Global Value Chains and Development

Over the past half century globalization has transformed how nations, firms, and workers compete in the international economy. The chapters in this book, authored by one of the founders of the global value chains (GVC) approach, trace the emergence of the most influential paradigm used to analyze globalization and its impact by academics and policy makers alike. In the mid-1990s, Gary Gereffi introduced the notion that offshore production was fuelled by buyer-driven and producer-driven supply chains, which highlighted the role of giant retailers, global brands, and manufacturers to orchestrate complex networks of suppliers in low-cost developing economies around the world. The GVC framework was built around the twin pillars of ‘governance’ (how global supply chains are controlled and organized) and ‘upgrading’ (how countries and firms try to create, capture, and retain high-value niches in GVCs). This book contains the seminal writings used to launch the GVC framework, along with in-depth case studies that explain how Mexico, China, and other countries emerged as prominent exporters in the world economy. As the social dimension of globalization became more pronounced, Gereffi and colleagues elaborated the concept of ‘social upgrading’ and a new paradigm of ‘synergistic governance’ based on the coordinated efforts of private, civil society, and public-sector actors. During the 2000s, the rise of large emerging economies like China, India, Brazil, and South Africa transformed the structure and dynamics of GVCs in the direction of greater regionalization. Today new challenges are looming in resurgent economic nationalism and populism. Large international organizations such as the WTO, World Bank, and ILO, policymakers in national economies, development practitioners, and academics continue to be guided by insights from the GVC approach.

Gary Gereffi is Professor of Sociology and Director of the Global Value Chains Center at Duke University, Durham, USA. He has published numerous books and articles on globalization, industrial upgrading, and social and economic development, and is one of the originators of the GVC framework.
Development Trajectories in Global Value Chains

Globalization is characterized by the outsourcing of production tasks and services across borders, and the increasing organization of production and trade through global value chains (GVCs), global commodity chains (GCCs), and global production networks (GPNs). With a large and growing literature on GVCs, GCCs, and GPNs, this series is distinguished by its focus on the implications of these new production systems for economic, social, and regional development.

This series publishes a wide range of theoretical, methodological, and empirical works, both research monographs and edited volumes, dealing with crucial issues of transformation in the global economy. How do GVCs change the ways in which lead firms and suppliers shape regional and international economies? How do they affect local and regional development trajectories, and what implications do they have for workers and their communities? How is the organization of value chains changing and how are these emerging forms contested? How does the large-scale entry of women into value-chain production impact gender relations? What opportunities and limits do GVCs create for economic and social upgrading and innovation? In what ways are GVCs changing the nature of work and the role of labor in the global economy? And how might the increasing focus on logistics management, financialization, and social standards and compliance shape the structure of regional economies?

This series includes contributions from all disciplines and interdisciplinary fields related to GVC analysis and is particularly supportive of theoretically innovative and informed works grounded in development research. Through their focus on changing organizational forms, governance systems, and production relations, volumes in this series contribute to ongoing conversations about development theories and policy in the contemporary era of globalization.

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‘Gary Gereffi explains the organization of the global economy better than anyone. This book reaffirms his importance as the founder and still leading theorist of global value chains, and is essential reading for all those who wish to understand the complexity of manufacturing in the 21st century.’

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‘Global value chains are a key feature of the global economy in the 21st century. By providing the essentials of the GVC framework, unpacking the key concepts of governance and upgrading, and exploring the relevant policy implications – this collection of writings from the founder of this field is an essential companion to academics, policy makers, activists and business leaders interested in understanding present-day capitalism.’

Stefano Ponte, Professor of International Political Economy, Copenhagen Business School
Global Value Chains and Development
Redefining the Contours of 21st Century Capitalism

Gary Gereffi
To Pela,

My inspiration, best friend, 
and loving spouse for this entire journey
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Foreword

The themes covered in this book resonate with a distinction I made often between the old world of trade and the new world of trade when I was Director-General of the World Trade Organization. In the old world of trade, production was national, most trade occurred within countries, and the job of trade negotiators was to remove obstacles to trade that protected producers, such as tariffs and subsidies, so that international trade could flourish. In the new world of trade, production of both goods and services is transnational, organized in global supply chains where a product could be made in up to 10 to 12 countries, and trade increased greatly as intermediate inputs crossed borders many times in the process of making final products. This new world of trade involved value addition at every stage of the chain, and the obstacles to trade were increasingly about non-tariff barriers such as regulatory standards, consumer protection, intellectual property and data privacy, the purpose of which is to protect consumers.

A big part of my job at the WTO was to try to get people who negotiate trade agreements to make the transition from thinking about trade in traditional terms to the new realities of global supply chains. After lots of discussion with business people who were familiar with fully integrated systems of production where goods were largely produced in Asia and sold in the West, I launched the WTO's 'Made in the World' initiative, and shortly thereafter, we began to partner with the research unit at the OECD to elaborate ways to measure 'trade in value added'. This helped us drive home the point that it was no longer the volume of trade per se that mattered, but rather whether and how countries were connected to increasingly pervasive global value chains.

