

Abstract for “Rethinking Value Chains”

Florence Palpacuer
January 2018

Why ‘rethink value chains’? What is to be ‘rethought’ in relation to the ways in which these chains operate nowadays? And who is best equipped to do this, given the broad array of social, societal, environmental issues at stake?

These are the kinds of questions that the social movements involved in this initiative may want to discuss collectively, towards the elaboration of a shared identity and mission for the network. They are also questions that have been debated since when production systems started to become reorganized on a global scale: whether the globalization of ‘value chains’ was or was not desirable, and how these chains should be regulated so as to benefit society at large, is at the core of a ‘battle of ideas’ that has span across academic, political, and activist spheres for the last two or three decades.

In the following paper, I summarize this debate by drawing mainly on academic literature, and highlight some potential opportunities for the initiative to steer social innovation amongst the organizations involved.

GLOBAL VALUE CHAINS (GVCs)

The ideological debate: pros and cons

Roughly speaking, the academic debate on global value chains has developed between two ‘camps’. On the one hand, GVCs have been casted as a way for countries to ‘plug’ quickly and successfully into global markets, that is, to build high volumes of jobs, economic activities and financial inflows by acting as suppliers for major ‘lead firms’ within the chain. This model has been promoted since the 1980s as an ‘export-oriented’ development strategy, and more recently promoted as a post-2008 crisis scenario (despite the fact that GVCs served as a major channel for the propagation of the crisis from the US into Asia).

On the other hand, writers such as Wallerstein have emphasized very early on that GVCs were highly unequal forms of economic organization, where ‘core’ countries could reap the value created in ‘peripheral’ and ‘semi-peripheral’ countries participating to these chains. Recent critics have argued that GVCs offered precarious, short-lived forms of economic development, due to cut-throat competition and continuous worldwide relocation. GVCs often plug into local territories after a ‘disarticulation’ of the local economies has occurred via land and labor reforms (Werner and Bair, 2011); they are organized on the basis of ‘adverse incorporation’ maintaining workers in poverty at the bottom of the chain, thanks to the double pressure of global lead firms and the local/national elites (Phillips, 2011).

An emerging line of critics is also questioning the unsustainable appropriation and destruction of natural resources in GVCs (Küttin, 2014). Financialization plays a role in the spread of such predatory practices, by pushing lead firms to maximize short-term returns on invested capital, via increased pressures on employees and suppliers (Palpacuer, 2008).

Tools for GVC regulation: market, state, or cooperation?

Initially, the debate opposed proponents of a *market-driven* development agenda with advocates of *state-controlled* development policies. Since the 1990s, however, few academics have ventured into calling for such role of the State. Recent initiatives by civil society and labor unions to push for

binding regulation in GVCs have received growing attention, but ultimately, protectionism remains ‘taboo’ for the leftist critics (perhaps due to being strongly endorsed by nationalist reactionary movements).

The role of the State remains a key question in the regulation of GVCs, however. Ultimately, the capacity of lead firms and their core suppliers to continuously relocate productive activities, playing countries, workers and second-tier suppliers against one another, is deeply undermining local attempts to promote social progress and environmental protection.

Beyond states and markets, a third option came into the picture for regulating GVCs, in the form of *cooperation*. This element was first incorporated into GVC as a way for local suppliers to learn and ‘upgrade’ so as to perform higher ‘value’ tasks in GVCs. Upgrading occurred via interfirm cooperation based on mutual gains between lead firms and selected suppliers. Such cooperation brought ethical legitimacy to the GVC model which became *not just* an instrument of North-South domination *but also*, a space of solidarity which offered a ‘way up’ for suppliers who had entered at the bottom of the chain to perform low ‘value’ tasks.

The origins of industrial cooperation are local, not global, however. This way of organizing value chains builds on social and economic solidarity within the life of a community (Piore and Sabel, 1984). The inspiration behind this model is a Proudhonian¹, anarchist vision of society based on *small independent workers’ cooperatives*. The extent to which industrial cooperation could expand from the local to the global, in the context of cut throat market competition, remains an open question.

Recent claims of cooperation have been made by lead firms in the form of *voluntary ethical initiatives* such as codes of conducts with suppliers, joint NGO projects and membership to multi-stakeholder platforms. But critics point to the persisting gap between corporate ethical discourse and the material conditions of global production, where labor rights violations and environmental damages remain widespread. Likewise, ‘upgrading’ has been shown to occur only selectively in GVCs, and rarely entails substantial improvement in wages and work conditions.

