

In 2000-2001, Canada developed and sought EU approval of an innovative paperless certification program to streamline (e.g. reduce the paperwork burden) for exports of kiln-dried lumber that has been heat-treated (KD-HT) as part of the kiln drying process. The new system would have facilitated exports of value-added lumber to the EU. This proposal was rejected by the EC as too difficult to implement administratively. Canada has proposed that technical discussions take place in early 2002.

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 such hormones. Both Canada and the United States consistently opposed the ban on the grounds that it was not based on scientific evidence, and it 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.

In August 1999, because the European Union did not implement the WTO rulings, and given the absence of an acceptable offer of compensation as an interim solution, Canada imposed retaliatory tariffs on a list of imports from the European Union, 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. Canada's objective remains open access to the EU market for Canadian beef. For more information, please visit www.dfait-maeci.gc.ca/tna-nacl/dispute-e.asp#Hormones (www.dfait-maeci.gc.ca/tna-nacl/dispute-e.asp).

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 European Union aimed at improving bilateral trade. A Joint Management Committee (JMC) has been established to implement the agreement.

A third meeting of the JMC was held in Brussels in October 2001. The Agreement has increased contact, cooperation and communication between our two countries. Of the three technical working groups, established last year, on audit/verification, information exchange/notification and equivalency, progress was made on a joint audit protocol and improving information exchange/notification. Progress on equivalency has been slow. It was agreed to focus attention on advancing equivalency discussions.

Animals and Animal Products

On October 1, the EU implemented measures related to BSE and TSE. These measures have prohibited Canadian exports to the EU of live bovine animals, embryos, certain pet foods, and tallow and gelatine for food use. Canada, which has never had a native case of BSE, is BSE-free under International Organization for Epizootics (OIE) criteria. Nonetheless, the EU has given Canada a geographic BSE risk (GBR) rating of two, which entails a *de facto* prohibition on trade in the above-mentioned items. Canada disputes the rating and will continue to try to have the EU change it.

In addition to the BSE-TSE related regulations, the proposed EU Animal Waste Directive would further limit Canadian exports to the EU. This regulation as written will eliminate or limit exports of inedible tallow, pet food, yellow grease, beef and beef products, processed animal protein and possibly other fish, poultry and swine products. Canada views many of the measures in this regulation as neither scientifically justified nor risk-based.

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 (BRR) and potato spindle tuber viroid (PSTV).

Traditionally, an annual derogation had been granted based on requirements that Canada conduct stringent laboratory testing and certification of disease-free zones in Prince Edward Island and New Brunswick for all exports to the European Union.