Rapporteur’s Report

Summary Version

4 March 2015

Duke Global Summit:
Governance and Development in a Value Chain World

October 29 – November 1, 2014
Duke University, Durham, NC
From October 29 to November 1, an unusual mix of academics and representatives from leading international organizations attended a summit at Duke University. The Duke Global Summit aimed to close the gap between academia and global practice regarding inclusive development in an international economy increasingly organized around global value chains (GVCs).

This summary rapporteur’s report, assembled by William D. Goldsmith and Andrew Hull, condenses each session into a summary, key questions raised, and a list of cases referenced. **Remember that most of these panels operated under Chatham House Rule**: participants are free to use the information received, but neither the identity nor the affiliation of the speakers, nor that of any other participant, may be revealed. However, two of these sessions were publically open and recorded; we therefore have included the full transcript of the session for academic reflections as an appendix.

<table>
<thead>
<tr>
<th>Session</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: GVCs and Their Significance for International Organizations</td>
<td>1</td>
</tr>
<tr>
<td>2: GVCs, Labor and Inclusive Development</td>
<td>3</td>
</tr>
<tr>
<td>3: Small and Low-Income Countries in Value Chains</td>
<td>5</td>
</tr>
<tr>
<td>4: Measuring the Economic and Social Impact of Value Chains</td>
<td>7</td>
</tr>
<tr>
<td>5: The Role of Industrial Policy in Global Value Chains</td>
<td>9</td>
</tr>
<tr>
<td>6: The Future of GVCs and Global Trade</td>
<td>11</td>
</tr>
<tr>
<td>7: Looking Ahead: Challenges for Development Policy and International Organizations</td>
<td>13</td>
</tr>
<tr>
<td>Appendix 1: Academic Reflections on GVCs and International Organizations</td>
<td>14</td>
</tr>
<tr>
<td>Appendix 2: What Have We Learned? Optional Session for Academics and Interested Participants</td>
<td>23</td>
</tr>
<tr>
<td>Appendix 3: Links to Video Interviews</td>
<td>35</td>
</tr>
<tr>
<td>Name</td>
<td>Organization</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Aeroe, Anders</td>
<td>ITC (Geneva, Switzerland)</td>
</tr>
<tr>
<td>Downing, Jeanne</td>
<td>USAID (Washington, DC)</td>
</tr>
<tr>
<td>Ferrantino, Michael</td>
<td>World Bank (Washington, DC)</td>
</tr>
<tr>
<td>González, Anabel</td>
<td>World Bank (Washington, DC)</td>
</tr>
<tr>
<td>Havinga, Ivo</td>
<td>UN Statistics Division (New York)</td>
</tr>
<tr>
<td>Hoekman, Bernard</td>
<td>EUI (Florence, Italy)</td>
</tr>
<tr>
<td>Hutson, Andrew</td>
<td>Environmental Defense Fund (Raleigh, NC)</td>
</tr>
<tr>
<td>Lamy, Pascal</td>
<td>Norte-Europe (Paris, France)</td>
</tr>
<tr>
<td>Low, Patrick</td>
<td>Fung Global Institute (Hong Kong)</td>
</tr>
<tr>
<td>Mehta, Atul</td>
<td>IFC/World Bank (Washington, DC)</td>
</tr>
<tr>
<td>Mupotola, Moono</td>
<td>African Development Bank (Abidjan, Côte d’Ivoire)</td>
</tr>
<tr>
<td>Newnham, Simon</td>
<td>Representing G20 Taskforce (Australia)</td>
</tr>
<tr>
<td>Padilla-Pérez, Ramón</td>
<td>UN Economic Commission for Latin America and the Caribbean (ECLAC) (Mexico City, Mexico)</td>
</tr>
<tr>
<td>Pietrobelli, Carlo</td>
<td>Inter-American Development Bank (Washington, DC)</td>
</tr>
<tr>
<td>Powers, William (Bill)</td>
<td>USITC (Washington, DC)</td>
</tr>
<tr>
<td>Safadi, Raed</td>
<td>OECD (Paris, France)</td>
</tr>
<tr>
<td>Springer-Heinze, Andreas</td>
<td>GIZ (Eschborn, Germany)</td>
</tr>
<tr>
<td>Sydor, Aaron</td>
<td>Department of Foreign Affairs, Trade and Development (DFAID), Ottawa, Canada</td>
</tr>
<tr>
<td>Taglioni, Daria</td>
<td>World Bank (Washington, DC)</td>
</tr>
<tr>
<td>Zeballos, Erick</td>
<td>ILO (Washington, DC)</td>
</tr>
<tr>
<td>Name</td>
<td>Institution</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Gary Gereffi (Co-organizer)</td>
<td>Duke University, US</td>
</tr>
<tr>
<td>Frederick Mayer (Co-organizer)</td>
<td>Duke University, US</td>
</tr>
<tr>
<td>Barrientos, Stephanie</td>
<td>University of Manchester, UK</td>
</tr>
<tr>
<td>Bair, Jennifer</td>
<td>University of Colorado, Boulder, US</td>
</tr>
<tr>
<td>Fernandez-Stark, Karina</td>
<td>Duke University (CGGC), US</td>
</tr>
<tr>
<td>Frederick, Stacey</td>
<td>Duke University (CGGC), US</td>
</tr>
<tr>
<td>Kaplinsky, Raphael</td>
<td>Open University, UK</td>
</tr>
<tr>
<td>Milberg, Will</td>
<td>New School for Social Research, US</td>
</tr>
<tr>
<td>Morris, Mike</td>
<td>University of Cape Town, South Africa</td>
</tr>
<tr>
<td>Nathan, Dev</td>
<td>Institute for Human Development, India</td>
</tr>
<tr>
<td>Pickles, John</td>
<td>University of North Carolina, Chapel Hill, US</td>
</tr>
<tr>
<td>Phillips, Nicola</td>
<td>University of Sheffield, UK</td>
</tr>
<tr>
<td>Posthuma, Anne</td>
<td>International Labor Organization (Brazil)</td>
</tr>
<tr>
<td>Sturitz, Cornelia</td>
<td>Austrian Research Foundation for International Development (Austria)</td>
</tr>
<tr>
<td>Sturgeon, Tim</td>
<td>Massachusetts Institute of Technology, US</td>
</tr>
<tr>
<td>Tong, Y.S.</td>
<td>Cambridge University, Cambridge, UK</td>
</tr>
<tr>
<td>Zanalda, Giovanni</td>
<td>Duke University, US</td>
</tr>
</tbody>
</table>
Session 1: GVCs and Their Significance for International Organizations
Wednesday, October 29, 2014
OPEN: Recorded session
http://youtu.be/gSiqTuqA21c

