Rethinking Value Chains

Palpacuer, Florence, Smith, Alistair

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Introduction: Rethinking value chains in times of crisis

Florence Palpacuer and Alistair Smith

The need to rethink value chains has gained momentum in public debates during the COVID-19 pandemic, highlighting the vulnerability of transnational production systems to unexpected shocks that could suddenly deprive import-based, consumption countries from access to very basic goods (Gereffi, 2020), while raising poverty levels to alarming thresholds in export-based producing countries where vast numbers of unprotected workers were left without work or a basic income (Kabir et al., 2020; Morton, 2020). The unsustainability of global capitalism has likewise come to the fore with the establishment of a link between deforestation and the decline of biodiversity on the one hand, and the vulnerability of our societies to disease pandemics on the other (for instance, see Tollefson, 2020).

Social inequalities, precarious development and ecological destruction have been longstanding issues surrounding the rise of global value chains (GVCs), but their magnitude and acuteness have now reached such a point that rethinking their premises
and core dynamics has become unescapable. Such an endeavour should concern not just GVC experts, academics and students but also a broad array of actors involved in and around these chains, including policy makers, corporate managers, labour unions, civil society activists and the diverse stakeholders with whom they interact, from consumers to workers, indigenous people and non-human living beings on this planet.

Our short book contributes to such a collective effort by combining academic and activist perspectives to offer some informed analysis of key GVC issues such as the generation of greater inequalities within and between countries, the rise of state authoritarianism to discipline activists and workers, and the challenges involved in enforcing greater sustainability measures within these chains. The book further highlights the transformative capacity of civil society initiatives through concrete cases and opportunities for collective action. In the rest of this introduction, we offer a brief overview of the features of GVCs and current challenges, before highlighting the core contributions made by the chapters that follow.

In the age of global value chains, to paraphrase the title of the last World Development Report (World Bank, 2020), about half of world trade is estimated to be linked to this now widespread form of organisation of productive activities, whereby the sequence of inter-related tasks involved from the design to the production and sale of a wide range of goods and services is scattered across firms and countries. The seminal work of Gary Gereffi and colleagues drew attention to the rise of this new pattern of work and production in the 1990s, stirring the development of a broad literature on the merits, contributions and risks of the changing configurations of value chains and firms in the global economy. Beyond academic spheres, the concept of GVCs gained growing popularity in international organisations where it guided and promoted development policies based on greater trade and economic openness among nations over the following decades, particularly geared towards Southern countries (for an overview, see Gereffi, 2018).
By the time GVCs had fully established themselves as the new ‘doxa’ for thinking about the world economy, their growth cycle seemed to have come to a halt or, at least, had reached a new phase of maturity. The turning point occurred with the financial crisis of 2008, when GVCs channelled the ensuing economic crisis of the US to their suppliers worldwide, principally Asian-based. The steep decline in world trade experienced at the time did not lead to a recovery – a return to the pre-crisis growth rate. Indeed, as shown in Figure 0.1, global trade ceased to grow faster than the rest of the economy. Another, perhaps more powerful blow was to come in 2020 with the COVID-19 crisis, leading the World Trade Organization to envision a drop in the volume of trade of 9.2 per cent in 2020 (also shown in Figure 0.1), while foreign direct investment is set to contract by 30 per cent to 40 per cent in 2020–21 (UNCTAD, 2020).

Figure 0.1: World trade volume, 2000–22

Note: Figures for 2020 and 2021 are projections
Source: Unpublished data, WTO Secretariat, 2020
If the controversies that surrounded the 2008 crisis were largely focused on the need to regulate financial markets, GVCs found themselves at the forefront of the heated debates stirred by the COVID-19 crisis. The dependencies that decades of de-industrialisation had created in many Northern countries became blatant when the worldwide ‘lockdowns’ induced a shortage of imported goods that catered to elementary needs, such as medical supplies and drugs. Meanwhile, many workers in Southern factories were abruptly sent home, triggering civil society campaigns to obtain some form of compensation from Northern buyers who had stopped or cancelled orders, as seen for instance in garment GVCs. These shocks shone the spotlight on structural trends that increasingly weakened the capacity of GVCs to act as vehicles for sustainable economic growth and social progress throughout the world. Trends coming to the fore include the rise of inequalities that GVCs were shown to generate among firms and workers, mounting popular discontent among disadvantaged populations, and the ensuing tensions and conflicts among trading blocs and countries (Dür et al., 2020; World Bank, 2020).

