

EU Challenges U.S., Canada Retaliation for Beef Ban

Nov. 8 (Bloomberg) -- The European Union threatened a World Trade Organization case against the U.S. and Canada if they don't drop \$126 million of tariffs, imposed on EU exports in retaliation for a ban on hormone-treated beef.

The European Commission, the 25-nation EU's executive arm in Brussels, said in a statement it has begun the procedures to ask the WTO, the trade arbitration body in Geneva, to rule that the tariffs are illegal.

The U.S. and Canada have levied duties on European goods including textiles and Roquefort cheese since 1999, after the WTO found the EU hadn't scientifically proven a health risk to consumers from hormone-treated beef. The EU sought to justify the ban last year with research linking the growth hormones in the beef to cancer, an assertion the U.S. and Canada rejected.

``The EU ban on certain growth-promoting hormones is now in full respect of our international obligations," European Trade Commissioner Pascal Lamy said in a statement. ``There is no reason why European companies should continue to be targeted by sanctions when they export to Canada and the U.S."

The ban dried up what had been a \$500 million market for U.S. beef exporters, who say they use the drugs to help animals gain weight and use feed more efficiently. U.S. farmers produce 95 percent of their beef using growth-promoting hormones.

Carcinogenic

The EU last October permanently outlawed the import of U.S. and Canadian beef from cattle receiving growth hormones, saying it had scientific evidence to justify the ban in place since 1989. Traces of hormones including estradiol are carcinogenic, studies for the commission show.

The case stands to inflame trade tensions between the U.S. and Europe as they fight over tax breaks and cast mutual accusations of illegally subsidizing aircraft makers Boeing Co. and Airbus SAS. In the tax case, the EU on Friday threatened to impose new sanctions on the grounds the U.S. is taking too long to end a tax break for exporters that the WTO had ruled illegal.

The U.S. and Canada in the hormone-beef fight have boosted tariffs on European meat, mustard, onions, dried carrots and truffles, as well as textiles and Roquefort cheese from France.

The commission's complaint over the duties begins with a request for the U.S. and Canada to enter a 60-day consultation period. If the parties don't resolve the dispute then, the commission can ask the WTO to make a binding ruling on whether the tariffs can be maintained legally.

``It will take the usual eight to nine months, and at the end of this we hope the WTO will say the sanctions must go," Lamy's spokeswoman, Arancha Gonzalez, said to reporters in Brussels today.

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