

***Standards as a Trade Passport:  
How Labels, Certifications and Quality Conventions Affect Development Prospects***

**1. INTRODUCTION**

One of the most striking features of the global economy in the last two decades has been the expansion of international trade. Between 1983 and 2000, the value of world merchandise exports has almost quadrupled. Trade is an important revenue base for developing countries, which are estimated to generate more than thirty times revenue per capita from exports than they receive in aid (Oxfam, 2002: 47). This is particularly relevant as aid flows decreased by almost one quarter between 1990 and 2000 (OECD/DAC, 2002). Some middle-income countries, such as South Korea, Mexico and China, have been able to increase their export flows of not only labour-intensive goods, but also high-technology. Yet, most low-income countries still depend heavily on exports of primary commodities and manufactures, which have lagged behind the growth of global income (UNCTAD, 2002). As a result, low-income countries still account for only three per cent of income generated through exports in the global economy. This is partially a result of the increasing significance of standards on how developing countries participate in international trade. The proposed project would investigate the following research questions: *What are the implications of standards in terms of creating entry barriers to trade? Which standards are discriminatory against developing countries and which ones are not? Are developing countries able to meaningfully participate in the setting of standards that inform labels, certifications and quality conventions? What are the compliance costs once standards are set? What are the distributional effects of different kinds of standards among countries and different groups of actors within a country?*

International trade liberalisation – through successive rounds of the General Agreement on Tariffs and Trade (GATT) and the establishment in 1995 of the World Trade Organisation (WTO) – was supposed to open new trade opportunities for developing countries. The record in achieving this objective has been uneven. While tariffs and quantitative restrictions on trade have been lowered or eliminated, government subsidies to producers in developed countries (especially in agriculture) have remained at high levels. Furthermore, barriers of different nature have become increasingly important in restricting trade, especially anti-dumping and safeguard measures, sanitary and phytosanitary requirements<sup>1</sup> and technical standards (Henson and Loader, 2001). The debate surrounding the protectionist effects of tariffs and quantitative restrictions to trade has produced a large literature. There is also considerable interest within the global policy community in theoretical and empirical work on the impact of standards on trade – especially in relation to developing countries. However, most of the available research focuses on mandatory technical standards adopted in developed countries. The role of voluntary and private standards that are used to certify products or production processes, define labels, and set quality conventions has received less attention.

The overall objectives of this project are:

- Theoretically, to inform the debates on the governance features of international trade through the lenses of global value chain analysis and convention theory;

- Empirically, to provide insights on the trade-related effects of different categories of standards applicable to *agro-food* exports and the possibilities for developing country actors to meaningfully participate in setting these standards;
- Policy-wise, to provide relevant information to policy-makers in developing countries in the process of negotiation of (or compliance with) standards, and to donors for facilitating the delivery of direct technical assistance on standards.

## 2. THEORETICAL FRAMEWORK

Standards are broadly defined as ‘rules of measurement established by regulation or authority’ (Jones and Hill, 1994). Standards communicate information about the attributes of a product. These attributes can be classified depending on the ease with which they can be measured. *Search* attributes are those that can be verified at the time of transaction (the colour of an apple). *Experience* attributes can be assessed only after the purchase (the taste of an apple). *Credence* attributes can not be verified and are based on trust (whether the apple has been grown organically) (Jensen, 2002b). The harder attributes are to measure, the higher is the problem of asymmetric information between buyer and seller (Stiglitz, 1986). The higher the asymmetry, the more likely is that a party to a transaction will try to exploit the situation by appropriating some value from the product that is not measured accurately (Barzel, 1997).

A new institutional economics take on standards would therefore characterise them as one of the tools for minimising transactions costs, together with other institutional arrangements such as contracts and vertical integration (see Williamson and Masten, 1995). While this approach highlights important institutional aspects of standards, it does not take into explicit consideration issues of power and access. Standards, whether they are *de jure* or *de facto*, empower the institutions that decide their criteria and control their administration, monitoring and/or certification. Standards confer power because they create situations of asymmetrical access. Institutions that control standards have power over users, unless they are fully democratic and transparent. In relation to trade, the controlling institution has a significant say on how users of standards get ‘admitted to trade’, therefore on what basis and specifications they can interact in the global economy. Thus, standards can be symbolically construed as a ‘trade passport’.

