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Disembedding Food Markets in Asia: Private Organisations as Transmitters of Western Concept of Risk Through Promotion of International Food Standards

Karolina Zurek¹

ABSTRACT: *International organisations active in Asia, both public and private, promote and support trade and market development based on rules and standards created primarily by developed countries of the West. Thus, they pursue a vision of market development based on assumptions and considerations relevant for those states. In sensitive areas, such as food, which are perceived and construed locally, and are highly socio-economically relevant, this approach can have far reaching and sometimes adverse consequences. Regulation based on the conceptualisation of risk and safety by developed Western states, which responds to their concerns and preferences, may not be able to respond to risk and safety concerns of emerging markets and will, thus, not be able to encompass local regulatory problems. Application of international food standards, forced by the international private organisations and their conditionality approach, may in fact have far socio-economic implications for growing Asian economies and societies. By imposing an emphasis on problems tackled by international standards, international intervention often forces economies to re-target investments towards new areas and away from the problems of factual relevance and impact for local communities. As a consequence, it may lead to gradual “disembedding” of Asian food markets, and cause problems for compliance, distributional justice, and social legitimacy.*

Introduction

By striving for access to wider export markets through participation in regional and international trade agreements and concluding FTAs, the growing markets of Asia expose themselves to firm and consistent external influence, which affects their economies and societies. As far as the benefits of participating in international trade constitute an obvious advantage and a countable benefit, long-term effects of the commitment to adjust to the rules of the game, which enable such participation, are much less apparent and quantifiable.

Trade agreements typically require a significant adjustment effort and propel a number of transformation processes. They also set the scene for private involvement and intervention in the market building by consultancies, international companies and private entities interested in FDIs and market expansion. Conditionality applied in this process has far-reaching consequences. It promises growth, development, and technological advance as

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well as safety. But it also requires that the rules of the game are strictly adhered to. Those rules are most often not tailor made for the growing market in question. Rather they reflect interests and concerns of stronger trade partners. The offer can undeniably be attractive, especially in circumstances where internal concerns about food safety are outweighed by more difficult problems of food security, sufficiency and sustainability.

The current global regulatory regime for consumer goods is characterised by strong reliance on natural science in risk regulatory decision-making. Typically, it does not allow 'other legitimate factors' to gain recognition in regulatory deliberation. Consequently, regulatory decisions tend to overlook socio-economic concerns and diverge from societal expectations and needs—unless these can be convincingly expressed in terms of natural science. Such 'one-dimensional regulation', when applied to developing and newly industrialised countries, often fails to respond to legitimate local considerations in terms of production and consumption patterns, local socio-economic situation, culture and social preferences, as well as geographical, environmental and climatic conditions. Thus, it can put these countries at a disadvantaged position in the global market.

Contemporary international food regulation, promoted mainly under the umbrella of the World Trade Organisation (WTO), specifically the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), is largely based on a particular framing of the notion of risk by the Western/developed states.

However, this notion of risk tends to reflect their Western origins, considerations and concerns. Straightforward application of rules and standards based on this understanding of problems can have counterproductive consequences for developing and newly industrialised countries, where regulatory context and concerns are significantly different. This discrepancy between regulatory systems and the 'regulated reality' produces important socio-economic implications, for example in terms of production planning, economic development, sustainability, social justice and distribution. It can also cause serious implications for the implementation and compliance of food regulation policies more generally (Dunn, 2003). Among those implications, one should be aware of the consequences for agricultural production profile, agrarian landscape, production and consumption patterns, environment and sustainability, employment in agri-food sector, as well as societal structures and the economy in general. It is thus important to study the long-term consequences of such developments and to consider their socio-economic implications.

While the global food regulation regime itself has recently generated a fair amount of political and social controversy and attracted more scholarly interest in the wake of rising concerns with sustainability, fair trade, and rising food prices, it is also highly important to study the regulative effects of the activities of private organisations (business corporations) as well. As Asia emerges as the fastest growing economic region of the world and hence an attractive target of multinational supermarket chains, food producers, and international food retailers, food consumption and food production as well as food exports and food imports in the region become issues of global importance, thus raising the related questions: What are the consequences for the global food regime of Asia's emergence and what are the consequences for the Asian food sector of the global food regime?

In probing these vast and complex questions, this contribution will concentrate on the role of market building practices of private organisations in the Asian food sector. In particular, it will discuss the relationship between private and public organisations in

affecting not only food regulation in Asia but also their social implications. Secondly, it will look at the role of regulation in market building more generally, concentrating on specific features of standardisation as a tool for market building and how regulation affects the social “embeddedness” of markets (cf. Polanyi, [1944] 1957). Thirdly, it will emphasise the role of risk regulation and risk framing in the development of standards, and discuss their implications in the process of implementing food regulation. Finally, the contribution suggests that there is a continues need to look for regulatory solutions which are able to address the conflicting needs faced by Asian markets: to develop faster and participate in the global food trade on the one hand, and to safeguard the particular qualities of the food sector, with its economic, social and ecological relevance on the other.