The time therefore seems ripe for rethinking value chains, as envisioned in this short book where we take stock of longstanding controversies and mounting critical perspectives on GVCs to highlight and discuss a number of pressing issues and innovative responses that civil society organisations have started to develop.

Indeed, there is a long-running ‘battle of ideas’ in GVC circles over the merits and limitations of this global form of agro-industrial/industrial organisation. Bair (2005) published an influential assessment of the main transformations undergone by this stream of research initially rooted in world-system theory, highlighting the patterns of power and dependency that global forms of production had created between Northern and Southern economies through the unequal value-capture capacity of the different ‘nodes’ of the chains hosted by these two groups of countries. From this initial
concern with inequalities in the world economy, Bair (2005) recalled, the perspective has evolved towards an increasingly firm-centric, economistic view of ‘value chains’ – a term borrowed from management sciences – that vaunts the capacity of those firms and countries entering at the bottom, low-value parts of the chains – typically the labour-intensive stages of production – to climb up the ladder via ‘industrial upgrading’ towards higher value activities that typically involve product development, design and marketing, rather than production or manufacturing.

The following decades saw a burgeoning literature – often but not systematically referring to global ‘production networks’ rather than ‘value chains’ – which sought to highlight the political dimensions of these global forms of industrial organisation, their social and institutional context (Coe et al, 2008), as well as the role of ideology and power struggles unfolding among firms, workers, civil society and governments (Levy, 2008), to shape and contest the distribution of value within the chains and their broader societal outcomes (Phillips, 2011; Bair and Werner, 2011).

Environmental critics also emerged, focusing attention on agro-industrial and extractive activities and the unsustainable relationship that GVCs maintained with nature in feeding the world economy (Ciccantell and Smith, 2009). This unsustainability was also shown through a ‘financialisation’ lens, notably the tight inter-connection that the so-called lead firms – those firms governing the chains and capturing a lion’s share of the value created within them – had developed to financial markets, generating a short-termist, profit-driven focus in the governance of the whole chain (Milberg, 2008; Palpacuer, 2008) and a ‘supplier squeeze’ that results in ‘immiserising growth’ in producing countries (Kaplinsky et al, 2002; Marslev, 2019).

Over the same period, following the early deployment of GVCs in the 1980s and 1990s, civil society organisations drew on pre-existing transnational connections among labour
unions, feminist movements, or development and faith-based organisations to start tackling issues around working conditions in Southern fields and factories, progressively giving rise to a new form of GVC-based activism that targeted lead firms mainly based in the Global North. The aim was to re-establish some form of social responsibility towards workers’ conditions in the factories and plantations of the Global South where these firms’ goods were being produced.

Over the course of the following decades, GVC-focused campaigns broadened the spectrum of societal issues addressed, from labour conditions to fair trade, low pay, gender inequalities and the environment. These campaigns extended the coverage of GVCs concerned by social and environmental abuses from manufacturing to farming and mining activities. The campaigns also increased the variety of lead firms being targeted, from clothing and sportswear brands to food producers and firms driving other consumer goods sectors such as toys and electronics (Palpacuer, 2019).

In recent years, these two streams of critical approaches have been combined in several hybrid spaces or initiatives involving both academics and activists in sharing knowledge and experiences on GVC-related social/environmental concerns and activism. Among them is the Responsible Global Value Chains (RGVC) initiative launched in 2015 as an internet platform designed to share research, reports and teaching material on social and environmental issues in GVCs, gathering over 90 academics and 30 members of non-governmental organisations (NGOs), labour union federations and think-tanks based mostly, but not exclusively, in Europe, primarily in France and the UK where the initiative was founded. A year later, the Rethinking Value Chains (RVC) collective was formed, with some overlapping membership but with a predominance of activist groups, in order to share information on ongoing campaigns, evolving regulations, upcoming research, and to develop shared projects and campaigns.
This book is an outcome of the encounter of these two networks during a seminar held at the Charles Léopold Mayer Foundation for the Progress of Humankind in Paris in February 2019. It is based on voluntary contributions by several RGVC and RVC members who highlighted key emerging issues in GVCs as well as original civil society initiatives to tackle them. The reflections developed in the following chapters are far from exhaustive in terms of the issues and initiatives being discussed: important topics, such as the specific conditions of women in GVCs, the scope and magnitude of environmental destruction caused by their continuous development, the peculiar challenges faced by fair trade initiatives, and the perspectives and means of action characterising labour unions, do not receive the attention they deserve. There is therefore a need to continue this collective work. Similarly, the civil society strategies explored here do not exhaust the range of perspectives and tools developed over recent decades in GVC-focused activism.

