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Private food standards, trade and institutions in Vietnam

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International horticulture markets are increasingly governed by transnational private regulations that create a new set of challenges not only for the market but also for local governance and policy regimes. Accordingly, resources from a range of international governance institutions and donors promoting development through neoliberal market rules have been directed towards ensuring that market entry barriers are not prohibitive. This paper presents the results of a recent study undertaken in Vietnam that assessed outcomes within a single value chain governed by GLOBALG.A.P, where technical and financial assistance were provided to smallholders. The constructivist approach highlights that, in addition to typical market entry barriers, additional obstacles existed that prevented smallholders from market participation. These were socially, culturally and historically situated and rooted in informal institutions. Failing to incorporate these into assistance planning may lead to the unequal distribution of development benefits associated with these changing market governance arrangements.

Keywords: agriculture; GLOBALG.A.P; horticulture; transnational private regulations; Vietnam

Introduction

Historically, the state has been the main governance instrument responsible for establishing and maintaining market rules and regulations surrounding the production and trade of agricultural products. In part, this reflects the central importance agriculture has played in the life of states, supporting national self-sufficiency and food security, and making substantial contributions to national economic growth. Agriculture has thus typically enjoyed the largesse of nation-states, through price support systems, subsidies, minimum price guarantees, preferential taxation and a variety of other soft economic measures (Friedmann and McMichael 1989). In recent decades, however, the state as the central governance instrument overseeing the agriculture sector has begun to erode. Specifically, the globalization of food chains, international food sourcing and the emergence of global agribusiness has witnessed the emergence of transnational private regulation (TPR) as an increasingly important agent in the governance of food and agriculture. While the state retains some authority and, indeed, facilitates aspects of TPR (Casey 2009, Lockie *et al.* 2013), governance authority resides increasingly in private sector hands – in the process creating market entry barriers for farmers. This process has been exacerbated by influential international governance institutions such as the World Trade Organisation (WTO), the

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World Bank (WB) and the International Monetary Fund (IMF), who have all promoted greater stakeholder (private sector) involvement in regulation and governance (Bretton Woods Project 2001). Similarly, ideational changes in perceptions of the role of the state vis-à-vis private sector actors have also served to support changing views about *who* and *how* agriculture and food should be regulated. The United Nations Food and Agriculture Organisation (FAO), for example, has adopted neoliberal orthodoxies at a policy and project level (Germann 2009), actively embracing alternative, neoliberal perspectives on the governance and regulation.

This paper critically reviews the emergence of TPR in the food and agricultural sector, addressing the adoption and institutional instantiation of the GLOBALG.A.P standard for food quality and safety and its impact on local farmers and the political economy of food production and market access. The paper does so from the perspective of a localized, emerging economy using Vietnam as a case study. As one of Asia's fastest growing economies, Vietnam's entry into the international agricultural and food market has been a primary means for advancing growth, employment generation and increasing export earnings. Yet as the case of Vietnam demonstrates, its ability to engage in international trade in food and agricultural commodities is increasingly reliant on the standards set by TPRs and the decision taken by large private sector actors whose level of accountability is problematic.

Transnational private regulation (TPR): the case of GLOBALG.A.P

GLOBALG.A.P is the leading TPR standard for food quality and safety, globally. Initially called EurepGAP, the GLOBALG.A.P partnership has grown and spread geographically to the point that it is virtually impossible to export agriculture products to the EU – and many other markets – without GLOBALG.A.P certification. Indeed, GLOBALG.A.P certification is increasingly a requirement for a small but growing number of domestic and international retailers, who apply the standard as a requisite for the purchasing of agricultural products and food items. Preparing for the ongoing diffusion of GLOBALG.A.P, an increasing number of states and industry organizations have thus formally benchmarked pre-existing and/or new standards to ensure domestic farmers are not disadvantaged in key markets by the spread of the GLOBALG.A.P standard. For example, in Vietnam – an increasingly important player in the export of agricultural products and food stuffs – relevant bodies have moved to develop national food safety standards that act as a stepping stone for meeting the production, safety and quality assurance requirements of GLOBALG.A.P. As a new food safety and quality standard, GLOBALG.A.P goes beyond the requirements of public food safety standards in that it sets: a higher standard for product attributes; increases the scope of activities within the standard so that multiple nodes of the supply chain are included; incorporates additional aspects of production, such as social and environmental factors; and is more prescriptive about how to meet the desired outcomes of the standard (FAO 2009).