Implications of promotion of food standards by private organisations in Asian markets

The following paragraphs will analyse a number of examples of market building by private organisations in Asia and investigate the paradoxes of disembedding private intervention in Asian market regulation. The first illustration of the tendency highlighted in this contribution is the variety of forms and impacts of market penetration by privately imposed standards. Here, one has to bear in mind the differentiation between public or private character and origin of standards on the one hand, and public or private nature of the organisation imposing such standards in a given market. Private organisations, which are at focus here, rely in their activities on both public and private standardisation systems, and therefore both those systems are relevant in this case. The types of private organisations, which are particularly interesting in relation to market building, are multinational trade institutions, such as supermarkets and large distribution chains, and those organisations will be at a focus.

Changing market structures in Asian food sector: expansion of supermarkets

Asian markets have since the 1980s and 1990s experienced growing expansion of foreign investment, accompanied by introduction of external “rules of the game” by strong market players. Asia has become an attractive site for activities of large multinational retailers for a number of reasons. Firstly, the considerable size of the consumers’ market attracts national enterprises as well as multinational supermarket chains such as TESCO, Wal-Mart and Carrefour, which strive to strengthen their influence and market share in rapidly growing Asian economies. Hence, by the early 2000s, the share of supermarkets in overall food retail sales, excluding fresh food, reached 33% in Southeast Asian countries such as Indonesia, Malaysia and Thailand, and even 63% in East Asian countries, such as Republic of Korea, Taiwan and Philippines. With regard to fresh food, the values are lower, but still significant, 15-20% in Southeast Asia, and 30% in East Asia, excluding China (Reardon *et al.*, 2005). The expanding supermarket sector is predominantly foreign owned, which FDIs in food retail led by global multinational retail institutions. Moreover, the degree of concentration and patterns of operation of those companies in Asia increasingly mirrors the trends in developed countries. The interest on Asian markets is additionally supported by the fact that Asian retail sales were much less badly affected by the global crisis than was the case in other parts of the world. Their presence in Asian markets, and the positive

influence it may have on the improvement of overall food safety, hygiene practices and effectiveness of the market patterns is not to be questioned, there is however a number of important less positive consequences which have to be considered as well.

Secondly, supermarkets ceased to cater only to a selected group of privileged consumers, reaching a much wider segment of the population. They have also stopped to be a merely urban phenomenon, moving to medium towns and in some cases even to small towns in predominantly rural areas. This is closely connected with changing patterns of consumption in many Asian countries, which evolve towards more European types of diet, with greater share of meat and dairy. Hence, Asians rely increasingly on supermarkets in their purchasing policy, as their diets become richer. For example, consumption of meat in China reached over 67 kg per person in 2008, which constituted an increase of more than 15% in comparison with 2004. Similarly in India, during the same reference period, the consumption of milk increased by almost 10%. At the same time, a retail sale develops at a rapid pace (PriceWaterhouseCoopers, 2009). As supermarkets can offer lower prices and consistent guaranteed quality, they become able to compete with traditional modes of food retail, namely traditional wetmarkets and small family-run stores. The economy of scale combined with the ability to guarantee product quality and differentiation continues to strengthen the position and the market share of supermarkets in many Asian countries. It is, thus, not surprising that supermarket share of food retail in East Asian economies grew from 10-20% in the 1990s to more than 50% a decade later (Giovannucci & Purcell, 2008). This strong market position translates to significant market transformation, with consolidated procurement and demanding private standards. This private form of market building poses great challenges for smaller producers, for whom it is not only difficult to enter into demanding supply agreements with large retailers, but also for whom it is increasingly difficult to function outside those dominating market arrangements.

As the situation of developing countries in Asia as well as elsewhere is characterised by a high degree of heterogeneity, there is a large variation in wealth structures, levels of modernisation as well as of exposure and openness of agri-food systems to challenges of globalisation. Large international retailers traditionally impose high performance standards, which aim at homogenising the quality of goods, and guaranteeing observance of set criteria and procedures, required by the chain from all its participants. It comes as no surprise that the ability to adjust to those standards and to benefit from market opportunities they open up, varies significantly from one region to another, and from one producer to another, and that it has the tendency to increase with the size and scale of an enterprise. Moreover, public structures, regulatory environment and infrastructure in those developing countries are often less capable of offering incentives and assistance to modernisation and investment. This leaves local producers, especially the small ones, in a disadvantaged situation of dependence and vulnerability. Thus, rapid concentration and multi-nationalisation of food sector in emerging markets of Asia has not been met with much public national response, which allowed the external influence to practically shape and build the market, adjusting the sector to their own needs and preferences, and building their standardisation strategy on concepts, such as risk and quality, which were established by and for developed markets and consumers.

A consequential development in that area is the substitution of missing or inadequate public standards by private standards. In situations where adequate guarantees in public regulation and public standards were lacking, which were seen as an obstacle to

trade arrangements and market development, multinational retailers would design private standardisation systems. Those private standards generally cover issues traditionally included in public food safety laws, but often also go beyond them to cover detailed quality specifications (Reardon and Farina, 2002). Thereby, they enhance efficiency of the branch, increase competitiveness as well as open access to international trade, replacing missing public rules and institutions. Yet, again, those private standards are suited to the needs of large retailers and respond to their needs as instruments in their market building practices. Hence, they follow market building practices and regulatory tendencies, which were created and suited to the developed countries, where large multinationals originate from. They are also based on concepts, concerns and expectations of consumers in receiving developed countries, which are often by no means suitable to the circumstances of the local market in question.

