land in Poland—very little in comparison to Austria (20%) and even to countries closer to home, such as Slovakia and the Czech Republic (9% and 11% respectively).

On the condition that products are clearly labelled, the availability of cheaper American food would be beneficial for Polish consumers. Although consumers in the EU are usually more averse to hormone-treated and GM products than their U.S. counterparts, the average European consumer (especially in Poland) tends to make choices based on price. The removal of import barriers to American products containing hormones or GMOs would improve affordability and increase the choices available to consumers.

Conclusions and Recommendations. Given the potential benefits to Polish producers and consumers, Poland should promote its interests in regard to the agricultural aspect of TTIP. It may seem at first that Polish agriculture has predominantly defensive interests vis-à-vis the TTIP negotiations. In fact, Poland has several offensive interests, including improving access to the American market and the development of its organic sector. Just as the UK is promoting its interest in financial services and France is working to defend its audiovisual sector, Poland should lobby the actors responsible for developing the EU’s position on agricultural issues (DG AGRI, DG SANCO and the Commission).

Another important task is improving awareness of TTIP among the Polish public. The lack of interest in the transatlantic talks displayed so far by Polish media is worrisome. This is partly due to the lack of information about the talks and the impression they are shrouded in secrecy, such as ACTA, which ended in a storm of protest in 2011. In order to prevent a similar public outcry this time around, it is vital to launch a public information campaign explaining the content and possible consequences of TTIP to the Polish public.