With the spread of GLOBALG.A.P combined with increasing complexity associated with standards compliance concerns have surfaced about the implications for farmers and smaller stakeholders in emerging economies. Agriculture has historically been a strategic sector in developing economies, responsible for the employment of a large proportion of the population, income security for poor rural communities and for generating sizeable export revenues. Subsequently, the imposition of increasing barriers to entry have potentially large and possibly negative implications for developing countries (Henson and Jaffee 2006).¹ Equally, however, for those able to demonstrate compliance with such standards

market opportunities exist that could competitively position participants (World Bank 2005, Henson and Jaffee 2006, Maertens and Swinnen 2006, 2009).

Dichotomies in the standards setting literature

Within the sociology of food and agriculture, a dichotomy between ‘standards as barriers’ and ‘standards as catalysts’ has emerged in the literature on TPR, and on GLOBALG.A.P more specifically (Jaffee and Henson 2005). The ‘standards as barriers’ literature has as its strongest concern the cost of compliance for farmers and how this may in fact create barriers to entry. With prescriptive production requirements and high annual certification costs, this is of particular relevance for GLOBALG.A.P. While group certification provides a potential mechanism for reducing individual compliance costs, recent studies by Graffham and others have found that the required capital expenditure necessary for certification along with recurrent costs to sustain certification range from 11–213% of total annual profit (Jaffee 2003, Graffham and Macgregor 2006, Graffham *et al.* 2006, Ellis and Keane 2008, FAO 2008, IIED NRI and DFID 2008, Ouma 2010), while establishment of required packing infrastructure for larger suppliers is estimated to be US\$4–5 million (Jaffee 2003). These compliance costs generate high barriers to entry, especially in developing country contexts.

While outright compliance costs associated with standards regimes are of concern in developing countries, equally the availability of and access to capital and finance is another. In these contexts, for example, less developed financial intermediation, typically high capital borrowing costs, and the underdeveloped nature of institutional and policy environments, fails to create an enabling environment that supports access and availability of capital to fund the standards compliance. Compliance is further complicated by the availability of significant institutional and scientific capacity required to support compliance activities. In Australia, for example, where production practices are comparatively well aligned with the standards required under GlobalG.A.P and where the institutional and scientific capacity supporting the standards compliance is high, many farmers still struggle to meet increasingly onerous and complex standards’ requirements (Tennent and Lockie 2012). Translating these issues into developing country contexts suggests that market entry barriers will be considerably higher and, indeed, may not be surmountable.

The ‘standards as catalysts’ literature, on the other hand, suggests that the outcomes for developing countries are often better than widely presented, especially relative to the value of exports that potentially can be generated through compliance with standards regimes (Jaffee and Henson 2005, World Bank 2005). Indeed, there are multiple examples of countries that have (re-)positioned supply chain strengths in international markets through the adoption of standards like GLOBALG.A.P. Horticulture industries in Kenya and Thailand, for example, have been highly successful in this regard, with the stringent food safety and quality requirements behind GLOBALG.A.P providing incentives for these countries to upgrade their export capacity (McCulloch and Ota 2002, Jaffee and Henson 2004, Wiboonpongse and Sriboonchitta 2004, Jaffee and Masakure 2005, Mausch *et al.* 2006, UNCTAD 2007, 2008, Vandergeest 2007, FAO 2008, Humphrey 2008, Ouma 2010). Nonetheless, these trends can mask what is occurring at the micro-level where, for example, competitive advantages or increased revenues associated with standards compliance can often be captured disproportionately – by larger production and packing operations, – while smallholders are excluded from international markets (Lee 2006).

While these are contending literatures, they are in agreement on at least one point; the progression of TPR is inevitable and there is a need for a variety of formal institutions including donors, multilaterals, development banks, trade organizations and the governments of both developed and developing countries to engage in capacity building in developing countries if the emergence of TPRs is to provide enabling opportunities to agricultural and food producers in the emerging economies. Indeed, the extent to which stakeholders are able to benefit from TPR appears, at face value, to be a function of proactive and strategic private and public sector responses, with weak public sectors and fragile private sectors lacking capacity to both establish and support TPR. Observations of certification-related projects to date, for example, have reported high drop-out rates even where substantial formal institutional investment was forthcoming, while support delivered to lead firms and other large exporters is reported to have resulted in potentially perverse outcomes for the smallholder competitors (Graffham and Macgregor 2006, Campbell *et al.* 2008, FAO 2009). With questions around how and where support could best be targeted to ensure the inclusion of a range of stakeholders in markets governed by TPR, we argue that capacity-building within these supply chains should include a broad conceptualization of institutions including, for example, consideration of cultural relations, political histories and local informal institutions.