This has also significantly affected and transformed the role that standardisation plays in the market building exercise. Hence, in the recent years, the focus of private standards has shifted from mere reduction of transaction costs and guaranteeing observance of certain procedures and requirements, to the role of strategic tools of market building, product differentiation and agrifood chain coordination (Reardon *et al.*, 2001). In this new constellation, standards not only serve to guarantee safety and quality of products, but also to facilitate market penetration and delimitation, as well as to define and safeguard market share. This functional shift is supported by development on both the supply and the demand side. On the one hand, richer and more conscious consumers seek stable supply of more sophisticated processed products of guaranteed consistent quality. On the other hand, development of technologies and techniques of production, processing and distribution facilitate product differentiation and market extension and segmentation (Reardon *et al.*, 2001).

This policy presents agricultural and food producers in Asia with a particular challenge. They often make the entry in to the system very difficult, costly and technologically challenging. For small farmers and food producers the challenge may turn out to be too heavy, closing their access to the system. More importantly, however, the challenges do not only apply to export. Through persistent penetration of the market by functioning patterns established on the basis of externally imposed standards, the entire market structure changes also with regard to internal operations. As patterns of distribution structures evolve away from the small local markets towards the large chain structures, such as supermarkets, the entire market begins to imitate the patterns set by international standards (Giovannucci & Purcell, 2008). Hence, it is no longer only those producers who have the ambition to participate in export that are faced with the adjustment necessity, but it starts to become an overarching tendency, instead, which in its turn has farfetched consequences for producers, local markets, national economies and societies.

For example, in response to the growing competition from supermarkets, and under pressure from local governments, wetmarkets in some Asian countries (such as Malaysia) have started to develop. Some have even started to adopt procurement practices and hygiene standards commonly employed by supermarkets. Consequently, local suppliers are facing requirements similar to those imposed by the supermarkets even if they continue to supply the traditional retail sector, which requires them to adjust and modernise. Thus, the expansion of supermarkets in developing Asian countries inevitably produces far-fetched

implications for the entire food production and marketing systems in those countries (Reardon et al., 2005).

The trend towards convergence of local and international standards decreases distinction between quality of products intended for the internal market and those meant for export. At the same time, however, as it was argued above, this presents challenges for small farmers and small production units, and leads to creation of preference for larger producers. Supermarket supply arrangements, which maintain such preference, favouring stable, consistent and controllable supply patterns offered by larger producers, lead to exclusion of smaller farmers (Reardon et al., 2005). This is additionally strengthened by the trend towards concentration, where buying power is exercised by a few companies, resulting in the restriction of access for smallholder farmers to such high-value markets (Giovannucci & Purcell, 2008). It has to be emphasised, however, that in developing Asian markets small scale agricultural production is still the core of the sector, and it constitutes the means of subsistence to millions of farmers. In view of large scale of this phenomenon, this has to be seen as a considerable side effect and a long-term problem, which requires an adequate response on the side of governments as well as the international community and donors.

International organisations and their modes of operation

The activity of public and private organisations in the field of market building ties up into a complicated framework where standards setting support to their implementation and finally the enforcement of rights and obligations stemming from participation in the global regulatory system require a coordinated set of actions from both types of actors. Likewise, public institutions as well as private market entities in the receiving states participate in the market building exercise and cooperate with their national and international counterparts. Frequently, however, this cooperation tends to be rather one-sided, where international public and private actors arrive with readymade formulas, which public and private actors at home are expected to absorb, irrespective of their specific local situation. This is strengthened by strict conditionality applied by those organisations, which makes participation and reception of benefits directly dependant on the achievement by the recipient countries of prescribed sets of benchmarks and objectives, which commonly involve absorbing large volumes of regulation and standards. The support received at the initial part of the process (both financial and technical) plays an important role in the adjustment, but it remains only temporary and, thus, it manages to mitigate merely the short-term adjustment problems and costs. Meanwhile, the more difficult long-term effects, which are not always possible to predict and quantify, and which often go beyond the selected sector of intervention, are left for the host state to manage, after the assistance project cycle is over.

Market interventions by private organisations entail a particular hazard. As long as public organisations tend to pursue a certain agenda that involves recognition of a public good, and follow grander programs and strategies, which reflect values of higher importance promoted by the international community alongside with market concerns, private market engagement is predominantly driven by economic rationale. Moreover, involvement of public organisations is subjected to considerable surveillance by the international community and is being monitored with regard to both its economic agenda,

as well as in terms of pursuit of their social, public and development mission. Private organisations, on the other hand, enjoy much more freedom in choosing their focus and modes of implementation, which allows them to be more selective with regard to their aims and objectives.

