



## Consumer information, labelling and international trade in agri-food products

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### Abstract

The focus of the World Trade Organization is establishing limits on governments' ability to impose trade barriers in response to producers' requests for protection. In recent years, however, requests for protection from imports has increasingly come from consumers over issues ranging from animal welfare concerns, employment of child labour, the use of growth hormones, differing environmental standards and GM foods. The current international trade regime is ill-suited to deal with consumer-based protectionism. This paper develops a model that explicitly incorporates consumer concerns into an international trade model and compares the result with the standard treatment. Further, using the model incorporating consumer concerns, a labelling policy for imports is compared to an import embargo. The labelling policy is found to be superior to an embargo. Implications are drawn for future trade negotiations pertaining to sanitary and phytosanitary measures and technical barriers to trade. © 2005 Elsevier Ltd. All rights reserved.

*Keywords:* Consumer concerns; Labelling; International trade; Protectionism; Trade barriers

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**Producer oriented trade policy**

Those charged with developing trade policy have always found food and agricultural products a challenge. The agricultural sector has been subject to a sustained process of labour shedding technological change over the last 150 years. This has meant that the sector has been in a constant state of disequilibrium and farmers have sought policies, including trade policies, which will slow the exit of farmers. This lobbying has been relatively successful and countries have been allowed to retain restrictions on market access and to provide subsidies that differ in kind and degree of support from those that are generally permitted in the World Trade Organisation (WTO). In the last quarter of the 20th century, the absence strong disciplines on agricultural trade meant that barriers to market access remained high and led to a subsidy war between the US and the European Union (EU). The rising cost of competing subsidies and the detrimental effect the acrimonious debates over agricultural trade policy were having on the wider aspects of international relations led to an agreement at the Uruguay Round (1986–1994) of multilateral trade negotiations to truncate the subsidy war and to gradually bring trade in food and agricultural products into conformity with general WTO disciplines (Gaisford and Kerr, 2001). Since 1994 agricultural trade policy has focussed on how and at what rate the latter will be accomplished. Further liberalisation of market access and limitations on subsidies are the subject of the current WTO negotiations on agriculture that commenced in 2000.

The negotiations over market access and subsidies are the types of producer protection issues that the General Agreement on Tariffs and Trade (GATT) and subsequently the WTO were established to address. The entire history of the

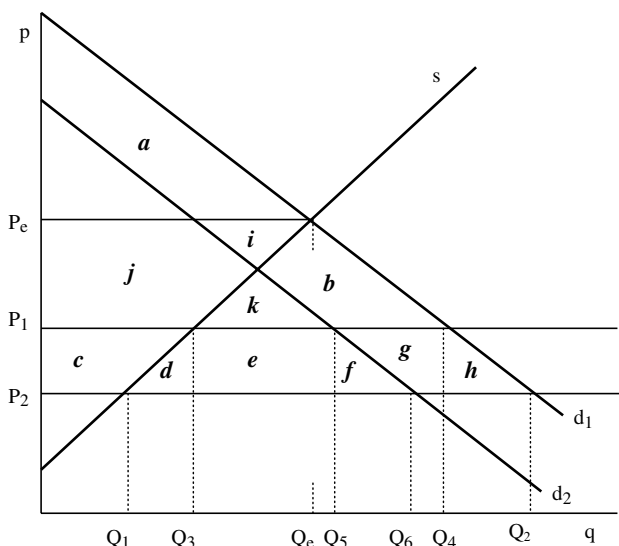


Fig. 1. Importing country.

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