Theorizing institutions in TRP

Several schools of thought exist examining the way institutions shape and structure economic and social patterns. Broadly, these differ on their definition of, and mechanisms that influence, institutions. New Institutional Economics (NIE), for example, defines institutions as ‘. . . formal rules, informal constraints (norms of behaviour, conventions and self-imposed codes of conduct), and the enforcement characteristics of both’ (North 1993, p. 36). It is believed that functional institutions lead to effective market outcomes and that the rationalities of individuals are constrained through rules and regulations. These rules and regulations determine outcomes for individuals and create bounded rationalities where actors behave in the ways they believe they must (North 1990). Similarly, historical institutionalism (HI) defines institutions as formal and informal procedures, routines, norms and conventions (Hall and Taylor 1996), although the emphasis is on their emergence from particular historical events and path-dependent processes. HI shares with NIE the view that formal and informal institutions determine the context in which actors behave. However, within HI, there is a recursive relationship between social processes and the development of institutions, with the two developing interdependently. For example, HI approaches emphasize that individuals act according to what they believe they should do rather than what they are regulated to do. This is amplified by critical institutionalism (CI), which includes non-market social, political and legal frameworks. Within CI, markets are social institutions that are shaped by historical developments. Emphasis is placed on politics and the state as key determinants of how institutions behave, change and evolve. Like HI, CI emphasizes the role institutions play in shaping behaviours, interests and values and, in turn, how these share and inform individual behaviour (Bromley 2006). CI rejects the NIE notion that functional/beneficial institutions will be created through demand.

Social conflict theory (SCT), by contrast, emphasizes class power as a determinant of institutional operation. For SCT, class power is central to an institution’s operation, asserting that institutions allocate power within and between groups classes. Within this, institutions that are the product of particular political (class) arrangements over time may

help to uphold the power of some groups (or classes) over others. Efforts to change these structures are fraught with problems because they challenge existing power formations. It is this process that determines the behaviour of individuals – and institutions generally.

Sociological institutionalism expands conceptualizations of interactions between institutions, social processes and power interests. This approach holds that institutions are embedded in a social and political framework, theoretically breaking the divide between culture and institutions – or viewing culture as an informal institution. Individual behaviour is moderated by socially constructed rational action, and the relationships between individuals and institutions are interactive and mutually constitutive (Hall and Taylor 1996). Assessing interplays between social networks and economic rationalism is vital in determining how formal institutions function, shape and engage with, and are engaged by, outcomes (Granovetter 1985). Stemming from this broad grouping of works is global value chain (GVC) analysis – a theoretical and analytical approach used in both development and agri-food studies to explore production systems at a global level.

The GVC framework adopts many of the theoretical axioms of institutional theory, seeing institutions and individuals as mutually constitutive and influenced by economic, political and social circumstances within specific contextual milieus. This approach understands the context of value chains as framed by reciprocity: ‘... how local, national and international conditions and policies shape the globalization process at each stage in the chain...’ but in turn how globalization has a reciprocal constitutive impact on local, national and international contexts (Gereffi 1995, p. 113). This is important, as the agency with a leverage of local suppliers, retailers and other relevant businesses is dependent on the ‘institutional and regulatory framework in which they are embedded’, in addition to their own capabilities and the competition they face (Gereffi and Lee 2009, p. 5). GVC thus highlights that farmers’ opportunities for participation in value chains are, to a large extent influenced by non-transparent localized political economic processes, or informal institutions like culture, that define access to economic resources (Hess and Coe 2006, Thomsen 2007).

GVC has been particularly useful in assessing the role that standards play in the governance of food production networks. Yet, with few exceptions (Hatanaka *et al.* 2005, Graffham *et al.* 2006, Neilson and Pritchard 2009, Ouma 2010), little has been made of the role that informal institutions such as culture play in determining value chain entry barriers. Thus, while (a limited) academic literature as well as a series of reports from projects in developing countries indicate that formal institutions facilitating the establishment of compliance capacity can play an integral role in certification-related projects, little is known about the informal institutions that also impact outcomes. Placing culture, as an informal institution, at the centre of analysis, we argue that TPR (specifically GLOBALG.A.P) acts as a mechanism through which market outcomes are reasserted, broaching a void in current understandings of value chains governed by GLOBALG.A.P.