Users of a standard may have been in the position of participating in the setting of it. However, not all users have the same influence in the process of standards determination or administration. Standards are therefore political spheres of action because they shut out some interests while serving others. Rather than just being a technical instrument to decrease transaction costs associated with asymmetry of information, they should be viewed as a strategic instrument of competition and value chain coordination. This entails that the technical approaches that are currently used to understand the impact of standards on developing country trade need to be integrated by political economy approaches, which are more historically-minded and power-sensitive. In this project, this is achieved by combining elements of convention theory and global value chain analysis.

Convention theory is formulated on the basis of the assumption that for markets to function there must exist a common ‘language’ between participants (Salais and Thévenot 1986; Boltanski and Thévenot 1989). Convention theory suggests that – over time – different markets come to embody a succession of different criteria under which the goods traded on them become ‘qualified’ for trade, and according to which trade is subsequently ‘managed’.<sup>2</sup> One of the main tenets of convention theory is the observation that until the early 1970s, quantification was the main criteria for characterising exchange of relatively homogeneous products, while the current economic dynamic is based on product differentiation, which leads to the proliferation of standards. According to this approach, conventions are necessary when price alone cannot evaluate quality. In this case, economic agents set up ‘quality conventions’ that lead to different forms of coordination. Each of these forms of coordination implies asymmetries of information which benefit certain groups of

participants over others. Different forms may exist side by side at the same time, even for the same product. According to Allaire and Boyer (1995), these forms of coordination may exist in a state of tension where one is trying either to resist or to encroach on other modes. When different criteria (and standards) come to characterise the process of qualification of products for trade, a change in the dominant mode of coordination occurs. This entails a process of value chain restructuring as new actors and forms of governance emerge.

Convention theory provides a framework of analysis for the reading of standards as one of the determinants of changing forms of industrial organisation and of the governance of international trade. In this respect, it can be fruitfully matched with global value chain analysis. In global value chain analysis, the international structure of production, trade, and consumption of commodities is disaggregated into stages that are embedded in a network of activities controlled by firms and enterprises. Gereffi identifies four dimensions of value chains: (1) input-output structure; (2) territory covered; (3) governance structures (Gereffi 1994, 97); and (4) the institutional framework through which national, and international conditions and policies shape the globalisation process at each stage in the chain (Gereffi 1995). The *governance structure* has so far received the most attention, since this is where the key notions of entry barriers and chain co-ordination appear in the analytical framework, and where the distinction between ‘producer-driven’ and ‘buyer-driven’ value chain governance structures is introduced. ‘Producer-driven’ chains are usually found in sectors with high technological and capital requirements, where capital and proprietary know-how constitute the main entry barriers (automobiles, aircrafts, computers). In these chains, producers tend to keep control of capital-intensive operations and sub-contract more labour-intensive functions, often in the form of vertically-integrated networks. ‘Buyer-driven’ chains are found in generally more labour-intensive sectors, where information costs, product design, advertising, and advanced supply management systems set the entry barriers (garments, footwear). In these chains, production functions are usually out-sourced and key actors concentrate on branding, design, and marketing functions.<sup>3</sup>

Standards play an important role in the dynamics of governance in specific value chains in particular, and in international trade in general. They also act as ‘lubricants’ in the process of exclusion/inclusion patterns and of possible upgrading trajectories.<sup>4</sup> Yet, they have not been systematically studied in the global value chain literature. Convention theory has standards implicitly at the core of analysis, but only in relation to quality. A cross-theoretical approach focusing on power and access issues surrounding standards would help understanding how goods are qualified for trade and under what conditions, why value chains are more or less coherent or articulated, and what are the essential features of governance in international trade.

