

Trade protectionism ■ By Lawrence A. Kogan

Ducking the truth about Europe's GMO policy

TRENTON, New Jersey
If something walks, quacks and swims like a duck, it probably is a duck. So the only thing surprising about a recent World Bank report is that otherwise reserved scholars minced no words in calling the European Commission's obsession with avoiding genetically modified organisms, or GMOs, blatant trade protectionism.

The European Commission has long attempted to justify its strict health and environmental regulations as necessary to protect the public from uncertain risk associated with genetically modified crops. The World Bank report debunks this myth and offers empirical evidence of the commission's true motives.

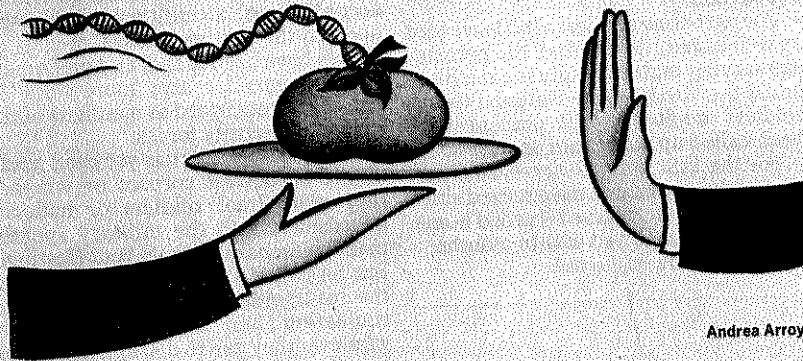
What is really behind the commission's stringent regulations is European industry's comparative disadvantage in the use of genetically modified, or GM, crop technology. In drawing this conclusion, the study points to the significant role played by European industry in lobbying for protectionist barriers.

It is refreshing to see the report's authors move beyond the conventional wisdom that the European Union has been reluctant to allow GM crops and foods because Europeans are more concerned with protecting the natural environment and are less trusting of their food safety regulators than Americans are. The European Commission's anti-GM stance is so strong that it had to be based on more than just "cultural preferences."

The deeper question is this: Why would European producers lobby for overly strict rules that they too must face? What do they gain?

The simple answer is based in classical trade economics. As the authors note, "when faced with a more efficient competitor, the optimal response of farmers in countries with a comparative disadvantage in GM adoption is to lobby for (or at least not resist) more-stringent GM standards."

Faced with increased competition in GM products from larger American, Canadian and Argentine GM



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exporters — which account for three-fifths of the world's soybean exports and four-fifths of global maize exports — domestic EU producers lobbied their governments and the European Commission to adopt strict GM controls.

Of course, GM imports also generated widespread opposition among outspoken and politically influential European consumer and environmental groups. This gave rise to a convergence of civil society and industry concerns that moved member state governments and the European Commission to respond in a politically popular manner that also sought to eliminate EU industry's comparative economic disadvantage. That disadvantage could be eliminated only by creating artificial "product differentiation," first with the GM moratorium and then through strict EU-wide traceability and labeling regulations.

All of this, of course, was rational from an economic and political point of view. However, it is also arguably illegal from the perspective of international trade laws enforced by the World Trade Organization.

Perhaps worse still, EU biotech policy has had serious global repercussions, profoundly influencing the decisions of other food-exporting nations to avoid or severely restrict the use of GM technology. China, which has a steady but growing agricultural trade with Europe, has been unwilling to approve GM food production for fear of losing EU market access. But with nearly one-fifth of the world's popula-

tion, China is in desperate need of the kinds of yield increases GM crops offer.

EU policies have also encouraged developing countries such as Zambia and Zimbabwe to shun GM food aid for fear that even their non-GM food exports would be tarnished with a "GM taint" and be denied access to EU markets.

Some experts have blamed the now-ended GM moratorium for these decisions, but poor countries are scarcely in a better position now that the moratorium has been replaced with potentially crippling GM labeling and traceability rules.

Furthermore, as I discuss in a recent article in the U.S. journal *The National Interest*, EU support for antibiotech campaigns by nongovernment organizations has even stymied basic research and development programs in countries like the Philippines. There, EU-funded activists have helped to reduce the financial incentives for research into GM products by raising needless hurdles to research. Activist campaigns have even made consumers reluctant to accept such publicly funded GM products as nutritionally enhanced "golden" rice. Tragically, while European industry has gained economically from these policies, developing countries have continued to suffer the human losses of hunger and disease.

The World Bank's findings are doubly disturbing because they reflect the observation by many other scholars of a growing trend in the use of EU regulatory policy to disguise trade barriers. Considering the significant economic interests at stake in international trade, one cannot help but suspect that similar motivations underlie precautionary principle-based regulations, such as proposed EU regulations on chemicals or its directives on hazardous wastes. Those, too, are rules that walk, quack and swim like protectionist ducks.

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