Methods and materials

This study adopted GVC as its prime methodological lens. GVC necessitates examining the path of a particular commodity, and investigating the roles of each actor or process along the value chain. As this study aimed to consider the role that formal institutions play, a value chain with donor involvement was selected. Sites in Asia were preferred, due to Asia’s rapid change from predominately subsistence agriculture towards a modernizing system of agribusiness, agri-food processing and international trade. Within Asia, we identified a specific project within Vietnam, in part because of sufficient levels of documentation and the

involvement of international agencies engaged in local capacity enhancement in terms of standards and compliance regimes. Specifically, we identified an AusAID-funded project focused on establishing a compliance capacity among dragonfruit smallholders, linking them with international markets.² The project involved a number of formal international organizations, including AusAID, USAID, the World Bank, the Vietnamese Ministry of Agriculture and Rural Development (MARD) and METROGROUP. Local formal institutions including the Southern Fruit Research Institute of Vietnam, local farmers and industry groups, farmers, packers and post-harvest specialists were also included in the project.

In approaching this project, the investigators were keenly aware of Vietnamese national and local culture, politics, history and local customs as a vital aspect of the means to understand how the project would be mediated at the local level. Accordingly, a case study was undertaken to provide an 'intensive, holistic description and analysis' (Merriam 1998, p. 27). While this is a common methodological approach within GVC studies, it is recognized that there remain limitations regarding the generalization of these results. Nonetheless, generalization was not a specific aim of this study. Around forty semi-structured interviews were conducted with key informants identified through analyses of interactions along the value chain. The majority of these interviews were undertaken with a translator.³ Several government and industry-facilitated workshops on GLOBALG.A.P were attended in Vietnam.

Vietnamese agriculture: a brief history

Vietnam's economic development has been heralded a success story. Economic reform, *doi moi* (literally *renovation*), commenced in 1986 in an effort to move Vietnam towards a market economy with a combination of statist and neoliberal development strategies. *Doi moi* involved dismantling much of the command and control regime specific to the country's immediate socialist past, and encouraging overseas development aid (ODA) and foreign direct investment (FDI) into the country. These measures were accompanied with a lowering of trade barriers.

Doi moi arose in part out of a recognition that command and control regimes were failing to advance the country economically. As a result, the movement towards a market-based regime signalled an embrace of neoliberal development orthodoxy in an effort to accelerate growth and overcome continuing privations and poverty in the country. However, *doi moi* was not a wholesale embrace of free market principles but a selective use of facets of neoliberalism, combining them with domestic political processes in an effort to bolster the regime. State-owned enterprises, for example, generate about 40% of the national GDP, and were provided access to favourable loans, state-directed credit and tax breaks, while initiatives were undertaken to build market institutions and encourage the development of private businesses. The renovation process thus was both experimental and gradual. Despite the gradual nature of the reform process its impact was substantial. By the late 1990s, private businesses had grown substantially, while poverty had been dramatically reduced. At the same time, market capitalism was thriving with robust economic growth averaging some 7% annually.

The impact of *doi moi* was no less felt in the agricultural sector, with agriculture literally reinvented. Though a goal of *doi moi* was to transform the economy away from dependence on agriculture towards industrialization, a combination of land reforms, the increasing availability of technology and financial resources, combined with price and trade liberalization, promoted growth rates in agriculture above 4% per annum between 1992 and

2004. Credit, which previously had been only sporadically available through government institutions, for example, became commercially available, with the reforms helping to build trust between farmers and government through recognition of the farm as a key unit of agricultural production. Household farming replaced collective farming, while farmers gained increasing rights over land use and self-determination in terms of crop selection and the sale of produce, with many farmers targeting international markets as a means to increase income.

Despite these reforms, however, Vietnamese agriculture still faces serious challenges. Insufficient incentives exist for farmers to make long-term investments in agriculture, as land ownership remains with the Government of Vietnam (GoV) (Hung 2006), while access to credit, despite improvements, still remains low (Seibel *et al.* 2005, Marsh *et al.* 2006). Equally, the technical efficiency of farmers, especially in the south, is poor, while agriculture extension is characterized by insufficiently qualified staff, poor coordination and management and lack of funding (Rankin and Russell 2005, Seibel *et al.* 2005, Marsh *et al.* 2006, Hayton 2010).

