Over the past decades, the world has witnessed an unprecedented growth in global value chains, associated with increasingly demanding quality standards. These trends lead to concerns about the impact of value chains on development and poverty and about the possible protectionist nature of quality standards in rich countries. This book offers the first integrated theoretical analysis of the economic and political factors that determine the level of quality standards, as well as their economic effects along the value chain. Using realistic assumptions motivated by empirical research, the theoretical framework in this book makes it possible to study the efficiency effects as well as the distributional consequences of one of the most striking evolutions affecting global trade and development today.

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Quality Standards, Value Chains, and International Development

Economic and Political Theory

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Contents

Preface and Acknowledgments

1 Introduction 1
  1.1 The Rise of Standards 1
  1.2 The Debate 3
  1.3 Objective and Outline of the Book 5

2 Modeling Standards 11
  2.1 Introduction 11
  2.2 Standards and Asymmetric Information 13
  2.3 Standards and Externalities 16
  2.4 Standards and Compliance Costs 16
  2.5 Standards: Continuous or Not? 17
  2.6 Private and Public Standards 18

3 Efficiency and Equity Effects of Standards 19
  3.1 Introduction 19
  3.2 The Model 20
  3.3 No Implementation Costs 22
  3.4 Implementation Costs 26
  3.5 Different Implementation Costs for Different Producers 29
  3.6 Conclusion 32

4 The Political Economy of Standards and Development 34
  4.1 Introduction 34
  4.2 The Economy and the Social Optimum 35
  4.3 The Political Structure and Political Optimum 37
  4.4 Determinants of the Political Optimum: Comparative Statics 39
  4.5 Over- and Understandardization 41
## Contents

4.6 Development and Pro- and Anti-Standard Coalitions 42  
4.7 Information, Development, and Perceptions of Standards 44  
4.8 Conclusions 45  
4.9 Appendix 46  

5 International Trade and Standards 49  
5.1 Introduction 49  
5.2 The Impact of Standards in a Small Open Economy 52  
5.3 Standards as Catalysts or Barriers to Trade 55  
5.4 The Political Equilibrium 56  
5.5 When Are Standards Protectionist? 58  
5.6 Implications for International Agreements on Standards 60  
5.7 Conclusions 65  

6 Risk, Externalities, and the Nature of Standards 66  
6.1 Introduction 66  
6.2 Classification of Standards 67  
6.3 The Model 68  
6.4 The Nature of Standards and the Political Optimum 70  
6.5 The Nature of Standards and Trade Conflicts 73  
6.6 Conclusions and Implications 74  

7 Endogenous Private and Public Standards in Value Chains 76  
7.1 Introduction 76  
7.2 Private and Public Standards: Insights from the Literature 77  
7.3 The Model 81  
7.4 The Impact of a Standard 83  
7.5 Optimal Public and Private Standards 86  
7.6 Extension: Side Payments 91  
7.7 Conclusions 95  
7.8 Appendix 96  

8 Butterflies and Political Economy Dynamics in Standard Setting 97  
8.1 Introduction 97  
8.2 A Dynamic Political Economy Model of Standards 99  
8.3 Case (1): Constant and Identical Consumer Preferences between Countries 104  
8.4 Case (2): Constant and Different Consumer Preferences between Countries 107  
8.5 Case (3): A Temporary Difference in Consumer Preferences 113  
8.6 Extensions to the Model 118  
8.7 Conclusions 120
Contents

9 The Political Economy of Standards and Inclusion in Value Chains 122
  9.1 Introduction 122
  9.2 The Model 124
  9.3 The Socially Optimal Population of Insiders 127
  9.4 The Political Equilibrium 130
  9.5 Conclusion 139
  9.6 Appendix: Side Payments from Outsiders to Insiders 140

10 Standards, Production Structure, and Inclusion in Value Chains 142
  10.1 Introduction 142
  10.2 The Model 144
  10.3 Production Structure 149
  10.4 Transaction Costs 156
  10.5 Conclusions 159

11 Standards, Market Imperfections, and Vertical Coordination in Value Chains 162
  11.1 Introduction 162
  11.2 The Model 164
  11.3 Self-Enforcing Contracts with Supplier Holdup 169
  11.4 Self-Enforcing Contracts with Buyer Holdup 173
  11.5 Self-Enforcing Contracts with Two-Sided Holdup 176
  11.6 Endogenous Third-Party Enforcement 180
  11.7 The Impact of Development 185
  11.8 Conclusion 191

12 Market Power and Vertical Coordination in Value Chains 193
  12.1 Introduction 193
  12.2 Effects of Market Concentration: A Brief Literature Review 194
  12.3 Market Concentration and Rent Distribution in Value Chains 200
  12.4 The Effects of Increased Buyer Competition 201
  12.5 Empirical Evidence 206
  12.6 Concluding Comments 207