### **3. STANDARDS IN THE CHANGING GLOBAL ECONOMY: ISSUES OF PARTICIPATION, ACCESS AND COMPLIANCE**

The evolution of the role of standards in shaping access to international trade has to be understood in relation to two changing global ‘environments’. First, a business environment defined by supply-chain concentration, corporate financialisation, the principle of ‘shareholder value’,<sup>5</sup> and more or less serious attempts at incorporating environmental and socio-economic concerns in codes of conduct and criteria of supply chain management. Second, in relation to agro-food industries, a consumer environment that is characterised by increased food safety awareness, focus on health and diet, globalisation of consumer tastes, and social and environmental concerns. This, together with market saturation for goods with ‘commodity’ traits, has led to product proliferation and differentiation. It has also been accompanied by an increased importance of issues of quality control, ‘field-to-fork’ custodial tracking, and certification requirements in relation to the ecological and socio-economic impact of production processes.

Increased food safety, social and environmental concerns in developed countries, together with product proliferation and specialization, has led to the increasing importance of the evaluation of

credence attributes of products, such as more complex aspects of food safety, worker conditions and authenticity of origin. This has translated into the increasing importance of standards that focus (sometimes exclusively) on production and process methods rather than on the product. In other words, in the world of ‘mass consumption’ of relatively homogeneous commodities, standards created economies of scale and facilitated the creation of futures markets (Daviron, 2002). In the current situation, characterised by more affluent consumers with varied tastes and by production, processing and distribution technology that allow product differentiation and market segmentation, standards are also proliferating and becoming more specific (Giovannucci and Reardon, n.d.; Reardon et al., 2001).

Standards can be classified in three broad categories: mandatory, voluntary and private (see specific examples in table on p.6). Standards are *mandatory* when they are set by governments in the form of regulation. These may affect trade flows by placing technical requirements, testing, certification and labelling procedures on imported goods (Wilson, 2001). Governments can rely on standard enforcement through *ex post* liability rules that allow punitive damages to be awarded to the buyer in case of non-compliance, or they can adopt *ex ante* measures – such as requiring information or banning a product not matching technical standards from being imported (Caswell and Henson 1997). In the US, *ex post* liability is more common, while in Europe *ex ante* measures are the backbone of regulation. *Voluntary* standards arise from a formal coordinated process in which key participants in a market or sector seek consensus. The International Standardization Organisation (ISO) has established over 7,000 voluntary standards. Some of these are also introduced as a response to consumer requests (such as eco-labels) (Grote and Kirchhoff, 2001: 6), or as a result of NGO-initiatives (such as fair trade labelling). Sectoral organisations can also establish voluntary standards that apply to their members. Voluntary standards are usually verified through third-party auditing. *Private* standards are developed and monitored internally by individual enterprises. What distinguishes them from mandatory and voluntary standards is their lack of third party verification, and a lower degree of transparency and participation of affected stakeholders.

The distinction between mandatory, voluntary and private standards, however, is becoming increasingly blurred. Although voluntary standards are not mandatory by rule, some of them (such as the ISO 9000 standards on quality management) have become *de facto* standards, meaning that they are required for producers if they want to compete globally. The distinction between private and voluntary standards is also to some extent arbitrary, as many private enterprises borrow parts of voluntary standards. Adherence to voluntary and/or private standards is often a pre-condition for the acceptability of products by consumers and/or distributors. Moreover, insurance companies may request compliance with standards to reduce product liability exposure, and mandatory standards may be incorporated in regulation (Zarrilli, 1999). A cumulative reading of these changes may suggest that ‘private’ regulation is if not *de jure* – at least *de facto* – substituting public regulation in determining what characteristics products and production/process methods need to match to be fit for trade. This process is also known as the ‘privatisation’ of standards.

It is relatively clear that developing countries stand to lose in the process of privatisation of standards because they are cut off from influencing the setting of these standards. However, problems also arise in terms of their limited participation in the negotiation of voluntary and/or mandatory standards, and in the negotiation of WTO agreements on limiting the discriminatory trade effects of standards.<sup>6</sup> In particular, low-income countries’ lack of resources and technical capabilities limit their recourse to dispute settlement and arbitration through the mechanisms set by WTO when they feel that standards are discriminatory and negatively affect them.<sup>7</sup> Finally, problems also arise in the *compliance* with standards, which involves costs arising from testing and certification procedures that are necessary to determine whether a product meets the requirements. It has been shown that compliance costs can be high and may result in reduced supply from foreign producers to the benefit of domestic ones (Hooker and Caswell, 1999). In particular, sanitary and phytosanitary measures have been found to be a major factor limiting developing countries’ exports of agricultural and food

products, especially to the EU. A further concern is that the use of import bans and other interventions by the European Commission is increasingly based on the precautionary principle, which seeks to mitigate risk even though there is no scientific evidence of risk. In some cases, it is also not clear whether the goal of the standard is worth the cost.<sup>8</sup>