The institutional setting: GLOBALG.A.P in the Vietnamese context

Developing formal institutional capacity in Vietnam requires redefining the nature of regulation and the associated public roles and responsibilities rather than simply the development of institutional capacity as such. Under the communist regime, for example, food safety is strongly regulated at the national and provincial levels, with a complex division of responsibilities (Lockie *et al.* 2013). However, there is little enforcement of this regulation, and as a consequence, high levels of pesticide usage and residues in produce have damaged the Vietnamese brand overseas. As recently as March 2012, for example, the GoV self-imposed a ban on exports of 15 fruits and vegetables to the EU due to a threatened embargo based on persistent evidence of prohibited organisms in fresh imported produce – though GLOBALG.A.P-certified produce was exempted. Despite the availability of alternative international markets in Asia whose size and proximity may appear attractive and which do not yet require GLOBALG.A.P certification for market entry, EU markets continue to offer comparatively stable and higher produce prices relative to their Asian counterparts. At the same time, however, the market environment is changing. Notably, Asian markets continue to expand rapidly, making them increasingly attractive to food exporters, while food safety issues continue to grow in Asian markets, with food safety certification becoming a requirement for market entry. Indeed, in China, where food safety issues have been increasingly important, certification standards are becoming central instruments required (mandatory as of 2013) for market access (standards that will be satisfied by GLOBALG.A.P). In combination, these factors are driving an increasing interest in GlobalG.A.P.

With little capacity at the national level, the first moves in Vietnam towards meeting the challenges posed by GLOBALG.A.P were the result of partnerships between international donors and the GoV. MARD had identified dragonfruit as having a strong potential for development based on under-pricing on international markets and the success of dragonfruit smallholdings in reducing rural poverty. Dragonfruit projects were subsequently funded under two international donor-funded programmes in 2004: the Vietnam Competitiveness Initiative (NVCi), funded by USAID; and the Collaboration for Agriculture and Rural Development (CARD) Program,⁴ funded by AusAID. Echoing neoliberal market-building agendas, the emphasis of the ‘dragonfruit project’ was on

increasing the competitiveness and capacity of dragonfruit smallholders in accessing higher value markets. While the focus was on establishing GLOBALG.A.P certification capacity, project goals were framed in the context of meeting international SPS requirements and training, and extension was provided on importation requirements for the US and the EU markets, as well as general market details and HACCP. No financial support was provided to project participants.

With GLOBALG.A.P increasingly important as a market entry requirement, and with Vietnam's rural development increasingly dependent on export markets for its growth, the GoV moved to specify objectives relating to international certification schemes for agriculture in its national strategic plans. This resulted in MARD placing higher priority and more administrative resources into the management of international trade rules and standards (Ministry for Agriculture and Rural Development (MARD) 2008) and the development of a 5-year plan for agriculture (2005–2010), including actions to promote the development of product certification and trademarks in line with regional and international standards (Ministry for Agriculture and Rural Development (MARD) 2005). These initiatives had material impact on practices in the agricultural sector in Vietnam. For example, funding and in-kind support for workshops and training of farmers and farmer groups on the challenges of engaging in international markets was dramatically increased; preferential funding for research to assist meeting sanitary and phytosanitary requirements within the WTO framework and other international trade requirements was initiated, and partnering with international institutions on relevant projects to increase local farmer capacity became a standard practice. Despite these proactive initiatives, however, the efficient allocation of funding is still mired by cronyism and political patronage, adversely impacting the impact of such initiatives. Indeed, an ex-MARD staff member explained that funding is usually devolved on the basis of the political connections or the interests of particular senior staff within MARD and there is little or no transparency in the funding allocation process.

Assessing the impact of capacity-building initiatives to support a GLOBALG.A.P certification: implementation problems and changing strategies

The extent to which capacity building is required to support certification to GlobalGAP resides partially in the way local farmers and farmer groups adopt and internalize the practices, norms and methods of farming required for certification. In the case of the agriculture sector in Vietnam, the diffuse nature and large number of farmer producers that makes up the sector creates a series of issues and coordination problems that potentially threaten the successful adoption of GLOBALG.A.P. These issues arise from a series of local, social and cultural practices highlighting hurdles around certification. A few examples serve to highlight these issues.

The dragonfruit project anticipated that farms would have little required infrastructure (e.g. sufficient toilets, hygiene and appropriate chemical storage facilities) and that farmers would have poor knowledge of international hygiene practices, maximum residue limits (MRLs) and chemical management practices. Farmers were initially enthusiastic about the project, but as subsequent training sessions continued, there was a gradual decline in participation to the point that the project was unable to continue. A number of internal and external group factors contributed to this decline. As anticipated, smallholders lacked the financial resources to make the required changes to their farms. This group was dependent on collectors – traditional market intermediaries that provided pre-harvest advance payment for entire crops from smallholders – for financial support. Of the initial

157 smallholders involved in the baseline study, 143 sold at least some of their produce through a collector in exchange for financial assistance, and 78 pre-sold their entire crop to collectors.