What role is the GVC paradigm playing in international organizations? What are the key issues for policy and governance?

Moderator: Frederick Mayer, Duke University (US)

Panelists: Gary Gereffi, Duke University (US); Will Milberg, The New School for Social Research (US); Anabel González, World Bank (Washington, DC); Anders Aeroe, ITC (Geneva, Switzerland)

Summary
The session broadly serves as an introduction to the Summit, introducing key questions about policy built around GVC analysis. International organizations (IOs) seem drawn to GVC analysis because it helps them maintain relevance by providing a concrete way of targeting investment aimed at promoting job growth in developing countries. Some IO participants candidly discuss the problem of relevance that their organizations have faced, and at least one academic charges that IOs are significantly less relevant since the 2008-09 economic crisis.

Participants do not agree about why GVC analysis helps with IO relevance. Some IOs have come to GVCs “quite naturally” because of the changing nature of the global economy: IOs have picked up GVC analysis because it accurately reflects the way the world is. Some academics suspect, however, that IO attraction to GVC analysis also represents the increased power of private sector actors and that it offers a way of presenting old policies as new strategies (old wine in new bottles).

Cases
• Costa Rica: The experience of Anabel González as foreign trade minister to Costa Rica shows how GVC analysis might guide state economic policy.
• ITC: Project to enable the services sector in Bangladesh perhaps the first GVC-inspired projects, around 2004.
• ITC: Analysis of Cambodia using GVC framework showed the need for goods-related services.
• ITC: Works with multiple lead firms to prevent locking small countries into asymmetrical relationships with single lead firms.
• Rana Plaza in Bangladesh: suggests the limits of private regulation
• Cocoa production: suggests the limits of private regulation
• Virtually all international organizations at the Summit represent a case of IOs taking up the GVC framework.

Key Questions
1. Would better data on ownership—through, for instance, an international business register—in illuminate development policy? When the line between private and public sector ownership is blurred, as in many African countries, does that change policy considerations?
2. What is the conceptual difference between “economic upgrading” and “economic development”? One academic contends that the concept of economic upgrading is currently static, with the focus on process and product upgrading rather than functional upgrading.
3. How do policy recommendations shift for big countries vs. small countries? What policies help small and/or poor countries capture value in resources value chains?
4. How can policymakers avoid the “fallacy of composition,” especially since, in the words of one IO participant, every country wants the high tech, research-oriented parts of the value chain?

