

of the product can be severely restricted or banned. Current EU practice is for member states to take the lead in developing a risk assessment for a given substance. The risk assessment process is an internal EU process that precludes third-party assessment. Moreover, the use of risk assessment methodologies designed for organic substances can lead to inappropriate outcomes for inorganic substances, such as minerals and metals, resulting in unnecessary market restrictions.

Sanitary and Phytosanitary Import Regulations

Beef Hormones

In 1989, the EU banned the use of growth-promoting hormones in livestock and imposed a ban on the import of beef produced with such hormones. Both Canada and the United States consistently opposed the ban on the grounds that it was not based on scientific evidence and was an unjustified barrier to trade. The safety of growth-promoting hormones has been endorsed by the Codex Alimentarius and by Canada's own scientific reviews. After Canada and the United States referred the matter to the WTO, a panel concluded in August 1997 that the EU ban violated the Sanitary and Phytosanitary Measures Agreement since it could not be justified by scientific evidence. The panel's conclusion was further confirmed by the WTO Appellate Body in January 1998. The European Union was given until May 1999 to implement the WTO rulings, but it failed to do so.

Canada and the United States received authority from the WTO Dispute Settlement Body to retaliate against the EU. On August 1, 1999, Canada imposed retaliatory tariffs in the amount of \$11.3 million annually on a list of imports from the EU, including beef, cucumbers, gherkins and pork. These measures will remain in effect until such time as the EU implements the WTO rulings or offers a satisfactory compensation package on an interim basis pending implementation of the WTO rulings.

On October 15, 2003, the EU issued a press release announcing that a new EU directive concerning the prohibition on the use of hormones had entered into force, that the EU now deemed itself to be in compliance with the WTO rulings, and that it was requesting the U.S. and Canada to remove their retaliatory measures. At the December 1 meeting of

the WTO Dispute Settlement Body, the EU asked both Canada and the U.S. to initiate a WTO Article 21.5 compliance panel.

Canada continues to maintain that it has not seen a scientific basis for the ban and has indicated that it is open to bilateral discussions with the EU in which the EU could explain its position. In the meantime, the retaliatory measures will remain in place. The U.S. has taken the same position and is working closely with Canada on this issue.

Canada's objective remains full access to the EU market for Canadian beef. More information is available on the Department of Foreign Affairs and International Trade Web site (www.dfaif-maeci.gc.ca/tna-nacl/dispute-e.asp#Hormones).

Canada-EU Veterinary Agreement

On December 17, 1998, Canada and the European Union signed a Veterinary Agreement governing trade in live animal products, fish and fish products. The Agreement establishes a mechanism for achieving recognition of equivalent sanitary measures between Canada and the EU aimed at improving bilateral trade. A Joint Management Committee (JMC) has been established to implement the Agreement.

A fifth meeting of the JMC was held in Europe in July 2003, which resulted in a number of achievements of practical interest to Canadian exporters. For example, significant progress was made toward an agreement on equivalency for Canadian pork. The two parties also reached agreement on a reduced inspection frequency for trade in live and fresh fish products and testing of live horses exported to the EU. EU and Canadian regulators also invested significant effort at this meeting in planning for the EU's July 2003 audit of Canada's shellfish program. Canada considers that the audit was successful and will contribute to improved access for Canadian shellfish to the EU market.

Moratorium on Approval of GMOs

A group of member states has been blocking the approval of genetically modified organisms (GMOs) for marketing in the European Union since October 1998. It was hoped that the approval process would restart on October 17, 2002, following the adoption of revised legislation (Directive 2001/18/EC)