

Labeling Genetically Modified Food: Economics and Rules



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Why Labeling?

- **Consumer preferences**
Safety: potential health risk
Environmental concern: externalities
Ethics: values
- **Responses**
Labeling and traceability
Cartagena Protocol on Biosafety
Precautionary principle

Consumer Attitudes I

- **Survey Data**

20 countries including

EU members, US, CAN, JPN, and KOR

- **Correlations**

Awareness-Health risk perception: **0.314**

Awareness-Willingness to buy: **-0.362**

Consumer Attitudes II

- **Consumer awareness**
Greater consumer awareness associates with greater concerns with potential health risks
- **Market failure?**
Calling for public intervention
Non-homogenous consumer concerns
- **Information gap?**
Requiring transparency and more information

An Economic Approach

- **Adverse quality problem: bad lemon**

At the presence of a concerned consumer group, no market segregation between GM and non-GM food is likely to reduce welfare.

- **Labeling: market segregation**

Labeling increases consumer choice, allowing consumers to match their preferences.
Increase market efficiency and reduce search costs.

National Measures

- **Mandatory labeling with thresholds**
 - 1%:** AU, NZ, EU, AUS, UK, CHZ, HUN, ICE
 - 2%:** NOR
 - 3%:** KOR, SWI
 - 5%:** JPN
- **Voluntary labeling**
 - US, CAN

International: TBT Agreement

- **Non-discrimination: like product**
 - End product use
 - Consumer preference and habit
 - Physical characteristics, nature and quality
 - Allowing patents for GM seed in US
- **Necessity: legitimate objective**
 - Consumers' right to know and ethical issues
 - Prevention of deceptive practices: SWI, EU

International: SPS Agreement

- **Objective**

To protect plant, animal, human life and health

- **International standards**

Codex Alimentarius Commission

International Office of Epizootics

International Plant Protection Convention

- **Applicable to labeling**

Lack of scientific justification

International: Others

- **Codex Committee on Food Labeling**
8-year debates produced only definition.
Not clear if Codex standards would be a solid evidence for dispute settlement in the WTO.
SPS: *deemed*; TBT: *reputably presumed*
- **Protocol on Biosafety**
Article 18: *May contain*, unique identification
- **OECD**
Biotrack: MOC with UNEP/CBD
Workshop for unique identification

Summary and Conclusion

- **Economically**

Labeling contributes to market efficiency

Consumer attitude is non-homogeneous

- **Internationally**

WTO and other standards may be applicable

It is not clear how and when: **Work in Process**

- **Uncertainty in the future**

Consumer preferences: 2nd generation of GM

Technical development