SOCIAL MOVEMENT STRATEGIES

Social movements have responded to the globalization of production by seeking either to transform GVCs via campaigning, bargaining and organizing, or to build alternatives via local and fair-trade chains. These two strategic orientations are either ‘*counter-hegemonic*’, seeking to change power relations *within* the dominant hegemony, or ‘*anti-hegemonic*’, exploring possibilities for a non-statist, non-capitalist, equitable mode of social organization (Day, 2004, 2005).

Counter-hegemonic movements: promoting changes within GVCs

During the 1990s, new coalitions formed of a variety of social groups (ex: youth, feminist, labor, religious, consumer, development, ...) have built on activist connections between North and South to create *transnational resistance networks* and reconnect what GVCs had separated, i.e., the economic power of lead firms and the social conditions at their suppliers’ factories.

These ‘counter-hegemonic’ movements have used a variety of tools to induce changes in the governance structure, economic relationships, and social / environmental practices of GVCs. Consumer campaigns relied on a mix of market signals and ethical incentives to steer action on the part of lead firms, while a state-based legal framework was mobilized in defense of workers’ rights.

¹ Pierre-Joseph Proudhon was a French politician and the founder of mutualist philosophy. He is widely regarded as one of the most influential theorists of anarchism.

Along such line, NGOs and labor unions joined forces in innovative ways, for instance in the Clean Clothes Campaign or Banana Link where labor unions brought institutional legitimacy to the defense of labor rights, while NGOs could act beyond the legal limits established for labor unions.

Tackling the challenge of ‘passive revolution’

These initiatives faced serious challenges, however. Firms responded to consumer campaigns via a proliferation of ethical advertising, effectively confusing market signals and weakening activist strategies. NGOs found themselves caught in partnerships that served the image of lead firms without inducing significant changes neither in their business model, where the search for short term growth and profits remained unabated, nor on the ground where exploitative social conditions continued to predominate.

Some movements have taken stock of these limitations, and shifted their focus from firms to states, so as to obtain ***constraining regulation*** in defense of human rights in GVCs. The most significant initiatives include civil society push for the French law on Due Diligence, the UK Modern Slavery Act, and the Treaty Alliance in favor of a United Nations Binding Treaty for Transnational Corporations on Human Rights . Although significant gains have been obtained from some States, initial civil society demands have been substantially weakened over the course of harsh political negotiation.

Here again, conservative forces are acting to reabsorb social criticisms into a process of ‘passive revolution’. This term describes how a ‘revolutionary’ form of political transformation is pressed into a conservative reform which allows to preserve the essential aspects of the social structure (Levy and Egan, 2003; Morton, 2010). In other words, civil society demands have been answered by both lead firms and States in ways that seek to preserve the essential aspects of GVCs, and fail to address the ‘root causes’ of human and environmental abuses in the social, political and economic structure of global production.

‘Anti-hegemonic movements’: in search for alternatives

To avoid the trap of ‘passive revolution’, other social movements have opted for what Day calls a ‘politics of the act’. These movements do not follow a ‘politics of demand’ based on expectation that emancipation could be *granted* by dominant actors in GVCs. Instead, ‘anti-hegemonic’ groups are revisiting the anarchist tradition to build alternative local value chains based on cooperation and solidarity. This occurs within territories but also at the international level when fair trade initiatives have built interpersonal, small-scale cooperation between buyers and producers. This, for scholars such as Day, offers a desirable alternative to counter-hegemonic struggles.

However, local chains face their own struggles. To preserve access to resources such as land and water, to resist intense cost-based competition from GVCs, and/or to maintain authentic social values when scaling up, these alternatives require a supportive political environment and protection from ‘unfair’ competition.

Rethinking value chains: how to combine local and global struggles?

The working hypothesis to be discussed within the *Rethinking Value Chains* initiative, is that social movement aims to transform GVCs via direct action on lead firms, suppliers, *and* governments, are complementary to, rather than substitute for, the rise of local alternatives.

To contain the economic/financial logics of GVCs may not only improve their direct social and environmental outcomes, but also help create or preserve space for alternative chains to flourish.

For this reason, a number of local movements have joined counter-hegemonic struggles such as the Treaty Alliance. Conversely, promoting alternative chains may allow counter-hegemonic movements to gain greater autonomy in the face of GVC hegemony and better resist strategies of 'passive revolution' from conservative forces.