#### 4. ARE STANDARDS IN ETHICAL TRADE ‘ETHICAL’?

Standards can be set up to specify technical characteristics of a product, specific process and producing methods, quality traits, and safety. Increasingly, they include specifications relating to environmental impact, animal welfare concerns, and worker conditions. This is most clear when one analyses certifications and labels used in so-called ‘ethical trade’. Ethical trade can be defined as ‘any form of trade that consciously seeks to be socially and environmentally, as well as economically, responsible’ (Tallontire et al., 2001). Ethical consumerism is a growing phenomenon that has motivated ethical business practice, together with the increasing vulnerability of brands to reputation problems, which may lead to stock value losses. Many businesses adopt ethical practices because they think that is what consumers want. The globalisation of food sourcing and foreign travel have resulted in more adventurous consumers, and also consumers who ask more questions about the source of the products they buy. This has led to the proliferation of ethical trade schemes and of standards that define them. Examples of these schemes are: fair trade, codes of practice of enterprises, eco-labels, forest and fisheries certification, and ethical sourcing initiatives of major retailers and brand owners. Unfortunately, many ethical trade schemes are driven by developed country consumers and business, rather than producer opinions or priorities.

Ethical trade can be usefully distinguished in two broad categories: (1) enterprise initiatives; and (2) certification and labelling procedures. Among *enterprise initiatives*, the most common instrument for showing ethical responsibility is the adoption of ‘codes of practice’, which define the criteria for measuring company performance against a set of ethical objectives. These codes may be developed by individual companies or draw from model codes, such as the ‘Code of Labour Practices for the Apparel Industry’ by the Clean Clothes Campaign, or the ‘The Charter of the Safe Production of Toys’ by the Hong Kong Coalition. Unfortunately, as Blowfield (1999: 758) argues, ‘too many codes are launched with a fanfare of publicity in the West, yet are “unknown, unavailable or untranslated” in the developing country sites of operation.’ Compliance is rarely reported upon, and independent verification is the exception rather than the rule. Too often, these initiatives are cases of ‘a launch, a lunch and a logo’ (ibid.). Furthermore, companies that develop their own code can pick and choose which standards to adopt without consulting the so-called beneficiaries. Finally, if enterprise initiatives do not earn a premium to suppliers or higher wages to workers, then they simply become a further requirement to access a market segment (du Toit, 2002: 371).

*Certification and labelling procedures* are used as a means of communicating information about the social or environmental conditions surrounding the production of goods or the provision of services. Examples of these are the Fairtrade label, organic certification, and the Forest Stewardship Council initiative, which certifies landowners matching a series of criteria for sustainable forest management. Labels can help setting common standards for certain sectors and help prevent confusion among consumers. They generally ensure better stakeholder representation in the negotiation of standards than enterprise initiatives. However, participation to the setting of criteria may not amount to much (see du Toit, 2002) – especially when the label is controlled by an industry association or by an organisation with close links to a particular company (Blowfield, 1999).

While ethical trade schemes have created new opportunities for their beneficiaries, there is evidence that there have been negative impacts among those who are unable or unwilling to participate. In some cases, consumer concerns have even had negative consequences on their ‘beneficiaries’.<sup>9</sup> It is also clear that these schemes have been weak in targeting certain disadvantaged groups. Finally, stakeholders have rarely been able to influence codes of practice and labels, with the result that they

do not address all of the priority issues for workers and smallholders (Blowfield and Jones, 1999). Yet, academic research showing to what extent labels and codes of conduct benefit the actors that they are supposed to help is still rare (for an exception, see du Toit, 2002).