5. What are the benefits and costs of regional agreements?

6. Should the state reassert greater authority over private standards?

7. Does GVC participation have a causal relationship with economic inequality?

8. Does tax policy offer a way to link social and economic upgrading?

9. How do IOs and states create coherent GVC-informed policy given how siloed the various functions of trade, development, education, and labor typically are institutionally?

10. More research needs to be done on how social structures impact GVCs, rather than simply how GVCs affect social structures.
Session 2: GVCs, Labor and Inclusive Development
Thursday, October 30, 2014
CLOSED: Chatham House Rule

When does “social upgrading” accompany economic upgrading in GVCs? What policies best promote inclusive, sustainable development?

Moderators: Raphael Kaplinksy, Open University (UK); Jennifer Bair, University of Colorado-Boulder (US)

Panelists: Anne Posthuma, International Labor Organization (Brazil); Andrew Hutson, Environmental Defense Fund (Raleigh, NC); Ramón Padilla-Pérez, UN ECLAC (Mexico City, Mexico)

Summary
Participants generally acknowledged that social upgrading does not necessarily follow from economic upgrading, but there are examples when international organizations can help find a win-win with firm efficiency and better labor standards. IOs can help align incentives from markets and policy in order to link economic and social upgrading. Some IOs see moving up the value chain to expand decent work as a means of achieving social upgrading. Others see a greater regulatory role necessary for states and facilitated by IOs and NGOs. Value chain policy for upgrading cannot always look to global value chains but should sometimes focus on strengthening domestic and regional value chains.

On the whole, policy recommendations to link social and economic upgrading seemed case dependent. Panelists highlighted the need to distinguish policy based on industry and sector, country size, resource factors, and type of state government.

Lead firms can be pushed by consumer groups, NGOs, and states to use their power over suppliers to improve environmental and labor standards. Yet they can also be pulled by the business case for higher standards. The effectiveness of the consumer push, however, seems threatened if consumption growth shifts to the global South because those consumers won’t be able to afford triple bottom line accountability in the same way as European and U.S. consumers have.

States have a role in promoting social upgrading through GVCs, though discussion does not suggest consensus about the specifics of that role. In some cases, states provide compliance; in others, they play a greater role in standard-setting but leave compliance to NGOs funded by lead firms. The future might not be either public or private regulation but a more complicated hybrid model. Though some states have tried to shift the cost of supplier regulation onto lead firms, many lead firms have acknowledged they do not have the capacity and need states to play a stronger role.

Academics in particular underscored the limits to win-win scenarios that benefit both business and the broader communities in developing countries. Some participants contend that decent work remains in tension with competitiveness at many nodes of value chains, though some IO participants see greater evidence of virtuous circles regarding economic and social upgrading.

Cases
- ILO’s Better Work Program in Vietnam, Jordan, Brazil, etc.: suggests the possibility (and limits) of linking economic and social upgrading through collaboration of firms, labor, and states
- Rana Plaza, Bangladesh tragedy and response: cited to highlight both possibilities and challenges of linking economic and social upgrading
- Role of intermediate trading companies in value chains and their resistance to value chain transparency: suggests difficulties enforcing transparency/promoting social upgrading even when lead firms are at the table
EDF’s study of nitrogen and methane value chains in US: examples of using GVC analysis to promote environmental upgrading

- Deforestation driven by palm oil consumption: suggests the problem of relying on consumer demand in the global South for better environmental standards
- Costa Rica: example of a country successfully moving up the value chain to capture more decent work

**Key Questions**

1. How do you create coherence among policies regarding economic and social upgrading such that it aligns industrial policy, workforce development, trade policy, labor policy, and SME-strengthening policy?
2. What are the limits of win-win cases for firms and labor? What policies might address tradeoffs between decent work and competitiveness? Research that examines the ways GVCs affect the informal economy and internal & external labor migration might help clarify links between social and economic upgrading.
3. Do better conditions for labor come at the expense of more general upgrading that includes SMEs and those in the informal economy?
4. How can IOs bring lead firms to the table? Can GVC analysis help understand when lead firms must be pushed by consumers and NGOs toward greater higher environmental and labor standards for suppliers and when they are more pulled by the business case for greater efficiency and higher profits?
5. Does the GVC framework need better conceptual tools to map service-oriented value chains, such as tourism?
How can small and low-income countries position themselves to benefit from GVCs? What role can regional value chains (RVCs) play in economic development?

