

# Trade policy Brief

A case study

## An Assessment of Effects of Compliance costs on Least-Developed Countries' Exports of Agricultural Products: A case of women-owned SMEs involved in groundnuts production in Malawi Chimwemwe Richard Mwangi

### Executive Summary

Agriculture plays a vital role in the development prospects of many least-developed countries. Many of these countries' export earnings are largely related to the export performance of their agricultural sector, Malawi inclusive. However, success in agriculture trade is dependent of compliance with principles and obligations contained in the World Trade Organization (WTO) SPS Agreement. As such ensuring compliance with SPS measures is therefore crucial, as failure to do so can undermine trade and lead to significant commercial losses. The main aim of the study was to assess the effects of compliance costs on least-developed countries' exports of agricultural products. In order to achieve this, a case of women-owned SMEs involved in groundnuts production in Malawi was used. A case study analysis design was used that encompassed representatives from women-owned SMEs (30) involved in groundnuts production in Malawi, 5 NASFAM officials and 5 government officials from Ministry of Agriculture, Irrigation and Water Development. The findings indicate that SPS measures or requirements are indeed the number one impediment to the export of groundnuts from Malawi to the EU. Therefore, this has really affected the women-owned SMEs as they have lost export opportunities to developed markets especially the EU. This is in line with earlier studies which indicated that while many middle and high-income countries have the capacity to comply with SPS measures, many least-developed countries fail to do so. In order to address the SPS related challenges faced by groundnuts exporters in Malawi, the study recommends that the Government of Malawi should facilitate offering of both short-term and long-term skills trainings for groundnuts exporters and also need provide the exporters with more compliance resources to enable them to comply with international standards. As such, it is clear that more work needs to be done by the least-developed countries themselves as well as their developed partners to help these women-owned SMEs to meet compliance costs related to SPS measures.

### Key Findings

The study findings indicate that SPS measures or requirements are indeed the number one impediment to the export of groundnuts from Malawi to the EU. Therefore, this has really affected the women-owned SMEs as they have lost export opportunities to developed markets especially the EU. This is in line with earlier studies which indicated that while many middle and high-income countries have the capacity to comply with SPS measures, many least-developed countries fail to do so.

**Context of Problem** Agriculture plays a vital role in the development prospects of many least-developed countries. Many of these countries' export earnings are largely related to the export performance of their agricultural sector, Malawi inclusive. However, success in agriculture trade is dependent of compliance with principles and obligations contained in the World Trade Organization (WTO) SPS Agreement. As such ensuring compliance with SPS measures is therefore crucial, as failure to do so can undermine trade and lead to significant commercial losses. According to the Guardian, Malawi once had significant groundnut exports (up to 40,000 metric tonnes a year), but volumes have now dropped severely following the implementation of rigorous food safety standards in Europe (The Guardian, 2012). Related to this, reports have observed that Malawi produces over 200,000 tonnes of groundnuts annually but exports, which had regularly exceeded 50,000 tonnes before the 1990s, collapsed following the introduction of stricter international quality standards (AgDevCo, 2016).

**Scientific approach/ methodology** A case study analysis design was used that encompassed representatives from women-owned SMEs (30) involved in groundnuts production in Malawi, 5 NASFAM officials and 5 government officials from Ministry of Agriculture, Irrigation and Water Development

**New knowledge and/or added value** The study is of paramount importance to the policy makers as it comes hard on the heels of the coming into force of the WTOs Trade Facilitation Agreement (TFA) whose measures will be useful in boosting intra-regional trade and global supply chains to which these women-owned SMEs can benefit. Moreover, it will add to the existing body of knowledge on SPS measures and how they impede trade.

**Policy Options/ Recommendations** The study recommends that the Government of Malawi should facilitate offering of both short-term and long-term skills trainings for groundnuts exporters and need to provide the exporters with more compliance resources to enable them to comply with international standards. As such, more work needs to be done by the least-developed countries themselves as well as their developed partners to help these women-owned SMEs to meet compliance costs related to SPS measures.

## Keywords

SPS Measures      Compliance Costs      Women-owned SMEs      Least-developed Countries

**Further Reading** Athukorala P-C and Jayasuriya S (2003). Food Safety Issues, Trade and WTO Rules: A Developing Country Perspective, The World Economy, Wiley Blackwell, vol. 26(9): pp1395-1416.  
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