## 5. STUDY DESIGN & METHODOLOGY

*a. Criteria for the selection of standards:* The proposed project will examine a number of different standards for three main categories (mandatory, voluntary and private standards) and relevant sub-categories (see details in the table below). It will also cover both standards with technical, safety and/or quality content and standards relating to ethical concerns.

<i>Typology of standard</i>	<i>Sub-typology</i>	<i>Main aspect(s) covered</i>	<i>Selection of standard(s)</i>	<i>Brief Description</i>
Mandatory	regulation requiring conformity to SPS Agreement	food safety, labelling, quality	EU and US food safety and labelling regulation (FDA, EFSA)	Standards mandated by law; now include food safety HACCP procedures on imported foods <sup>10</sup>
	regulation requiring conformity to Articles 22-24 of TRIPS Agreement	protection of geographical indications	EU and US regulation on geographical origin	Rules restricting the naming of products which characteristics are essentially attributed to conditions available in its geographical origin (i.e. wine, spirits and cheese appellations)
	regulation requiring conformity to TBT Agreement	environmental protection	EU and US regulation	Rules on packaging, recycling of materials, product and process methods
Voluntary	international standards	food safety	Standards set by Codex Alimentarius	Commission created by FAO and WHO to develop universal food standards and guidelines
		environmental protection	ISO 14000	Standard on environmental impact formulated by the International Standardization Organisation
		quality management	ISO 9000	Standard on quality management systems
		socio-economic conditions	SA8000	Universal social accountability standard for companies interested in auditing and certifying labour practices in their facilities and those of their suppliers and vendors
	model codes of conduct	food safety	EUREP-GAP	Good agricultural practice certification for fruit and vegetables; aims at reducing the risks of food safety lapses in agricultural production
		environmental protection	EU Eco-Management and Audit Scheme (EMAS)	Voluntary management tool devised by the European Commission for companies and other organisations to monitor and improve their environmental performance
		socio-economic conditions	Ethical Trade Initiative (ETI)	Code of conduct for good labour standards; includes the observance of ethics code provisions and standards for ethical sourcing
	labels	environmental protection	Marine Stewardship Council (MSC)	Label rewarding environmentally responsible fishery management and practices
		environmental protection	Organic certification	Label awarding production management systems that promote and enhance biodiversity and soil activity
		socio-economic conditions	Fair trade	Label awarding a minimum guaranteed price to producers matching a series of socio-economic and labour standards
		protection of geographical indication,	Appellation systems	Schemes facilitating the enforcement of intellectual property rights related to geographic indications of origin and truth in labelling

		quality		
Private	quality conventions	product quality	quality requirements, sourcing systems, preferred supplier schemes	Standards developed and monitored internally in individual companies with the aim of matching quality, socio-economic and/or environmental goals
	private codes of conduct	socio-economic conditions & environmental protection		

### ***b. Specific product focus and geographical coverage***

1. The study will focus on standards applicable to *agro-food* value chains originating from *Sub-Saharan Africa* (Africa thereafter).
2. Two specific agro-food value chains will be analysed in detail: *wine* and *fish*.
  - *Wine* has been selected because developing countries face strong competition from developed country producers, which means that there is a high ‘protectionist pressure’ in the negotiation and enforcement of standards; it is also highly relevant for the discussion of geographical indications of origin, a key trade-affecting standard; finally, it is relevant for the analysis of organic certification, ISO standards on quality and environmental impact, the Ethical Trade Initiative, and is under consideration for fair trade labelling.
  - *Fish* is particularly sensitive to food safety concerns; Codex Alimentarius has a specific set of standards on fish; fish was also one of the first products for which supermarkets required full tracking from vessel to shelf; it allows the comparative analysis of standards applied to the same product with different degrees of processing content (fresh whole fish, fresh and/or frozen fish fillets); there are also substantial differences between EU and US food safety standards on fish; fish is included in the Ethical Trade Initiative; finally, it is relevant for issues of conservation and sustainability.
3. These agro-food chains will be analysed in two exporting countries: *South Africa* and *Uganda*.
  - *South Africa* is the only wine exporter in Africa and one of the main players of the wine industry globally (in 2001, it was the 6th largest producer in the world). It is also the 2nd African exporter of fresh fish (27% of total export value from Africa in 1999), the top exporter of chilled and frozen fish fillets (with a market share of 48%), and a major exporter of whole frozen fish. In 2000, South Africa was also the 3<sup>rd</sup> fresh pineapple exporter and the 2<sup>nd</sup> canned pineapple exporter in Africa.
  - *Uganda* accounts for a large majority of African exports of chilled freshwater fish fillets to Europe and for a substantial share (30%) of frozen fillets. It is the 8<sup>th</sup> world producer of freshwater fish. In 2002, the value of fish exports in Uganda is likely to surpass the value of coffee exports for the first time in the post-independence history of the country. It is also an interesting case study as, between April 1999 and July 2000, the EU banned the import of fresh and frozen fish products from Uganda on the basis of sanitary concerns.