What unites the modus operandi of both those types of market actors is their growing reliance on standards, both public and private, which target products and production processes. Those standards, developed predominantly by stronger trade partners in Europe and North America, are based on their specific assumptions about risks, hazards, cost and benefits, and reflect their specific standpoint in the international trade arena. Risks in industrialised developed world are by no means comparable to the risks which farmers face in developing and newly industrialised countries. Concerns about quality, which are gaining importance in the developed countries, not only as a result of political and moral considerations, but also as a market adaptation to the demands of expanding middle classes, are by far outweighed by fear of insufficiency and problems of food security in developing Asian economies. Hence, standards based on conceptualisation of problems developed in Western economies and societies may respond to concerns which are of limited relevance for developing and newly industrialised countries, while they overlook their primary needs and anxieties. They often place emphasis on those aspects of food production and processing which are of little relevance in agriculture in developing countries, and may impose conditions which are difficult to implement and often misguided. When such standards developed and suited for the developed markets and societies are implemented in a fundamentally different context of developing countries in Asia, they can produce important and far-reaching side effects.

Risk regulation, standardisation and market building

Although it is an established fact that the concept of regulation plays a central role in political economy, it is not always obvious how many faces regulation has. The term *regulation* refers to a wide range of political and legal activities that govern economic behaviour and its consequences. Market governance is, therefore, at the heart of regulation, and it encompasses the creation of rules, methods of their implementation and enforcement, as well as the institutions responsible for their administration and control. Regulation as a 'defining feature of any system of social organisation' is central to the definition of relations between economic actors, social interests and the state (Egan, 2001). A number of characteristics of contemporary market regulation, which are central for the reasoning in this contribution, will here be briefly mentioned

The role of regulation in the process of market building

Firstly, market governance is increasingly developed in a multi-level and multi-institutional fashion. The trajectory of regulation is no longer as obvious and straightforward as it used to be. Market governance has instead become an outcome of various forms of regulatory exercises at many governance levels: from local, through national, regional to international. Hence, a complicated network of institutions at those different levels is engaged in the market governance exercise and participates in the achievement of a final regulatory outcome.

Secondly, regulatory interventions in the global market take various forms of shapes ranging from binding hard laws to various forms of soft intervention mechanisms. Most commonly, market sectors will be affected by a combination of such different instruments.

Thirdly, in many areas of market regulation, private governance functions alongside with public rulemaking. Moreover, more and more forms of combined public-private arrangement emerge in transnational governance, which provide responses to the growing need for specialised technical and scientific expertise, involvement of stakeholders, alongside with legitimacy and democratic accountability.

Finally, analysis of a given market sector entails a serious exercise of deconstructing and deciphering, in order to determine the character, origin, impact and implications of various governance methods involved. Increasing distance between the origin of regulatory solutions, and a market in which they are implemented, leads to de-contextualisation of market regulations, and puts at risk its ability to respond to problems, which are specific for that market.

Thus, an important perspective, which should not be forgotten in this respect, but which tends to be systematically overlooked in market building, is that proposed by Karl Polanyi ([1944] 1957). Markets are not separate from the societies, which they provision. In other words, Polanyi argued that markets will always be 'embedded' socially. Markets are, in this perspective, not independent of social relations, politics and religion, but interdependent.

Inspired by Polanyi's observation, it is here claimed that just as the market *itself* cannot be considered separately from its social context, the *regulation* of the market must also be analysed in connection with its social context, if this regulation is to be efficient and purposive. Disconnecting market regulation from its social basis might be seen as leading to a kind of "disembedding" of the market. This disembedding, although fictitious and hence impossible according to Polanyi, may nevertheless have some very concrete and possibly adverse consequences for individual people as well as society as a community. The market itself loses much of its social legitimacy when the two are conceptually separated. Also, and more importantly for the present purposes, market regulation which does not take social concerns and contexts into consideration will ultimately prove detrimental to the market it is supposed to promote and support.

I will argue that the global regulatory system of today does result in a kind of disembedding of the market from society, in conflict with the declared goals of this system, such as safe food, free trade and social justice. I will also argue that these adverse effects of disembedding are clearly visible in the regulation of global food markets and especially so in the application of risk analysis to Asian food markets.

Theory and practice of application of risk analysis in international regulation and standardisation

Risk analysis, which is the basis for regulatory decision making in the global food regulation, places considerable emphasis on the quality of scientific expertise, which supports the regulatory process. In accordance with the established and commonly accepted model of risk regulation, the first phase of the process – the risk assessment – shall be based on provision of professional, impartial and highly specialised scientific advice provided by acknowledged sources of expertise. The second phase of risk analysis –

risk management – should theoretically put the results of scientific assessment alongside with other legitimate concerns in order to arrive at an all-encompassing regulatory outcome, provided by democratically accountable decision making institutions. In practice, the position of the risk assessment bodies and the emphasis on sound science as a basis of regulatory decisions is so strong that it is utterly difficult for other legitimate concerns to outweigh scientifically-based judgments. Hence, science perceived as a universal and unbiased reference point, has become the basis of international risk regulation and standardisation, and has shaped the system established under the SPS Agreement.

The strong emphasis on natural science in risk regulatory decision-making does not allow ‘other legitimate factors’ to gain recognition in regulatory process. Consequently, regulatory decisions tend to overlook socio-economic concerns and diverge from societal expectations and needs. Firstly, it does not take account of the fact that risks relevant in one economy and society may not be valid in another. Secondly, the acceptance of the degree of exposure to risk varies significantly, so that levels of risk acceptable in one place may be a source of discontent in another. From that perspective we can speak of more or less precautionary approach. With the factors combined, scientific uncertainty will in one society be interpreted as a source of problem, while for others, lack of unanimous negative outcome, will be interpreted positively and open up room for regulatory approval. Finally, it has to be emphasised, all this leads to the particular framing of risk applied in international trade organisation, which reflects science and concerns of the stronger trade partners. Hence, it is here argued, the current framing of risk regulation in global trade regime fails to encompass the problems at stake, creating a discrepancy between valid economic and social motivations and a much narrower scope of legally recognised concerns.

