



# The effect of Sanitary and Phytosanitary measures on Vietnam's rice exports

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## Abstract

We have witnessed increasing concerns about the impacts of food safety standards on agricultural trade. This paper explores how Sanitary and Phytosanitary (SPS) measures affect Vietnam's rice exports. Using different estimation methods to handle overdispersion and zero trade flows for data of Vietnam's rice exports to 20 major importing countries over the period 2000–2015 based on gravity model, the results show that, although GDP, population, distance and production are still vital factors, the SPS measures imposed by importing countries have significant impacts on Vietnam's rice export. The findings suggest that importers implementing SPS measures have experienced considerably lower trade with Vietnam compared to importers that do not use a phytosanitary treatment. However, this effect decreases when income of importers increases.

*JEL classification:* F13; Q17; Q18; C33

*Keywords:* Rice; Export; Sanitary and Phytosanitary measures; Gravity model

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## 1. Introduction

Rice production has long played a vital role in national food security and political stability of Vietnam. Rice has also a noticeable effect on social security as it is absolutely indispensable to the daily life of the 91 million Vietnamese and an essential source of income for more than 60 million people living in agricultural and rural areas. Besides, rice is considered as one of the main crop in Vietnam, making up more than 90% of total cereal production (Bettman et al., 2014). Rice production in 2015 accounted for 45.22 million tons, which increased by 30%, compared with the figure for 2000.<sup>1</sup> The continuous increase in the rice production over the past two decades has helped Vietnam not only ensure food security in the country but also become one of the largest rice exporters in the world. However, rice export market share of Vietnam in recent years has experienced a decrease, as Vietnam's rice exports have faced severe competition from Thailand, India and other emerging markets such as Cambodia, decreasing market share of rice Vietnam's export in the key markets (as shown in Fig. 1). A reduction in rice export may have significant effect Vietnam's economy,

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<sup>1</sup> See General Statistics Office of Vietnam. <https://www.gso.gov.vn/> (Accessed 14.01.17).

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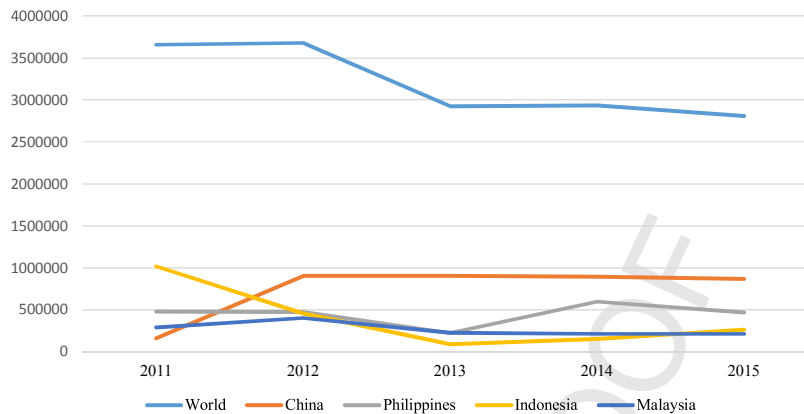


Fig. 1. List of key importing markets for rice exported by Vietnam, 2011–2015.

Source: [www.trademap.org](http://www.trademap.org).

as rice is one of the main export products of Vietnam, accounting for 1.74% of Vietnam's export value in 2015<sup>2</sup> and contributing a significant part to the national income.

In addition, the downward trend of global market in demand for rice is likely to cause growing uncertainty about Vietnam rice export. Timmer et al. (2010) predicted that the global rice consumption will witness a modest decline in the next decade. There are a number of reasons for that. Firstly, the population growth rate in Asian countries has decreased. Secondly, there has been a rise of per capita income in a variety of rice importers in Asia. In addition, the amount of rice per capita consumed has been reduced as people tend to substitute rice with other products containing more protein and vitamins such as processed preparations of rice, vegetables, bread, fish and meat. Furthermore, major importing countries start to increase their rice acreage and number of rice crops for domestic demand. As a result, the forecast is that there will be reduction in the rice price in global market by the next 10–20 years (Timmer et al., 2010). These external economic conditions may affect Vietnam's rice export.

Compared to the strong competitors, the quantity of rice export in Vietnam is higher, but the amount of turnover is lower. In 2015, the quantity of rice exports of Vietnam was 6603 thousand tons, holding the third position in the world, following by Thailand and India, but Vietnam's share in value in world's export was only 12.4%, compared to the figure of 28.1% of India.<sup>3</sup> Although rice export prices in Vietnam are significantly lower than those in other countries in the world, the gap between the rice export prices of Vietnam and the world has been narrowed due to an increase in the quality of rice.

Government policies have greatly affected international trade, especially trade in agricultural products. Particularly, the developed countries have implemented SPS measures to limit agricultural imports from less developed countries where technical standards and food safety are often low. In the situation of Vietnam, there are some cases of export rejection in recent years, when agricultural products such as fish and aquatic products, animal product and vegetables have been violated SPS standards. Ministry of Agriculture and Rural Development estimated that about 10,000 tons of rice of 16 Vietnamese enterprises has been returned from the US in the past 4 years. The reason is that there were residues of Acetamiprid, Chlopyripos, Hexaconazoe contained in plant protection drugs which help treat some diseases such as rice blast, borers, pests.<sup>4</sup> Meanwhile, according to the Vietnam Food Association (VFA) in the first 6 months of 2016, more than 500 containers of fragrant rice of Vietnam were returned due to substandard goods. VFA also said that in the past few years, especially in 2016, a lot of fragrant rice export orders of the famous Vietnamese rice exporters have been returned because of the residue of plant protection products.

<sup>2</sup> This figure is calculated by author based on data from [www.trademap.org](http://www.trademap.org).

<sup>3</sup> See Trade statistics for international business development. [http://www.trademap.org/Country\\_SelProduct\\_TS.aspx?nvpm=11111100611411112121112111](http://www.trademap.org/Country_SelProduct_TS.aspx?nvpm=11111100611411112121112111) (Accessed 12.06.17).

<sup>4</sup> See VietNamNet News. <http://vietnamnet.vn/vn/kinh-doanh/thi-truong/gao-viet-dinh-doc-bi-tra-ve-xu-nguoi-che-thi-xu-ta-xai-338862.html>. (Accessed 12.01.17).

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