The selection of these two countries would also allow a comparison of different levels of resources and capacity for exporting countries to participate in standard setting and/or compliance (South Africa is classified by the World Bank as a ‘lower-middle-income’ country, while Uganda is classified as ‘low-income’).

***c. Links to previous research:*** The proposed project will partly build upon the author’s previous research on the restructuring of the global coffee marketing chain. In the coffee project, changes in the governance and institutional structures of coffee trade were analysed from the producer level in four African countries (Ethiopia, Kenya, Tanzania and Uganda) to the consumer level in the USA and Italy. Some aspects of quality standards, eco-labelling and fair trade were also examined. This

information will provide comparative material for an African traditional export crop – a category that is not covered in the proposed project on standards. The coffee project generated both academic and policy-relevant material (see Ponte, 2002a; 2002b; 2002c) and was presented to the coffee industry and policy fora in Africa, Europe and the USA.

#### ***d. Research questions***

- Standard setting and dispute settlement
  - Are developing countries able to meaningfully participate in the setting of standards?
  - Which kinds of standard setting mechanisms are more transparent and participatory?
  - Have developing countries been able to effectively use the WTO dispute settlement in relation to the perceived discriminatory effects of standards?
- Standards as entry barriers
  - In specific sectors and countries, how important is the impact of various kinds of standards in affecting trade flows? Under what circumstances?
  - Are standards the reason potential exporters choose not to enter some markets?
  - Are inspection, testing, certification procedures costly and/or discriminatory? What are the compliance costs for developing country institutions, firms and producers?
  - Are standards easier to meet in certain importing countries rather than others (US *versus* EU) or for certain ethical trade schemes than others?
  - Is meeting standards a sufficient condition of market access for exporters?
- Effects of changing entry barriers
  - Are standards a key determinant of how a value chain is organised and governed? In what ways? What are the consequences in terms of distribution of value added, vertical integration and other contractual forms of coordination?
  - How do producers and exporters alter their business strategies to accommodate the requirements set in standards?
  - What are the effects of standards on profitability of producers, processors and exporters in developing countries? Which countries, institutional settings, groups within countries gain and which ones lose in relation to the application of standards?
  - Have standards used in ‘ethical trade’ had more positive (or less negative) distributional effects than other standards?
  - What upgrading possibilities are opened (or closed) by standards?

## NOTES

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<sup>1</sup> Sanitary and phytosanitary measures are designed to: (1) protect human or animal life from risks arising from additives, contaminants, toxins or disease-causing organisms in food; (2) protect human life from diseases carried by plants and animals; (3) protect animal and plant life from pests, disease or disease-causing organisms; and (4) protect an importing country from the entry, establishment or spread of a pest (see Oyejide et al., 2000: 3).

<sup>2</sup> Initially, convention theory developed around the theme of the specificity of 'labour', and analysed the rules, norms and conventions that formed the basis of the 'labour qualifications' (Salais and Thévenot 1986). Later, this approach was extended to other commodities and to the analysis of economic exchange in general. See Boltanski and Thévenot (1989), Valceschini (1993), Nicolas and Valceschini (1995), Sylvander (1995) and Sylvander and Biencourt (1999).