If he didn't sell to collector, he owe money. In the next season, could not work with same collector because relationship broken, lost. Farmers always need money, so that why they build up strong relationship with someone to help with advance investment. He is dependent on the investment from collector to survive. He could not go to the bank for this.

Historically, smallholders loathed using the banking system to obtain credit because the Communist takeover of foreign and domestic banks, and the savings within them, remains strongly implanted in their minds. Few households used bank accounts, and the banking system was poorly capitalized. Where finance was available, interest rates were as high as 23%. Many respondents explained that they did not trust the banking system and risked breaking relations with collectors, with whom they had virtually guaranteed credit. As a result, farmers maintained traditional dependence on informal credit providers such as collectors for financing farming needs.

Strong concerns also existed about involvement in a farmer group with pre-set parameters as required by GLOBALG.A.P – a residual fear of the cooperatives of earlier days. Individual certifications are available under GLOBALG.A.P, but were financially prohibitive for the smallholders involved. As one smallholder explained:

Earlier, we had cooperatives from government. When the project began, the people are still afraid of the former cooperative where they have to work at the same time, stop at the same time and do the same thing. They like to make their own group – they form the group protocol.

This is not to suggest that farmer groups have not been established in Vietnam. To the contrary, the GoV has as an ongoing priority to develop the cooperative economy as set out in MARD's five-year plan (Ministry for Agriculture and Rural Development (MARD) 2005). On this basis, substantial resources have been dedicated to the establishment of cooperative laws, delineating formal and informal farmer groups. This is evident in Binh Thuan, for example, where the Dragonfruit Research Centre established a set of guidelines for the development of farmer groups, recognizing that cooperative models tend to provide a more cost-effective framework for certification to standards. More importantly, such cooperative models and the laws that support them tend to allow for much greater flexibility, more local ownership and discretion in the management of cooperative arrangements. Unfortunately, these models were not available when the dragonfruit project was commencing, and farmers involved had a strong sense of distrust of cooperative models.

A final issue that contributed to the decline in participation of the project was a lack of knowledge concerning quality standards in production. During the early phases of the dragonfruit project, markets for dragonfruit were healthy. Dragonfruits of varying qualities were sold for high prices, and the demand was strong, especially in China but also domestically in Vietnam. There was little awareness of chemical residue issues and chemical management, and farmers were able to manage production as they had in the past. The benefit of raising production standards to that required by European markets was thus unclear, especially since strong local and Chinese demand created sizable markets that could be served without certification to costly European standards:

When he did the training, he found the standard was too demanding. He could sell his products so why he do this over-demanding standard? He think, "why we do this record keeping, special way of spray chemical when I sell product, good price, no problem?"

Project staff suggested they found it difficult, without financial resources, to convince farmers to make the changes required. Nor were they able to guarantee an increase in profitability from dragonfruit crops if certification standards were adopted. As a result, farmers found the benefit of continuing with the project questionable and eventually ceased participating. In the interim, however, key markets for Vietnamese dragonfruit have increased their requirements for quality standards including GLOBALG.A.P, and the Vietnamese government has commenced providing support for workshops and training on international market requirements.

Changing strategies: from smallholders to a local lead firm

In the light of these various problems, the implementation strategy for securing the GLOBALG.A.P standard was substantially reviewed. The focus on localized ‘education’ based activities was sidelined in favour of identifying ‘change agents’ (select stakeholders that in neoliberal parlance are charged with leading the shift to a new regime of governance). As a result, the project scope shifted from a focus on smallholders towards a local dragonfruit packhouse: a successful lead firm that contracted supply from several larger farmers who did not face the same problems as smallholders. Having successfully exported dragonfruit to the European market for a number of years, the lead firm was strongly aware of the increasing need for GLOBALG.A.P certification for entry to the EU and beyond. More importantly, because of the size, experience and financial standing of the firm, there was little or no dependence on collectors for finance, with the packhouse-sourcing produce through an informal farmer group for several years to meet demand. The packhouse owner and manager were well versed in the requirements for access to international markets, had a good knowledge of what GLOBALG.A.P encompassed and were well connected with local elites.