Nonetheless, the challenges being tackled here are among the most pressing and daunting in light of recent trends, including the rise of new forms of state authoritarianism in GVC governance (Chapter 1), the hidden circuits of finance by which the value created by productive activities within chains is extracted and appropriated by capital owners at the expense of states and workers (Chapter 2), and the reabsorption of ‘sustainability’ into GVC governance as a tool for powerful actors to exert enhanced pressures and extract rents from the chain (Chapter 3). Our collection also includes chapters that address activist perspectives and experiences that have received little attention in the growing literature devoted to transnational campaign networks, such as new opportunities for civil society groups to shape the political agenda of governments on GVCs, particularly via trade regulation in Europe (Chapter 4), the role of activists in the emergence of recent national regulations tackling the social and environmental conditions of GVC-focused activities (Chapter 5), the strategic use of data and quantification to draw public and policy makers’ attention
to GVC issues (Chapter 6) and the possibilities for bottom-up, South-driven activism to be effectively supported by transnational campaigns (Chapters 7 and 8).

While GVC analysis typically focused on corporations as the architects of the globalisation of production, our critical perspective emphasises the role of the state in shaping and regulating global production, and reassesses its role in the light of recent GVC transformations, along a common thread running through the four chapters contributed by academic writers that form the first part of this book. In the first contribution, Martin Hess reviews the ways in which the state has traditionally been perceived in GVC analysis, highlighting its assignation to a supportive, facilitative role for economic development that overlooked the use of violence and other modes of coercion. Not only have authoritarian forms of state action always been present in GVC regulation, Hess argues, but new forms of ‘authoritarian neoliberalism’ are actually on the rise, and he calls for much greater attention to be devoted to the exercise of coercion on populations contributing to GVC activities in both Northern and Southern countries.

Liam Campling and Clair Quentin tackle another widely overlooked role of the state in GVCs: its redistributive capacity as a central institution to garner and reinject some of the wealth generated by productive activities into core services for society, such as health and education. Their innovative framework, the global inequality chain, articulates GVCs with global wealth chains (GWCs) formed of financial flows that span networks of tax havens, diverting wealth from public taxation into private forms of accumulation. Hence, in their view, not only are workers deprived of an important part of the value they create through production via the rent-capture capacities of lead firms and other powerful intermediaries in GVCs, but also states are robbed of their redistributive role and capacity to sustain the public needs of societies.

Stefano Ponte has also chosen to emphasise the role of the state as ‘orchestrator’ of a variety of policy instruments to
promote environmental sustainability in GVCs. Ponte takes stock of the limitations of private initiatives that have mainly reabsorbed issues of sustainability into their economic rationale. He reflects on the diverse ways in which sustainability could be tackled by public actors, comparing two GVCs that have highly dissimilar characteristics in terms of power structures, technological constraints and regulatory initiatives. While coffee GVCs, where economic power is highly concentrated at particular nodes, offered little room for manoeuvre for public players, in the case of the more recently formed biofuel GVCs dominant positions were less strongly established and public action had more chance of shaping the environmental sustainability agenda. Ponte emphasises the need to target public action via appropriate instruments – and at appropriate geographical levels – according to the specificities of various GVC configurations.

Louise Curran and Jappe Eckhardt in turn investigate public policy options at the level of the EU, focusing on how trade regulation could promote greater social and environmental protection in GVCs. Their chapter points out some key institutional constraints that need to be worked through when it comes to the proposals that activists could advocate, and explores the options offered by the EU’s bilateral free trade agreements and the clauses they include on trade and sustainable development. A first advocacy option pertains to the ratification and application of conventions related to environmental sustainability, such as the Paris Climate Accord, that the EU requires of its trading partners. Parallel pressure would have to be exerted in order to strengthen the effectiveness of monitoring mechanisms attached to such commitments, and to ensure the adoption of dispute settlement systems and sanctions that would be as effective as those laid out in other chapters of the FTAs. Other options discussed relate to the Generalized System of Preferences Plus (GSP+) regime, citing concrete cases of civil society mobilisation that underscore the feasibility and effectiveness of such initiatives.
The second part of the book gives voice to activists who reflect on the initiatives launched by their own civil society organisations in recent years. Marilyn Croser highlights the seminal work of CORE, the corporate responsibility coalition formed by civil society groups in the UK in 1998, in pushing for the adoption of legislation that would require companies to identify and mitigate human rights risks and impacts in their value chains. Her chapter offers an overview of major European legislative initiatives designed either to promote greater corporate supply chain transparency, such as the EU Non-Financial Reporting Directive and the UK Modern Slavery Act, or to establish specific duties and sanctions for human rights abuses resulting from corporate negligence, such as the French Duty of Vigilance law and a similar initiative under consideration in Switzerland. At various stages of designing a regulatory framework, Croser explores the complex stakes of coalition building, the choice of campaigning options, and the ways to counteract business attempts to circumvent new rules that CORE had to work through. She also highlights the levers which could be used in future advocacy work, such as strengthening monitoring processes in existing legal frameworks, and scaling up coalition work at the European level.