Implications of export of risk-based standards

Standardisation emerged as a public-private governance method, which was able to respond to the challenges of technological development, as well as the need for stakeholders’ participation in the regulatory process. Standardisation provides a response to the growing complexity of life and, consequently, the need for more extensive control. Standards, to quote Sullivan, ‘are the documents that carry these controls throughout the social structure’ (1983).

In this public-private setup, standards are developed by or with participation of technical experts, specialists and interested stakeholders, and are often legitimised through the acknowledgement by public institutions. Although various types and forms of standards have developed since the initial period, there are a number of characteristics commonly connoted with standardisation.

Firstly here is a distinction between mandatory and voluntary standards, where the voluntariness is the more common and distinctive feature of standardisation.

Secondly, there is a distinction between product and process related standards, where the first type pertains to requirements towards the final product in terms of content, characteristics and such, while the second type refers to production methods with which the final product shall be obtained.

Thirdly, standards can be distinguished by varying extent of recognition they were granted by public authorities.

In this context there is a whole spectrum of intensity of public acknowledgement, ranging from direct acceptance and delegation of certain regulatory aspects to standards by means of legislation or in an international agreement, to a complete lack of such public reference in cases where standards were developed by and for private organisation without involvement of any form of public authority. Between those two extremes of 'public' and 'private' standards, various mixed forms can be identified. A number of those specific features and factors, which are of highest relevance for the main focus of this contribution, will now be considered in more detail.

Firstly, the notion of 'voluntariness' of standards needs to be given some consideration. Although the literal meaning of the notion would indicate that we are dealing with standards that one can choose to observe or to reject, the process of standardisation works differently in practice. When a society places a high value on conformity, and when a considerable part of that society accepts a common standard, the others are almost compelled to follow, and those who insist on diverging sooner or later find themselves in a seriously disadvantaged position. To put it simply, the standard voluntarily adopted by a group of interested parties becomes much less voluntary when it is successfully put into practice. In some cases, especially when actors are highly dependent on relationships with third parties, the standard becomes practically coercive (Brunsson and Jacobsson, 2000).

Secondly, a rather controversial aspect of standardisation as a governance method which needs to be pointed out is that of the origin and legitimacy of standards. In the majority of cases, standards are developed by minorities; hence, those who must respect standards in order to participate in a market on equal grounds often have very little or no influence on their formation. The issue becomes even more obvious when analysed in the context of international standardisation. Here, differences in technical and economic development between advanced countries and less developed states are not reflected in the standardisation process, which as a result may lead to *de facto* discrimination, preventing those who lack the facilities to meet the set standards from competing in the world market (Sullivan, 1983).

As standards determine an acceptable level of risk and cost, standardisation necessarily involves deliberation about political and socioeconomic criteria. Hence, even if the maximisation of welfare is clearly defined as the ultimate goal of regulatory reform, exactly which sections of society will incur the costs of a new measure and which will benefit from its introduction must also be considered. As it is a very challenging and values-based exercise, it is commonly assumed that in the cost-benefit analysis of regulatory measures, quantifiable effects will always dominate over qualitative ones, even if the latter are considered more important. Consequently the market rationale commonly prevails. Nevertheless, it is sometimes necessary to provide a more detailed assessment of costs and benefits than a simple statement that benefits clearly outweigh costs, as the policy-makers who must decide whether to approve a proposed measure may require information on its distributional impact. Inevitably, this is a very problematic part of the process, because the evaluation of non-market assets tends to be extremely difficult and often reflects no more than the standard-setter's own interpretation of values. Following this reasoning, one can assume that implementing a qualitative effect through a quantitative judgement will necessarily imply a certain element of subjectivity, which, on the one hand, enables the

inclusion of non-economic concerns into the analysis, but, on the other, may also allow public-interest aims to be outweighed by private-interest considerations (Zurek, 2012).

Such private-interest capture may lead to standards having an anti-competitive effect, as it may allow a particular segment of the market to internalise the benefits of standards and, consequently, to impose higher costs on their competitors. This can be the case especially in situations where the majority of a specific technical expertise necessary for the development of a standard is accumulated in the hands of a group of large producers. It gives them the possibility to affect and even dominate the evaluation process, making the standard-setting body vulnerable to interest-capture. Thus, it is often a question of uneven distribution of resources available for effective participation in the standardisation process that can allow a dominant market group to affect the outcomes and steer the process in a direction where distribution of costs and benefits will favour their own interests. Hence, as a consequence, standards developed in such a manner may have negative impact on competition (Blind, 2004).