13 Price Transmission in Value Chains 208
  13.1 Introduction 208
  13.2 A Model of Price Transmission in Modern Value Chains 210
  13.3 Concluding Remarks 218
### Contents

14 Commodity Characteristics and Value Chain Governance 220
   14.1 Introduction 220
   14.2 A Comparative Perspective on Commodity Chain Governance 221
   14.3 Impact of Commodity Characteristics 224
   14.4 Implications for Commodity Chain Governance 229
   14.5 Conclusion 234

15 Economic Liberalization, Value Chains, and Development 235
   15.1 Introduction 235
   15.2 Institutional Characteristics 237
   15.3 A Model of Value Chains and Liberalization 241
   15.4 Value Chains and Liberalization Performances 249
   15.5 Value Chains and Variations in Commodity Sector Performance in Africa 252
   15.6 Conclusion 255

16 Standards and Value Chains with Contracting Costs: Toward a General Model 256
   16.1 Introduction 256
   16.2 A Classification of Contracting Costs 257
   16.3 The Model 260
   16.4 Efficiency and Equity Effects of Contracting Costs 263
   16.5 The Effect of Different Contracting Costs 266
   16.6 Conclusion 267

17 General Equilibrium Effects of Standards in Value Chains 269
   17.1 Introduction 269
   17.2 Theoretical Framework and Empirical Application 271
   17.3 Simulations 275
   17.4 Conclusion 281

References 283
Index 309
Preface and Acknowledgments

This book is global in its coverage and in its creation. Standards and value chains are rapidly spreading across the world, as we document in the book. While much of the creation of this book was centered in the LICOS Centre for Institutions and Economic Performance at the University of Leuven in Belgium, it was inspired by empirical research in various parts of the world and enhanced by discussions and collaborations with researchers from many institutions around the globe.

Our first encounter with the importance and the role of standards and value chains (or supply chains as we referred to them then) in development was in the transition world. In the early 1990s we witnessed an unexpected economic collapse in Eastern Europe and the former Soviet Union: output was falling and productivity was going down in country after country that embarked on the road to a market economy. The things that were going up were unemployment and poverty.

Then, rather suddenly, things turned around. One of the first sectors to turn around was the sugar sector in Slovakia. Following up on discussions at the Organisation for Economic Co-operation and Development (OECD) Expert Group on Transition we carefully analyzed the transformation of this sector and discovered the crucial role that the supply chain restructuring process and the introduction of various standards had on productivity and output.

These insights triggered us to embark on a large set of value chain studies, at LICOS and later at the World Bank. The empirical research started in Eastern Europe (with field research in, e.g., Poland, Hungary, Bulgaria, and Albania); later we extended our analyses to Asia (in China in collaboration with CCAP; in India in collaboration with the International Food Policy Research Institute [IFPRI]) and to Africa (e.g., in Madagascar, Senegal, Benin, and Ethiopia).
Our empirical findings and those of others suggested quite heterogeneous impacts and effects that were not captured or explained by traditional economic models. It became obvious after some time that our difficulties with interpreting the various findings were partially due to the absence of a good theoretical framework. We started developing conceptual frameworks to model the processes that we observed, derive hypotheses, and use these to improve our future empirical work and enhance the interpretation of existing empirical findings on value chains and standards.

In parallel a second set of theoretical work started, which was triggered by discussions on the trade implications of standards – and why certain standards are introduced. Economic analyses of standards and value chains take the standards as given and study their effects. However, the decision to introduce standards, be it by governments or the private sector, is of course an intriguing question in itself. Our research on the political economy of standards was also inspired by discussions on the reasons and effects of the proliferation of standards, including the Genetically Modified Organism regulations, in the European Union in the wake of a series of food safety crises in the late 1990s – and by our dissatisfaction with existing theoretical models that simply ignored the potential beneficial welfare effects of standards.

At some point during this research process the idea for this book emerged. We started trying to put together the different papers. At first we thought it would be a (relatively) simple compilation of our past and ongoing work. But we soon discovered that this would be unsatisfactory. The only effective way to do it was to truly compare the theories and models to integrate the analyses. We went back to the drawing board more times than we would like to remember. At times our project seemed lost or stalled amid that quagmire of other demands. But many colleagues kept reminding us that our project was worth pursuing. This kept our spirits up through the numerous revisions.

The book as it is in front of you now is an attempt to integrate these various pieces of research into a coherent set of models. It attempts to be innovative by presenting new material and to be comprehensive by summarizing and integrating earlier theoretical work. It explains how different models relate to each other and have been used to address different topics or different ways to analyze the same topic.

Although our names appear as authors on this book, the insights in it are based on many research collaborations with colleagues throughout the
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the relationship also means that sufficient value has been created for the readers.

Disclaimer: This book is based on research conducted before Anneleen Vandeplas joined the European Commission. Any opinions expressed in this book are those of the authors and do not necessarily reflect the views of their respective institutions.