



U.S., Canada Must End Sanctions on EU Over Hormones (Update2)

By Jennifer M. Freedman

March 31 (Bloomberg) -- The U.S. and Canada must scrap curbs on \$127 million of European Union goods including Dijon mustard and truffles, the World Trade Organization ruled in a case that bolsters an EU ban on hormone-treated beef.

WTO **judges** today backed an EU complaint saying the U.S. and Canada illegally maintained the sanctions after the bloc offered new scientific evidence on the risks of hormone-treated beef to justify its ban. The EU changed the basis of the prohibition in 2003 after losing an earlier WTO case challenging it.

"The U.S. and Canada have unilaterally decided to maintain sanctions without testing the legality of the EU's rules at the WTO," said the European Commission, the bloc's trade authority. Judges "agreed with the EU that this is a clear breach of WTO rules," the commission said in a statement.

The ban reflects the EU's "better-safe-than-sorry" food safety policy, known as the precautionary principle. The bloc pursued the same policy in biotechnology until 2004, outlawing the import of genetically engineered foods because of safety concerns and prompting separate and ongoing complaints to the WTO by the U.S., Canada and Argentina. In September 2006, WTO judges found that the EU ban on biotech products was illegal.

No Justification

The WTO said in February 1998 that the EU moratorium on hormone-treated beef -- in place since 1989 -- wasn't justified because the bloc hadn't scientifically proven a cancer risk to consumers. When the EU failed to end the moratorium after a 15-month deadline, the U.S. and Canada were authorized to levy \$127 million a year in duties on European imports including Roquefort cheese, textiles, onions and dried carrots.

The U.S. sanctions amount to a 100 percent duty on \$116 million of imports from the EU, while Canada targeted C\$11.3 million (\$11 million) of European products.

The EU says the sanctions, in place since July 1999, aren't merited because it has gathered scientific evidence to validate the ban in the interests of human health. U.S. farmers produce 95 percent of their beef using growth-promoting hormones.

Francois Jubinville, spokesman for Canadian Trade Minister **David Emerson**, said today's ruling "actually supports continued retaliation. We don't see anything in there recommending we lift retaliatory measures."

Tit-for-Tat Sanctions

In a development that could escalate the dispute, the EU has the right to apply tit-for-tat sanctions if the U.S. and Canada fail to remove their curbs. The EU hasn't ruled out taking such a step.

"No definitive view has been reached on the next steps," said **Peter Power**, a commission spokesman.

"Clearly we will reflect carefully on how to proceed from here," he said by telephone from Brussels.

WTO judges opened the door for the U.S. and Canada to challenge the 27-nation EU's new policy on hormones by saying they don't consider it to be in line with global trade rules, said the **commission**. That finding is an "important victory for U.S. farmers and ranchers," U.S. Trade Representative **Susan Schwab** said.

"The findings confirm the principle that measures imposed for health reasons must be based on science," she said in a **statement** from Washington. "It is high time for the EU to come into compliance with its obligations on this matter."

Jubinville said Canada will consider filing a new complaint. The government is "going to look at what our options are and certainly one of the options that presents itself is the possibility of an appeal on that particular procedural decision," he said.

Amended Ban

The EU said it disagrees with the panel's ruling about the legality of its amended ban and noted that the WTO judges also said they doesn't have jurisdiction to determine whether the basis used by the EU to justify its

ban conforms with WTO regulations. Both sides of the dispute can appeal the judgment.

Animal welfare and environmental groups including the Royal Society for Prevention of Cruelty to Animals and Compassion in World Farming pressed the EU to appeal the finding on the legality of its ban.

``Hormone feeding is one of the worst features of reckless industrial farming, and Europeans do not want it," said Charly Poppe of **Friends of the Earth Europe**. ``With their narrow interpretation of the rules, the WTO judges are completely disregarding these concerns and putting the environment and public health at risk. The precautionary principle cannot be ignored for the sake of market expansion."

Hormones are administered to cattle to boost growth and muscle mass, which means consumers get leaner meat at a lower price, the U.S. says. Three of the six hormones in question are naturally occurring in humans and the EU scientific reviews don't go far enough, according to the U.S.

The EU says it has scientific evidence to justify restrictions on estradiol because traces of it are carcinogenic. The bloc provisionally banned another five hormones for which there is a risk of a link to cancer.

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