Deliberations on the effect of standardisation on competition can, to a large extent, be transferred to the international arena and applied to competition between companies located in different countries. In this context, the influence of standardisation may be twofold. On the one hand, standards contribute to the spreading of technological information and research and development, allowing producers from regions that could not afford such expertise access to innovation and modern techniques. Frequently, however, due to high adaptation costs, this can be a double-edged sword, as producers from less developed states who did not take part in the standardisation process may simply not be able to afford the implementation of standards, and may consequently be in a disadvantaged position. Standards can also increase the competitiveness of domestic products and economies in general, by improving the quality of goods produced according to an approved standard, as well as by increasing perceptions of the quality of those products both nationally and abroad. From another perspective, however, standards can have a restrictive effect on trade and competition and can be a competitive handicap for some trade partners against the others. Lastly, standardisation may lead to a reduction of product diversity and, as a consequence, can reduce incentives for international trade (Blind, 2004).

Trachtman, for example, raises the problem of market foreclosure for developing countries, which may lack the capacity to participate in the formation of international standards and the resources to comply with them (Trachtman, 2007, 2004; Schillhorn van Veen, 2005). He argues that international trade arrangements should avoid placing poor states in disadvantaged positions, or requiring excessive expenditure from their own limited resources. He foresees the possibility of technical assistance arrangements that could help to prevent possible damage to their economies, which would otherwise occur as a result of standard-implementation. Howse and Regan go even further in their critique, simply asking who should pay for the internalisation of standards; they envisage the possibility of assistance for poorer states (2002). In Europe, these aspects of standardisation seem to have been disregarded somewhat. There is pre-accession assistance for adjustment, but states that have become members are expected to provide the same level of compliance, regardless of any discrepancies in economic and technical development, which with the last two accessions were greater than ever before.

Regulating food in international trade

Food regulation is one of the few areas under contemporary global regulation that most clearly expresses the tension between the search for unified standards and the diversity of regional circumstances. This is an area where universal concerns of health, safety and quality, meet local preferences and where economic and social aspects interact in the regulatory process. It is not only a question of food's inevitability for our existence, its dependence on geographical and climatologic factors, but also its rooting in cultures, religions and traditions. Countries and peoples do differ in ways in which they produce and consume their food: As their conceptions of safety as well as economic potential vary, they also differ in the levels of safety they are ready to pay for. It is thus argued that food is a very specific type of product, which may require a differentiated regulatory approach in the international trade regime (Rosset 2006; Echols, 2001). In reality, however, trade and economic considerations tend to prevail (Josling *et al.*, 2005). Indeed, the translational risk regulatory system based on reference to natural science has frequently proven ignorant of certain important aspects of regulation, such as sustainability, environmental concerns and social justice. This negligence may if not openly and properly addressed, lead to the gradual disembedding of the global food market and the decline of its social legitimacy.

A very interesting analysis has been undertaken in the European context, of Polish EU accession and its harmonisation of standards for the production of pork, which clearly illustrates the potential consequences of the blind imposition of unified standards and the possible 'Trojan' character of this type of approach (Dunn, 2003). Dunn's analysis shows how standards can fail to create the expected harmonisation effect. She examines the way in which international standards are embedded in local social, institutional and historical contexts, and how, by reducing trade barriers which are targeted by standards, new unintended ones can be created. This happens because standards are more than just simple technical rules; they are complex technologies that regulate social and ethical behaviour in capitalist markets, and when they enter specific local circumstances, with a particular context and legacy, they become geographically variable and produce unique regulatory landscapes rather than the intended uniformity. They create different costs for different localities and for different producers within each local setting. They impose unequal burdens and contribute to the creation of entirely new settings, when new barriers to trade appear where they are least expected and new constellations of privilege are created. In Dunn's view, the current rhetoric of standards leads to an overestimation of potential risks to human and animal life and health, while it underestimates the high costs that SPS measures pose for local economies.

International food standards – their formation, application and impact

Indeed, the foodstuffs area is among the most heavily regulated in the international trade regime. The need to protect consumers' health and safety, combined with the considerable economic value of the sector translate into a massive volume of international rules and standards, which serve both as gatekeepers and gate openers, safeguarding market shares, influence spheres and protectorates across the globe.

Under the umbrella of the WTO, the Technical Barriers to Trade Agreement (TBT) and the Agreement on Application of Sanitary and Phyto-sanitary Measures (SPS) aim to lift

international trade barriers by relying on international standards. The SPS Agreement, which is the more relevant for the field of food, contains a strict obligation for its members to base their measures on international standards, guidelines and recommendations, and it contains a positive presumption of conformity: namely, measures that conform to international standards are presumed to be necessary to protect human, animal or plant life. All measures ought to be based on scientific principles, and cases that diverge from international standards can only be allowed if the member state in question provides sufficient scientific justification for such a decision.

As for the sources of international standards, the SPS Agreement identifies three intergovernmental standards organisations: the World Organization for Animal Health, previously L'Office International des Epizooties (OIE) for measures related to animal health and zoonoses affecting both animal and human health; the International Plant Protection Convention (IPPC) for measures pertaining to plant health; and the Codex Alimentarius Commission (CAC, the Codex) for measures relating to food safety. The three organisations receive prominence through recognition of standards they set, as a basis for alleged compliance with the SPS. As the activity of the Codex Alimentarius Commission has been given recognition and has become integrated in the governance process under the umbrella of the WTO, it is in fact assigned the task of scientifically evaluating risk, risk management and standards formulation, which in reality means determining internationally acceptable levels of risk (Herwig, 2005; Veggeland and Borgen, 2005).

