

member states to maintain responsible-use policies instead of imposing bans. Canada attaches the highest priority to protecting export markets for chrysotile asbestos and will consider every available option, including use of the WTO's dispute settlement procedures, to accomplish this objective.

Eco-Labeling

The EU Commission has an eco-labelling program called the "Flower Program". It includes a number of criteria relevant to paper products. The criteria used for the program largely reflect European regulatory requirements. Canadian industry has complained that this discriminates against their products, which are produced on the basis of Canadian regulatory requirements.

At the December 1996 WTO Ministerial Conference in Singapore, Ministers stressed the importance of WTO members following the provisions of the Code of Good Practice of the WTO's Agreement on Technical Barriers to Trade in their eco-labelling programs. Canada will pursue this matter, both on systemic grounds in the WTO, as well as considering other options to address the legitimate concerns of Canadian industry.

Phytosanitary Import Regulations

Pinewood Nematode

Since July 1993, the EU has required that Canadian exports of softwood lumber except cedar be either kiln-dried or heat-treated to ensure the elimination of the pinewood nematode (PWN) insect. This requirement has effectively eliminated Canadian exports of untreated softwood lumber to the EU. Canada has indicated on numerous occasions that it views this as an excessive measure, given the negligible risk of transmission of PWN from Canada to the forests of Europe. Canada has proposed, unsuccessfully, alternative mitigating measures to ensure the safety of its exports of untreated softwood lumber in relation to PWN.

Canada is currently assessing its options with the Canadian industry, including pursuing the matter under the WTO.

Beef Hormones

In 1989, the EU banned the use of growth-promoting hormones in livestock and imposed a ban on the importation of beef produced with growth-promoting 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*, an international body established to set food-safety standards, and by Canada's own scientific reviews. After consultations with the EU failed to resolve the issue, a WTO panel was established in October 1996. In August 1997, the panel released its report, which was favourable to Canada. However, the EU appealed the decision in September 1997.

The report of the WTO Appellate Body set up to review the appeal by the EU was released on January 16, 1998. Although it modified some of the earlier findings, the Appellate Body concluded that the EU ban violated the Agreement on Sanitary and Phytosanitary Measures, because it was not based on a risk assessment. On February 13, 1998, the DSB adopted the panel and Appellate Body reports.

Canada will monitor the EU response to the panel report, as amended by the Appellate Body, to ensure that the EU takes appropriate actions to bring its measure into compliance with the ruling and lifts its ban. WTO members have a reasonable period of time in which to implement panel decisions. Past WTO practice suggests that a reasonable period of time should not exceed 15 months.

Veterinary Equivalency Agreement

The EU is conducting separate negotiations with Canada and a group of other countries, including the United States, Australia and New Zealand, on bilateral agreements on veterinary and health standards for trade in live animals, animal products, fish and fish products. Canada and the EU concluded negotiations in 1997, and Canada is pressing the EU to have the agreement formally signed as soon as possible. Once signed, the Canada-EU Agreement will facilitate two-way trade involving some \$550 million in exports from Canada to the EU and \$250 million in imports from the EU to Canada.