<sup>3</sup> This dichotomy, while useful as a point of departure, should not be strictly and statically interpreted (see Gereffi, 2001; Raikes et al., 2000). In different primary commodity 'buyer-driven' chains, different types of buyers (retailers, branded marketers, industrial processors, international traders) may be the lead actors. Forms of coordination (therefore, the level of 'driveness') tend to be tighter in chains led by retailers and branded marketers (apparel, footwear, bananas, other fresh fruit and vegetables) than in chains led by industrial processors (coffee, cocoa/chocolate). Chains led by international traders tend to have even looser forms of coordination (cotton, fish, cashew nuts) (see Ponte, 2002c; Gibbon, 2001a). Secondly, some commodity chains may exhibit the tendency to move from one category to the other. In some 'producer-driven' chains such as automobile, computer, and consumer electronics, producers are increasingly out-sourcing portions of component manufacture. Sometimes, they even out-source supply-chain logistics and final assembly, and keep control of promotion and marketing of the brand names on which market access is based – a peculiar trait of 'buyer-driven' chains.

<sup>4</sup> The discussion of upgrading in the GVC literature usually takes place under the rubric of the institutional framework surrounding the chain (see Gereffi, 1999; Gibbon, 2001a; 2001b; Humphrey and Schmitz, 2000). This discussion is used to delineate the conditions under which key (or 'lead') agents incorporate subordinate agents through their control of market access and of information – both technological and regarding markets. Yet, little reference is made on how standards can act as a condition for participating in the chain.

<sup>5</sup> Corporate financialisation refers to the rise of institutional investors, such as pension funds and investment trusts, and a broadening popular participation in corporate shareholding that has taken place from the 1980s onwards (see Froud et al., 2000). The principle of 'shareholder value' refers to prescriptions promoted within the business community for corporations to best take advantage of these developments, particularly the prioritisation of strictly financial objectives – such as the attainment of high levels of post-tax return on capital employed (see Gibbon, 2001b).

<sup>6</sup> Three WTO agreements are specifically relevant for the discussion of the trade-related effects of standards: (1) the Agreement on Sanitary and Phytosanitary (SPS) standards; (2) the Agreement on Technical Barriers to Trade (TBT); and (3) the articles on protection of geographical indications of origin in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). For recent discussions of the relevance of these agreements for developing countries, see: on the SPS Agreement, Finger and Schuler (1999), Michalopoulos (1999), Jensen (2002a), and Oyejide et al. (2000); on the TBT Agreement, Wilson (2001) and Grote and Kirchoff (2001); on geographical indications of origin, Escudero (2001).

<sup>7</sup> Low-income countries may also encounter difficulties in the negotiation of regional and bilateral trade agreements. These negotiations aim at facilitating trade among the signatories through advancing regulatory best practices, the removal of technical barriers to imports, the mutual recognition of testing and certification procedures, and efforts to harmonise standards (Maskus et al., 2001: 13). Partners that have tighter standards tend to insist on the upgrading of standards in 'weaker' countries. If, on one hand, standard harmonisation may facilitate regional trade, on the other hand producers in 'weaker' countries may have difficulties in maintaining their market share, let alone increase their exports. This is because adopting stricter standards shifts the terms of competition. Although, previous to the trade agreement, low standard producers may have already faced competition from imported high standard products, after the agreement their products may not be qualified for trade at all – even domestically.

<sup>8</sup> Otsuki et al. (2001), for example, have estimated that the implementation of a proposed EU standard (higher than the level suggested by Codex Alimentarius) on the presence of aflatoxin in food would reduce health risk by about 0.7 deaths per year in the European Union, while decreasing African exports by 64 per cent or \$670 million. Aflatoxins are a group of naturally-occurring toxic compounds contaminating certain foods (especially maize, groundnuts, cottonseed, milk and treenuts) that can result in the production of liver carcinogens in humans.

<sup>9</sup> For example, King and Marcus (2000) show how consumer concerns on child labour in East Asian clothing factories led to many children losing their jobs and ending up in more dangerous occupations on the street.

<sup>10</sup> HACCP stands for Hazard Analysis and Critical Control Point. It is a preventive method aimed at reducing the risk of microbial, chemical and physical contamination in food. For details, see Giovannucci and Satin (n.d.).

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