I first learned of Gary Gereffi’s pioneering work on this topic in the context of these WTO efforts to create a new narrative on global trade and development. In a couple of international conferences organized by the WTO in Geneva, such as the Global Forum on Trade Statistics in February 2011 and the Fourth Global Review of Aid for Trade on 'Connecting to Value Chains' in July 2013, Professor Gereffi made key presentations that illustrated how the global economy was changing and why this was relevant to policy makers. Then in the fall of 2014, Gary and his colleague Frederick Mayer invited me to present a keynote address at the Global Value Chain Summit that they were organizing at Duke University as a forum to promote high-level dialogue between top international organizations who were using the value chain framework and leading academics also working on these issues.
The chapters in this book offer a panoramic perspective on the sweeping changes that have transformed the global economy in recent decades. I would summarize the import of this book in three overarching impressions. First is its historical sweep. The chapters chart in admirable detail the shift from a nation-state-centered global economy in the early postwar decades to the intricate division of labor and continuously evolving supply chains that we see today. Early chapters in the book dealing with the apparel industry in Asia and North America bring to life the old world of trade, in which production and trade networks were adjusting to continuously shifting tariffs and quota systems. Middle chapters of the book capture the impact of the rise of emerging economies as well as the 2008 economic crisis on the international trading system, while the final chapter on ‘Protectionism and Global Value Chains’ offers an up-to-date interpretation of what’s old and what’s new in US President Trump’s trade disputes with his NAFTA neighbors and China.

A second takeaway from the book is the clarity of the analysis, couched in a language that is equally accessible to business leaders, development practitioners, policy makers, and scholars. Although the book covers a very broad spectrum of industries, countries and regions, its actor-centered approach provides a largely jargon-free discussion of national development models, technology trends, industrial transformation, and policy options for developing and developed economies. Multinational corporations and international business networks are center stage in the global value chains framework laid out in this book, but it is also clear that development goals encompass a much bigger agenda than just trade and investment. The theme of governance is a particularly rich concept in this book, since it embraces not just the organization of supply chains by lead firms and top suppliers, but also the role of public authorities and civil society groups in promoting various kinds of social, environmental, and economic upgrading at the country level.

A final reflection on this book stems from my conviction that we need a new narrative that not only brings together the old and new worlds of trade, but also helps to bridge the divides that threaten to fracture the international system of trade and development into completing blocs with no common agenda or goals. Change is inevitable, and this book analyzes dramatic shifts in the world economy that have altered the fortunes of large and small, and industrial and agrarian economies alike. An open question is how the international system that helped to establish and adjudicate the rules of the game in the late 20th century will respond to these shifts in the early 21st century. Countries are very heterogeneous in their collective preferences and development situations, but in the search for common ground, we need inclusive frameworks that address the interests of citizens, businesses and consumers, practitioners and policy makers, and other diverse constituencies. This book has the breadth, quality and analytical tools to contribute to this much-needed dialogue.

Pascal Lamy
Former Director-General of the World Trade Organization
June 6, 2018
Acknowledgments

This book brings together research that spans several decades and I have been fortunate to be at Duke University for this entire period. Duke has been an ideal intellectual and institutional base for my work because it embraced both international and interdisciplinary scholarship, and it encouraged entrepreneurial teaching and research programs. The Sociology Department was my faculty home, and it supported multiple conferences and workshops I organized at Duke. The Center for Latin American and Caribbean Studies and Duke’s Asian/Pacific Studies Institute contributed in multiple ways to create a vibrant atmosphere for faculty and students alike who are working within and across both regions.

I am particularly proud of the innovative, dedicated and policy-relevant scholarship carried out at Duke’s Center for Globalization, Governance and Competitiveness that I founded in 2005, which was renamed the Duke Global Value Chains Center in 2017. The researchers and doctoral students associated with the Center have been amazingly committed and talented development scholars, who applied and extended the ideas and frameworks discussed in this book in virtually all regions of the world. Special thanks go to Mike Hensen, the managing director of the Center since its early years, and Tom Nechyba, director of the Social Science Research Institute, the Center's main institutional sponsor at Duke.

A number of the chapters in this book are co-authored, and I appreciate and value the intellectual and collegial contributions of my co-authors, which in most cases go well beyond the particular chapters that appear in the book. Within Duke, I have worked especially closely with Fritz Mayer, a faculty colleague in the Sanford School of Public Policy, on multiple projects related to global value chains and international development. Fritz and Will Goldsmith, who completed his Ph.D in the History Department at Duke, helped me document the history of the GVC approach and the role of international organizations in promoting and disseminating the GVC framework. Some of these ideas appear in Chapter 1.

Finally, a very deep sense of gratitude goes to my family. International research is exceptionally demanding in terms of the amount of time required for traveling and working abroad, and this has been true in my case as well. Fortunately, my wife, Pela,
Acknowledgments

and my daughters, Emily and Karen, not only accepted these difficulties, but actually shared in many of the international travels and experiences that made my scholarly work around the world much more enjoyable and rewarding. For this reason and many others, this book is dedicated to Pela.
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