Moderators: Stephanie Barrientos, University of Manchester (UK); Dev Nathan, Institute for Human Development (India)

Panelists: Moono Mupotola, African Development Bank (Abidjan, Côte d’Ivoire); Jeanne Downing, USAID (Washington, DC); Atul Mehta, IFC/World Bank (Washington, DC); Andreas Springer-Heinze, GIZ (Eschborn, Germany)

Summary

IOs have drawn on GVC analysis to shift away from a narrow focus on increasing exports as the central development strategy for small and low-income countries—a strategy that has not led to sufficient poverty reduction. IOs use VC analysis to target specific industries for investment, those with the best chances for comparative advantage. VC analysis also helps target bottlenecks that produce market failures. IOs often collaborate with private firms, and lead firms have asked IOs for guidance in investing in small, low-income countries. Most IOs emphasize working from the bottom up, developing local value chains in order to integrate into regional value chains and, from there, global value chains. A few academics, however, suggest that focusing too much on domestic and regional VCs risks creating uncompetitive industries when faced with the global system; local development initiatives, in other words, must not lose sight of GVCs.

IOs raise several ongoing concerns regarding inclusive development in small, low-income countries (and particularly within sub-Saharan Africa). Informality, in terms both of labor and regional trade, presents challenges. Some IOs have consciously focused on economic upgrading that yields more diffuse growth, but they still have trouble promoting growth that does more than enrich local elites. Some academics propose that IOs should focus more on moving vertically up the value chain rather than horizontal expansion.

The discussion highlights some tension regarding the issue of barriers to entry to GVCs. As an academic notes, GVCs are supposed to make market entry easier. Yet some raise the question of whether the economic shift toward GVCs makes a particular difference for small, low-income countries. While new technology, such as mobile phones, means that sub-Saharan Africa need not strictly follow a western model of development, many IOs see traditional issues of infrastructure, workforce development, and tariff and non-tariff barriers to trade as key stumbling blocks. The implication is that small and low-income countries still must address basic connectivity, workforce development, and trade barriers first, and worry about entering GVCs second.

Cases

- AfDB Ethiopia shoe manufacturer: Chinese-owned firm not sourcing locally, leads to missed regional integration opportunities. Academic, however, suggests that in that case, Ethiopian firms learned from the process and stimulated the local market for footwear
- AfDB Nigeria Ag VC assistance: Nigeria to become a regional leader in intra-regional exports as well as improve its competitive positioning in its international exports
- IFC tourism VC in Dominican Republic: significant and sustainable upgrading achieved
- GIZ cocoa VC in Equatorial Guinea: comparative advantage for very high quality
- GIZ Lokta bark paper VC in Nepal: specialty paper is crafted from a unique shrub growing only in the Himalayas
3: Small and Low-Income Countries in Value Chains

CHATHAM HOUSE RULE

- USAID work in East Africa on the ‘Trade Mark’ project: which is working on large infrastructural barriers like the port in Tanzania
- Croatia financial VCs: creative system to attract and spur investments in financial services sector
- South-South trade in technology: Chinese technologies being used in East Africa
- ASEAN model: way to work with private sector to enhance development, or a delicate and difficult to replicate model because of the power of lead firms?
- Uganda maize: traded to Kenya, but often informally, raising question of how to deal with informality in VC development
- Bangladesh: ability to produce for largest clothing retailers through development of local capabilities and solutions

Key Questions

1. What policy lessons can the study of past regional VC experiences offer in the planning, implementation and prioritization of needs for future regional VC development agendas?
2. How can we better understand the relationship between VC upgrading and informality in work?
3. When trying to conduct regional VC integration, how do you get countries to work together when many countries themselves are focused on developing their domestic markets first?
4. How to improve the reliability of VC data in low-income countries?
5. How can low-income countries address higher standards (often private, driven by lead firms in developed countries) to enter GVCs without losing emphasis on poverty reduction?
6. Should policy promote certain kinds of ownership (i.e., local) in order to better promote inclusive development?
7. There is very little analysis of financial VCs as a whole, and even less so in developing countries. It would be useful to understand how these VCs can better integrate themselves and be more competitive agents for other VCs within developing countries.
8. What theoretical considerations do domestic and regional VCs present that are not addressed by current GVC literature?
Session 4: Measuring the Economic and Social Impact of Value Chains
Thursday, October 30, 2014
CLOSED: Chatham House Rule

How can we better measure trade, finance, and other economic and social outcomes? Where are the current data gaps, and what new measurements would provide more in-depth and useful information for policy makers?

