

strengthening the rules for the risk assessment and approvals process. However, the *de facto* moratorium remains in place. On June 25, 2003, Canada held consultations with the EU under the Dispute Settlement Understanding of the WTO on the EU approval system for GMOs. On August 29, 2003, the Dispute Settlement Body established a panel to deal with the issue of GMO approvals in the EU. Hearings on this issue will likely take place in the spring of 2004, and a panel report could be expected by the end of the year.

#### **Labelling and Traceability of GMOs**

On October 18, 2003, new regulations for GM food, feed and the traceability and labelling of GMOs were published in the *Official Journal of the European Union*. Member states and the European Parliament had stated that strict compulsory regulations would assist in rebuilding EU consumer confidence and would have to be in place as a condition of restarting the GMO approval process.

Canada remains concerned with the EU measures on the risk assessment of GM food and feed and on the traceability and labelling of GMOs. A particular issue is the threshold for the adventitious presence of GMOs in shipments to the European Union, set at 0.9% for authorized GMOs and 0.5% for unauthorized GMOs with a positive scientific opinion. Such measures could have an impact on current Canadian commodity and processed food exports to the EU, which are valued at more than \$750 million per year. The technical difficulties in testing for a 0.9% threshold, particularly in bulk shipments, or for detecting the presence of modified DNA or protein in products that have been highly processed (such as oil and starch), raises serious concerns about the efficacy of the regulation and could increase the risk of fraud and misrepresentation of products. As well, there is no international standard or protocol on GM testing methodologies at this time. Canada has outlined its concerns about these regulations on many occasions since the EU issued its first proposals.

Canada remains strongly opposed to the proposed EU regulations on compulsory labelling and traceability, because they are aimed at only one particular method of production and are not commensurate with the risks.

#### **Pinewood Nematode**

Since July 1993, the European Union has required that Canadian exports of softwood lumber, except cedar, must be heat-treated in order to ensure the destruction of the pinewood nematode. This requirement has effectively eliminated Canadian exports of green softwood lumber to the European Union. Canada has indicated on numerous occasions that it views this mandatory requirement as excessive, given the negligible risk of establishment of pinewood nematode in the European Union as a result of trade in Canadian green softwood lumber.

Over the years, Canada has proposed alternative measures to control pinewood nematode, while allowing trade in green lumber. However, the EU has not accepted Canadian proposals for less trade-restrictive measures. At Canada's request, WTO consultations were held on July 15, 1998, but the issue remains unresolved. An EU technical team visited Canada in September 2002 to renew scientific discussions. As a result of these discussions, the EU asked Canada to submit a new technical proposal; however, Canada's position remains unchanged.

#### **Kiln-Dried Heat-Treated Lumber Paperless Certification**

In 2000–2001, Canada developed and sought EU approval of an innovative paperless certification program to streamline paperwork requirements for exports of kiln-dried lumber that has been heat-treated (KD-HT) as part of the kiln-drying process. During the September 2002 EU visit, significant progress was made on the KD-HT paperless certification file, and discussions continued throughout 2003. The EU's plant health committee unanimously approved Canada's KD-HT paperless certification proposal in November 2003, with a 17-month trial period beginning on February 1, 2004. Details of the program are still under discussion.

#### **Seed Potatoes**

A derogation from EU phytosanitary requirements is required for continued access to the European Union for Canadian seed potatoes. The particular pests of concern are bacterial ring rot and potato spindle tuber viroid. Typically, an annual derogation has been granted based on the requirement that Canada