From the substantive point of view, the mandate of the Codex remains rather limited – to factors relevant for health protection and trade impact of SPS measures. This implies that other relevant factors, such as environmental costs, collective preferences or ethical considerations, cannot be considered. It is, thus, evident that the way the Codex integrates the cost-benefit analysis and normative considerations into its governance procedures has relative deficiencies. From a procedural legitimacy perspective, on the other hand, it can be observed that there is significant inequality of participation by non-business organisations of civil society in the CAC regulatory procedures, which puts industry representatives in a much more influential position. The same is true for representation of developing countries, which are often restricted by financial and structural impediments from exercising their participation rights. Existing differences in technical and financial resources between those states and the representatives of the developed world preclude them from representing their interests and concerns in the standardisation procedures on an equal footing, and reduce their influence on the adopted measures (Herwig 2005). Thus, it seems that the role and importance which have indirectly been assigned to the Codex under the SPS Agreement in determining food safety regulations for the WTO members lack solid legitimacy, and promotes international standards, which are more 'private' than a first glance might suggest.

In the context of its role in developing international food safety standards, there are two major sources of criticism about the Codex that are relevant for this study. Firstly, it is often argued that, although it formally serves the dual purpose of protecting the health of consumers and promoting free trade, generally trade interests prevail (Post, 2005). Secondly, it is claimed that although Codex standards are deemed international, they are often merely a reflection of the bargaining power of a set of well-known, mostly developed countries (post, 2005). Differences in technical and economic development between the advanced countries and the less-developed states are, thus, not adequately reflected in the

standardisation process, which may then lead to *de facto* discrimination and the prevention of those who lack the facilities to meet the set standards from competing in the world market (Sullivan 1983).

Support to implementation: short-term objectives of technical assistance

It has been established that the poorer the country, the greater the degree of exclusion from participation in private standardisation systems and market strategies established by large multinational retailers (Reardon et al., 2001). This, in its turn increases poverty and destroys pre-existing market arrangements and safeguards, and in the longer run, affects social structures, allowing the vicious circle to continue spinning. It is increasingly difficult for governments of developing countries to address those issues adequately with their own means. In this situation, efforts by international organisation and NGOs play an important role in complementing national public action. This is done by various means such as support for modernisation, support to market institution building, or support for small producers to enter into certification programmes. Majority of those initiatives are implemented by private institutions, such as consultancy companies, or private certification organisations. Their activity, although very important and worth acknowledging, often tends to be determined by their own way of functioning, their financing sources and arrangements, as well as the interest capture, which they may be subject to.

One of important limitations to their effectiveness, which needs to be mentioned here, is their mode of operation in terms of performance indicators, as well as of conditionality of their activity on the achievement of measurable objectives. Due to this specific mode of evaluation and financing, consultancy and technical assistance efforts are concentrated on achieving short-term objectives, which are easy to quantify and where success can be reported fast. They are, however, not programmed to tackle long-term persistent problems, where results are much more difficult to measure and report, and where achievements do not make the headlines. It is often not a question of bias or ill will, but rather the way in which such activities are structured and evaluated, that determine this mode of operation. Unfortunately, however, this restricts the possibility of those international private institutions to address the most persistent, consequential and difficult long-term problems of the mode of market building under study. As it has been argued, here, market differentiation and exclusion of small producers from participation, as well the more overarching transformation of market operation patterns, are of structural and long-term character. Consequently, they require an elaborate long-term response, which private technical assistance initiatives are not primarily designed to provide. Their activity is of course important and necessary, but it will only be able to address a selected number of issues, while it will find it difficult to contest the larger scheme of thing.

It is therefore important to continue searching for more sustainable solutions, which will move beyond the capture of performance based evaluation, and beyond the one-size-fits-all thinking. This would require a certain degree of flexibility and differentiation in application of internationally adopted standards, to tackle the dilemma of reproducing norms based on inadequately framed concepts, which export notions such as risk and quality fitted for economies and consumers in developed countries, and which lead to further disembedding of emerging markets in Asia.

Why is Polanyi's perspective important for market building in Asia? The most important reasons are probably diversity and sustainability. Diversity such as this requires that regulatory solutions need contextualisation if their objectives are to be accomplished not only with regard to trade liberalisation and facilitation, but also in terms of consumer protection, sustainability and social justice. Asia encompasses countries of dramatically different sizes, populations, economic power and stage of development, geographic and climatic conditions, as well as social, historical and political legacies. In market regulation, all those issues are of uttermost importance and the way in which they are reflected in the regulatory process and outcome is decisive for market embeddedness.

More sustainable alternatives? Ethical private standardisation systems and local market building

In a search for more sustainable solutions which would promote regulatory development as well as secure a greater latitude for diversity, while paying respect to the regulatory context and take account of specificity of developing countries in Asia, one of possible suggestions would be to look at new forms of 'engaged' standardisation. There are interesting examples where positive developments can be noted and which, if treated with attention and consistency, can potentially lead to encouraging long-term developments. This section will provide a brief outlook at private standardisation systems, which target particular social and ethical concerns alongside traditional food safety and quality, and which hence transgress the bias of replicating Western-developed concept of risk, which leads to a mismatch of regulatory intervention as presented above.

