



Tropentag, October 11-13, 2006, Bonn

“Prosperity and Poverty in a Globalised World—
Challenges for Agricultural Research”

Standards, A Catalyst for the Winners - a Barrier for the Losers? An Empirical Analysis of the Impact of Higher SPS Measures on the Trade Performance of Developing Countries

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Abstract

Within the debate about developing countries export competitiveness the increasing importance of food safety and quality standards especially in OECD countries is a major source of concern. The paper analyses the trade performance of 73 developing countries within the context of stricter SPS measures. The analysis concentrates on the meat and fruit/ vegetable sectors as especially high value product sectors are determined by standards. The periods under consideration are 1993–1995, a period before the implementation of the SPS Agreement and 2002–2004, after the implementation. Cluster analyses group the countries according to the variables “ratio” and “difference” of the export value to OECD countries between the two time spans, thus describing trade performance regarding to the absolute level of change and relative dynamics. Subsequently, relations with EU and US border rejections and with STDF (Standards and Trade Development Facility) investment are explored. Four major findings should be underlined: 1) The group of developing countries shows both in total and in relative terms a very heterogeneous picture of their export development and there is no linear relation between total export value and direction of development. 2) Ten groups were identified for both markets in the cluster analysis, e.g. small winners (in the fruit/ vegetable market e.g. Uganda), large winners (in the meat market e.g. Brazil), large losers (in the fruit/ vegetable market e.g. Thailand). 3) Most large exporters increased their market share, but very successful groups were also found among small exporters especially in the fruit/ vegetable sector. 4) Both, border rejections and STDF investments did not reflect a particular structure related to market share development of individual countries. The data for border rejections indicates very different strategies in adjusting to standards. Among the large, dynamic exporters for example, countries with a high and low number of rejections are found. Total investment of the STDF in individual countries is enormously high, while other countries in the same cluster show low or no investment. Future research should focus on single product level.

Keywords: Cluster Analysis, Competitiveness, Developing Countries, food Safety, SPS