The GLOBALG.A.P project thus refocused attention on providing technical assistance to the packhouse on crop management, quality standards and packhouse management. The project was ultimately successful in establishing GLOBALG.A.P certification for both the packhouse and its suppliers in October 2007. Indeed, the project had overwhelmingly positive results for the packhouse. The packhouse secured market access to the EU, experienced growth in this market of around 15% between 2005 and 2010, received a higher price for produce than in Asian markets and had a choice of markets in which to operate. For suppliers to the packhouse, the results were also overwhelmingly favourable. Suppliers were paid 10–15% more as an incentive for retaining GLOBALG.A.P certification, enjoyed sustained demand for their dragonfruit and had the benefits of market diversification thus reducing risks associated with reliance on a single market.

Secondary outcomes

Outcomes from the project also benefited the broader dragonfruit producing community, including the development of Vietnamese language field manuals for farmers, standards manuals for packhouses, increased levels of research and analysis of European markets and the training of provincial extension officers – all of which benefited farmers in terms of better management practices. Further, in the province concerned, the dragonfruit project and the VNCI project stimulated an influx of funding for dragonfruit research, while the Binh Thuan People’s Committee issued a guidance to establish a trademark for local dragonfruit and agreed to increase the land area dedicated to dragonfruit production. The Provincial Department of Agriculture and Rural Development (DARD) also undertook efforts to

introduce Integrated Pest Management (IPM) codes as a means of reducing the use of pesticides and to align production practices with that of the GLOBALG.A.P. standard. They invested in dragonfruit treatment facilities to complement the management of pesticide usage – efforts that collectively served to increase the awareness of GLOBALG.A.P. standards by industry leaders, policy makers, government officials, research institutes and farmers in the sector.

In addition, at SOFRI, the Vietnamese partner organization for the dragonfruit project, several scientists were trained in GLOBALG.A.P methods and principles, and strategies were developed for the extension of the standard to other fruit sectors across southern Vietnam. This promoted several dragonfruit farmers to seek technical assistance from SOFRI, which subsequently provided training to farmer groups willing to commit their own resources in upgrading their practices in line with GLOBALG.A.P. At the national level, MARD established a national programme to boost GLOBALG.A.P certification in major fruit sub-sectors with a number of international donors delivering GLOBALG.A.P-specific horticulture projects with the aim of establishing compliance capacity, including USAID, JICA and GTZ.

Partnerships were also formed between lead Vietnamese firms and smallholders. When, for example, it appeared a group of smallholders would allow their GLOBALG.A.P certification (attained through international donor support) to lapse, a lead export company stepped in to fund certification. Realizing the financial benefits associated with GLOBALG.A.P, the exporter moved to develop a certified demonstration farm for educating and ultimately recruiting farmers. Similarly, the German retailer, Metro Group (Metro Cash and Carry), also funded around 2000 farmers to develop the skills required to obtain GLOBALG.A.P certification. This has been based largely on moving farmers towards achieving certification to METROGAP, Metro Group's in-house standard that is based on GLOBALG.A.P, to establish guaranteed suppliers for key fruits and vegetables within Vietnam. While challenges remain to obtaining a consistent large supply of certified produce, METRO Group intends to continue to promote METROGAP through their supply chains.

The transformation of food safety

The increased focus on GLOBALG.A.P from donors and other international institutions was influential in raising the profile of food standards – including a food safety component. As one project officer explained:

The impact of CARD and VNCI was so big! VietGAP, which is around now, was part of the influence of the projects. There was no anything-GAP in Vietnam but this really helped raise the profile that was needed.

In response, a temporary ordinance on the Hygiene and Safety of Food stuffs was introduced and, in 2008, a national standard (VietGAP⁵) was released. MARD also authorized a number of private third party certifiers to audit and certify farmers in their attainment of VietGAP, representing a step away from traditional practices of Vietnamese public authorities auditing food safety standards. In doing so, key challenges emerged, not the least of the need to balance food safety issues with realistic implementation and attainment time-lines while, at the same time, enabling the food export industry to expand production practices and remain consistent with GLOBALG.A.P.

For Vietnam, the top-down approach typical of past government practices was replaced by a participatory approach through the inclusion of a number of stakeholders in the standards development – a process, it was hoped, that would contribute to a broader acceptance of the standard. However, to date, the uptake of VietGAP has been modest, with around 8.5% of farmers certified almost three years after its release. While authorities had anticipated that certification would be achieved at a much higher rate, the cost of certification (both in terms of time, expertise and financial resources) in practice limited certification to progressive farmer groups and large agricultural enterprises. Individual farmers were generally unable to meet certification costs, with the exception of the largest farmers. While the government attempted to remedy financial obstacles to certification through various subsidies, not all farmers were able to access these resources. Indeed, the technical assistance provided to farmers on VietGAP tended to be top-down and generalized, not always successfully targeting those in need of assistance. As a research officer in Vietnam explained further:

The officer just go to the farmer . . . they just say, “oh, you have to do this and like this and like this”. They have top down approach, so they give some model at the top and then the officer give to the farmer. They don’t think about the farmer conditions . . . In my department they have one very small project to give the participatory technical assistance to the farmer that ask farmer to talk back to us. This is different to the usual technical assistance of Vietnam.