The rise of conscious consumerism, where people wish to spend their money on products not only because they fulfill their primary needs, but also because those goods carry a specific message or support a specific common good, has led to considerable growth of ethical trade, in particular in developed countries. Among ethically labeled goods, food products occupy an important share of the market. Global sales of organic food, which started in the 1990s, reached USD 40 billion in 2006, and continue to expand (Willer *et al.*, 2008). The similar can be observed for fair-trade products, whose global sales in 2007 increased by 47% in relation to the previous year, in accordance with the FLO (Fair-trade Labeling Organization) statistics.

In Asia, where the majority of population is engaged in agriculture, most of which is small scale traditional farming, 'ethical' trade arrangements carry a promise of response to at least some of the pressing concerns. It has, of course to be considered that 'ethical' standardisation regimes vary significantly from one to another, and that their responsiveness and inclusion of socioeconomic considerations is also different for different schemes. For example organic certification does not differentiate between conditions of developed and developing countries and puts forward the same criteria for both of them. The requirements are largely based on the assumptions and expectations of consumers in developed countries, they are however, by default and due to factual circumstances relatively easier to fulfill by farmers in less developed countries, where agriculture has not been to the same extent transformed and affected by industrialisation and large-scale farming practices. Hence it gives small scale farmers in poor regions the opportunity to use their comparative advantage. It does not, however, directly target social aspects. On the other hand, another example – fair-trade certification – is the one that carries strong social

features. Having been developed on the basis of the needs of small farmers in developing countries, it contains the elements of social justice and community strengthening. Through addressing the specific needs of smallholders, it directly targets long term poverty reduction. (Setboonsarng, 2008).

Certainly, 'ethical' standardisation is not free from shortcomings. There are also general limitations to how far it can reach in terms of market share and what degree of problems it can try to tackle. After all, ethical standardisation systems were also initially developed based on the conditions of farmers in developed countries, so they are likely to favour regions and enterprises that are better off. Nevertheless, even if it is of a limited scale, it does provide us with a functioning alternative to the purely-economy-driven market building methods. 'Ethical' standardisation differs from the other conventional regulatory practices, because it is more contextualised, it does allow place for social consideration, and it takes account of sustainability. Even the fact that it shows possibilities and incentives is important in the longer run, and with its growing potential it can show a different way of thinking about embedded market building, and direct future activities in that area in a more conscientious sensitive and socially responsive way.

One last alternative to be pointed out as a potential response to the long term negative consequences to the current market building practices of private organisations in Asia is local market building. It is an exercise to be implemented on a smaller scale, with smaller means, in order to facilitate subsistence of local marketing arrangements and local marketplaces, which are essential for the survival of small-scale farmers in the poorest regions. Such internal, regional market building is an important potential alternative to the market building by external market sources, as it can be tailor-made for the locality in question, and retain the embeddedness perspective. This is of course, a very vague and far-fetched proposal, contingent upon the existence of a political will on the side of both local governments as well as the international community, and the availability of resources to support such activities. From the legal and regulatory perspective, this is, however, perfectly conceivable.

Conclusions

Market building is a sensitive exercise. Theory and practice of regulation have developed a variety of tools for market building, which apply different degrees of sensitivity and respect for diversity. In the search for the middle way between the urge to homogenise trade requirements and business conditions on the one hand, and the need to respond to specific conditions of a particular developing country on the other, market rationale commonly prevails. This leads to gradual disembedding of those emerging markets and produces far reaching consequences, intended as well as unintended and highly problematic. Regulating markets outside their social context and applying 'one-size-fits-all' solutions based on concepts of risk and quality applied in the developed countries can be an efficient tool for market expansion, domination and fragmentation. It can, however, at the same time lead to long-term transformations of local societal structures, production and consumption patterns, ecosystems and sustainability arrangements.

Building markets in Asia, with all its contrasts, diametrically different conditions depending on particularities of states, regions and environments, is a specifically

challenging task. Among various forms of market intervention, this contribution looked at standardisation and its use by private institutions, in particular large multinational food retailers, but also consultancy and technical assistance organisations as well as institutions promoting new forms of ethical standards. The examples confirm the general thesis, inspired by Karl Polanyi, that regulating markets outside their social context and without reference to their specific socioeconomic conditions transforms those markets in many unintended and uncontrolled ways. It leads to the situation where short-term economic benefits can by far be outweighed by long-term negative consequences for the emerging economies and their societies. Costs of those negative consequences are often not accounted for in the activities of the private organisations involved in the market-building project. Simultaneously, the developing countries are not ready to cope with them on their own. This is detrimental for their long-term socioeconomic development, social justice and sustainability.

It is, therefore, argued that more conscientious approaches should be attempted, which take account of local risks, needs and preferences instead of blindly replicating those of the developed world, and which would be better suited to the emerging markets of Asia.

Given the specific needs of Asian countries and societies to develop and develop fast, which requires access to global markets and capital, that in its turn requires opening up to external influences, we still have to take into account that Asian food sector as it is today, possesses important economic, sociological and ecological qualities that may be worth safeguarding. It is a political challenge how to address this dilemma. It would be a pity if it was done by default, through un-deliberative regulation, which is now taking place on an everyday basis.

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