

Bloomberg

May 7, 2003

EU, Japan Use Health Rules to Block Trade, U.S. Companies Say

By: Mark Drajem

Europe, Japan and South Korea are using health regulations to protect local industry ranging from gene-altered soybeans to automobile parts, a coalition of U.S. companies said.

Farm, food, chemical and beef representatives joined together to protest what they said is a growing tendency of countries -- especially the European Union -- to block U.S. products by invoking sanitary and technical rules.

"The supposed need to prove a product or technology totally risk-free has been applied to create insurmountable hurdles on so many different products," said Bill Reinsch, the president of the National Foreign Trade Council, which represents Johnson & Johnson, Mars Inc. and other U.S. exporters, and author of a report on the trade barriers.

Rules governing genetically modified foods, vitamins, wine and beef hormones have come to dominate trade debates, taking the place of tariffs and government subsidies. The arguments are especially contentious across the Atlantic, souring the world's largest trade relationship.

U.S. industry labels as trade barriers what European officials describe as legitimate health restrictions. Reinsch's study cites EU bans on some genetically modified foods and U.S. poultry, as well as on beef hormones, as examples of how "questionable" standards have been used to restrict trade.

WTO Challenge

U.S. farmers say that the EU's biotechnology ban costs them \$300 million a year, and have prodded the U.S. to challenge the legality of the ban at the World Trade Organization.

"Iowa's farmers are being hurt by the European Union's biotech policies, and this situation is unacceptable," Senate Finance Committee Chairman Charles Grassley, an Iowa Republican, said in a statement yesterday.

A U.S. WTO challenge of the EU ban on genetically modified food and drugs "could trigger a boycott of American food products" in Europe because of EU consumer anger, said Tony van der Haegen, counselor on biotechnology to the EU in Washington.

The WTO favored the U.S. and Canada with a 1998 ruling that the EU ban on beef hormones, dating from 1989, wasn't justified by scientific evidence. The U.S., which shipped about \$500 million worth of beef to the EU each year before the ban, is retaliating with tariffs worth \$116.8 million annually on imports from the EU.

New research now shows one of the hormones used in the U.S. causes cancer, van der Haegen said.

“We are even thinking of going back to the WTO in order to have the retaliatory measures lifted,” van der Haegen said.