

International Trade in Genetically Modified Products

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February 2009

Abstract

This paper investigates competition between two markets that sell close substitutes: a traditional product and a genetically modified (GM) product. Tightening an import quota on the GM product raises the prices of both goods and hurts consumers. Two scenarios are considered under free trade: Nash equilibrium and Stackelberg equilibrium. A Stackelberg type monopolist produces more, and the competitive traditional producers produce less, than in Nash equilibrium. In the long run, an import ban on the GM product does not help competitive producers of the genetically modified organism (GMO)-free products but benefits only the landowners in Europe.

JEL classification code: F1

Keywords: genetically modified products, import ban, landowners.

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