Another type of civil society strategy is explored by Christophe Alliot in the chapter devoted to the French initiative BASIC, the Bureau of Societal Analysis for Citizens’ Information, established in 2013 with the specific aim of producing objectivised information on the social and environmental costs generated by the GVCs. Alliot lays out the specific challenges faced by BASIC in accessing and modelling the data needed to evidence the highly unequal distribution of value within a variety of GVCs such as cocoa and coffee, on which the small research-oriented activist group has produced several reports. These include the growing paucity of the kind of aggregate data needed to assess the actual economic power and profit margins of powerful players such as lead firms and
transnational traders in the GVCs under study; at the other end of the chain, another challenge consists in assessing the resources required for small-scale producers to survive at the beginning of GVCs. BASIC thus tackles the classic ‘framing’ issue highlighted by social movement theory in original ways, by calculating and demonstrating specific distributional issues and inequalities generated by GVCs governance along the chain.

In the following chapter, Alistair Smith analyses the pivotal role of another small civil society group, the UK-based Banana Link (BL), in structuring strategic actions in the GVCs of one of the most widely consumed food products worldwide – dessert bananas. The initiative launched in 1996 developed an original approach by supporting two traditionally weak stakeholder groups at the production stage of banana GVCs to join forces and build up scale for obtaining a more equitable share of the value created along the chain. The key players are small independent producer organisations located in the Caribbean and South America on the one hand, and independent workers’ unions representing men and women employed in the large plantations of eight Latin American countries on the other, all exporting to the European market. BL facilitated the emergence of a ‘South–South–North’ advocacy network involving a number of other European-based civil society and fair trade groups to support and channel the demands of Southern workers and producers towards the large European buyers. Smith analyses the processes of coalition building that allowed for the activist voices to be amplified while remaining Southern-driven, as well as the specific conditions under which concrete gains could be obtained from retailers in the context of an activist-founded multi-stakeholder initiative, the World Banana Forum (WBF). As a result of the long civil society-led preparatory process, the WBF tackles the sensitive issues of distribution of value along the chain, as well as labour standards, gender equity, labour relations, environmental impacts and how to develop climate-resilient agroecological production
systems, under the all-encompassing umbrella of ‘sustainable production and trade’.

The last chapter uncovers the main intervention methodology of small France-based civil society network ReAct (Réseaux pour l’Action collective internationale), established in 2010 to support and promote community organising in territories affected by the activities of large French multinationals, notably in African-based agricultural and mining chains. Eloïse Maulet focuses on the case of an ongoing campaign against the Bolloré group and its Socfin subsidiary, owner of rubber and oil palm plantations in nine African countries (and Cambodia) where living conditions are deeply affected by water pollution, deforestation, and the use of violence notably against women, all linked to the multinational’s implantation. The chapter unveils the specific steps by which ReAct supported the emergence of organised movements in the affected communities and helped to convey, through transnational network-building, local demands to the corporate headquarters. Acknowledging the difficulties involved in rebalancing highly unequal power relations in GVCs, Maulet highlights the importance of building movements for empowerment and emancipation in the most affected communities.

The significant contributions presented in this set of case studies are analysed in our concluding chapter, where we adopt a Gramscian lens to reflect on the changing forms of hegemony in GVCs, the pivotal role of the state, and the innovative approaches of civil society organisations to maintaining and consolidating a counter-hegemonic front in the contemporary world economy.

Notes

1. See for instance, the #PayYourWorkers campaign at https://cleanclothes.org/campaigns/covid-19
2. See www.responsibleglobalvaluechains.org/ and www.bananalink.org.uk/about/rethinking-value-chains/
References


