

TRADE IMPACT OF EUROPEAN MEASURES ON GMOs CONDEMNED BY THE WTO PANEL

Anne-Célia Disdier & Lionel Fontagné

NON-TECHNICAL SUMMARY

In May 2003, the United States, Canada and Argentina launched a World Trade Organization (WTO) case against the European Union (EU) concerning the EU authorization regime for genetically modified organisms (GMOs). The complainants challenged three types of measures: (i) an alleged general moratorium on the approval of GMOs; (ii) delays in the processing of product specific applications; (iii) national safeguard measures adopted by certain Member States banning the marketing of certain GMO products. In November 2006, the WTO condemned the European authorization regime for GMOs. The EU announced its intention to conform to the WTO Panel's recommendations, but subject to a reasonable period of time. To date, discussions continue between the parties.

The aim of this paper is to evaluate the revenue lost from the EU market by the complainant countries. Quite surprisingly, no research has been carried out to date to measure and quantify these potential losses in monetary terms. Using an econometric analysis, our study provides the impact of the different measures condemned by the WTO Panel for Argentinean, Canadian and US exports to the EU. It then gives the economic estimates of the reduction in exports by product, country of export and measure at stake. Our second contribution is to investigate, for comparison purposes, the impact of moratoria or non-approvals of GM products adopted by third countries, such as New Zealand, Norway and Switzerland on the exporting countries complaining against the EU measures. In the same way, we study the impact of EU measures on Brazilian exports, even though Brazil did not join the complainants.

We focus on the main GM crops grown commercially and potentially affected by the EU authorization regime, namely maize, cotton, oilseed rape and corn gluten. Gravity equation offers an appropriate framework for this analysis, provided that the frequent misuses of this methodology are avoided.

Our results confirm the foundations of the dispute: trade losses have been faced by the US, Canada and Argentina on the European market and these losses can be attributed to European (or Member States) decisions transgressing WTO rules. However, our results also show that the measures against GMOs adopted by third countries have also reduced exports of the complainant countries. Furthermore, Brazilian exports have also been restricted by EU measures. Such findings suggest that other determinants than export losses *stricto sensu*, such as market size, might have played a role in decisions as to whether to launch a case at the WTO.

J.E.L. Classification: GMOs, protection, WTO panels, environment

Keywords: F13, F18