Policy implications

The emergence of TPR and the diffusion of standards as a mechanism for market entry is a global phenomenon. Across sectors such as agriculture, textiles, footwear and electronics, among others, global standards and certification practices are becoming increasingly central. While historically, standards have been the judicial preserve of individual national governments, increasingly complex value chains and global outsourcing have witnessed the emergence of private transnational regulation regimes. As this paper has attempted to demonstrate, the emergence of such standards regimes can be powerful instruments when diffused into emerging economies, representing new policy and management issues for governments at the national and local levels. Further, as this paper has also attempted to highlight, the implementation costs and alignment of local production practices posed a new set of policy challenges, often imposing heavy compliance costs onto local producers.

Equally, however, as the paper has also demonstrated the implementation of the GLOBALG.A.P. standard offers new opportunities and can provide an important strategic instrument for developing capacity and markets. The provision of participation opportunities for stakeholders working within value chains governed by GLOBALG.A.P has been of particular importance given the development potential of the agriculture industry in Vietnam. Importantly, GLOBALG.A.P certification has helped to promote evolution in the sector in ways that have provided for market diversification, delivered higher returns for dragonfruit for producers from the EU market and resulted in more secure incomes for farmers and producers. All this has had a positive impact on the agricultural sector in Vietnam.

Yet, as we have seen with the introduction of the GLOBALG.A.P standard in Vietnam, certification requirements pose a series of challenges. Significant resources have been dedicated to the sector, including government, donor and private sector funding and expertise, to ensure the adoption of GLOBALG.A.P by a small number of producers. Similarly, this has also posed coordination and other challenges. Significant resources have been dedicated to the sector, including government, donor and private sector funding and expertise,

to ensure the adoption of GLOBALG.A.P by a small number of producers. The Vietnamese government, for example, has been called upon to provide a key point of coordination, ensuring that donor assistance is fully integrated with local conditions and within a policy framework that optimizes regulatory efficiency. For any developing country, however, these costs and coordination requirements represent a huge investment amid considerable fiscal and capacity constraints.

Despite these issues, however, it is evident TPR will only deepen and increasingly dominate the regulatory landscape of global value chains. Indeed, the increasing role that private interest groups play in the regulation of international horticulture markets is redefining the nature of market operations, within both markets that require standards like GLOBALG.A.P, and markets that do not. The establishment of GLOBALG.A.P by a handful of the world's most powerful retailers exemplifies this shift. The authority of this group to define market behaviour, and ultimately market access, has been met with concerns by interest groups suggesting that the stringent requirements necessary to comply with GLOBALG.A.P may place smallholders at a disadvantage within international horticulture markets. This study confirms that such fears are warranted, while at the same time also noting the positive externalities that farmers and other groups enjoyed with the adoption of the GLOBALG.A.P standard.

Notes

1. See also, Graffham *et al.* (2006), Humphrey (2008), Jaffee and Masakure (2005), Mausch *et al.* (2006).
2. This study focused on one particular project funded by AusAID under the CARD programme. Successive projects (037/04VIE and 029/07VIE) were financed through two funding rounds in 2004 and 2007, though the second project was essentially a continuation of the work of the first, and in this paper, is described as a single project.
3. The direct words relayed by the translator have been used in portraying the data, and the personal pronouns used (he/she/they) reference the subject(s) of the interview. Grammatical errors have not been corrected.
4. The CARD program was established as a pilot programme in 1999 and included a total of 28 projects, including 'the dragonfruit project,' which aimed to integrate dragonfruit supply chain/s into markets governed by GlobalG.A.P.
5. VietGAP aims to minimize the risk of hazard occurring during the production, harvesting and postharvest handling of fruit and vegetables. Like GlobalG.A.P, it is underwritten by a framework that sets out practices for ensuring food safety, environmental management, worker health, safety and welfare, and produce quality, supported by third party auditing and certification. VietGAP is a standalone certification that can act as a stepping stone for producers upgrading their production practices to align with GlobalG.A.P.

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