Moderator: Tim Sturgeon, Massachusetts Institute of Technology (US); Karina Fernandez-Stark (Duke CGGC)

Panelists: Ivo Havinga, UN Statistics Division (New York); William Powers, USITC (Washington, DC); Michael Ferrantino, World Bank (Washington, DC); Aaron Sydor, Foreign Affairs and International Trade (Ottawa, Canada)

Summary
In the past ten years, the statistical community has responded rapidly to the challenge of measuring GVCs, from repurposing existing statistics (e.g., TIVA) to the production of new statistics, something that doesn’t reside in any statistical database (e.g., Canada’s Survey of Innovation and Business Strategy). Agencies had different motivators—Chinese currency valuation debates, export firms voicing their reliance on imports, trade agreements that needed better data on services—but all seemed to stem from the operation of GVCs.

Key areas where new measurements would be generative are barriers to access, innovation processes, profit distribution, upgrading and inter-firm dynamics (including governance). Several participants mention the need for more frequently updated data, given the speed of economic change. Big data gaps still exist, certainly for Africa, but also for North America. Patchy services data is an issue. Comparative data remains a challenge, e.g., conflicting definitions make difficult comparing SMEs even between the U.S. and Europe. Getting measurements of sustainability still seems difficult and is rarely discussed during the panel. Some statisticians suggest there are untapped resources for understanding worker conditions.

Discussion highlights that IOs, policy makers, academia and business all need to be working together in the collection, monitoring and assessment of GVC data. In order to assess connections to outcome, inter-firm data is crucial. This is especially true in connecting governance to outcomes within firm dynamics.

Cases
- World Bank comparison of Nicaragua to rest of Latin America and other countries to emphasize the importance of using mirror data when measuring GVCs
- USITC: APEC Trade and Value Added Initiative
- Conflicting data even in North America related to Mexican maquiladora trade
- iPhone: only 35% of production is tangible goods. Demonstrates need for services data
- Canada produced large data set on ocean transport shipments: useful, but not comparable unless other countries do the same
- World Bank working with UPS to harness their data on shipments to better understand firm behaviors: example of IO working with private firm to access data
- Canadian government has wide adoption rates of GVCs, even beyond the trade department, recognizing the significance of imports for exports
Key Questions

1. How can private data—from private regulatory organizations or firms themselves—be accessed and combined with public trade data to address data gaps?

2. How can trade data become more rapidly available and updated? Increased frequency in trade and fast evolution of global economy requires more frequently updated data systems. Monthly data is increasingly needed to advise governments.

3. What data could answer the question of whether GVCs naturally drive development by lowering barriers to entry for developing countries and small to medium sized enterprises?

4. How can we construct a measurement system to chart changes in intermediary sourcing patterns across industries and across time?

5. How and where do profits made within GVCs get transferred? To whom and for what purpose?

6. Statistically, can we get closer to the firm level disaggregation with any of the databases currently in existence or production?
**Session 5: The Role of Industrial Policy in Global Value Chains**

Friday, October 31, 2014
CLOSED: Chatham House Rule

*What new forms of industrial policy are emerging to reflect GVCs? How can GVC-oriented policies more effectively promote competitiveness and inclusive economic development?*

**Moderators:** John Pickles, University of North Carolina-Chapel Hill (US); Nicola Phillips, University of Sheffield (UK)

**Panelists:** Patrick Low, Fung Global Institute (Hong Kong); Carlo Pietrobelli, Inter-American Development Bank (Washington, DC); Daria Taglioni, World Bank (Washington, DC)

**Summary**

Participants agree that the GVC framework suggests a new kind of industrial policy. This new policy moves beyond import-substitution or export-oriented models of the past, but it also goes beyond the horizontal-only industrial policy favored by the WTO in its neoliberal heyday.

Yet defining this new industrial policy proves slippery. Generally, GVC-oriented industrial policy is discussed as specific to national and even local contexts, tailored to particular institutional environments and focused on specific value chains. Participants stress that this new industrial policy must be attuned not just to bringing in new sectors but also to changes within sectors. Some see the role for new industrial policy as addressing coordination failures in the private sector, geared toward creating public-private partnerships and collaborations between governments and lead firms. A significant subtheme regarding industrial policy is the need for policy coherence regarding industrial policy, workforce training, SME policy, trade policy, tax policy, and other arenas if industrial policy is to lead to inclusive development and not simply serve the growth of GVCs.

One major problem discussed with new industrial policy is the difficulty of generalizing policy compared to previous industrial policy models. With greater specificity in industrial policy comes greater difficulty in scaling up, in taking successful industrial policy and implementing it elsewhere. A few participants seemed dismissive of industrial policy as a means of economic upgrading, fearing that slow government action might cause more harm than good in many countries given the rapidness of economic change in so many sectors.

**Cases**

- IDB working with over 200 clusters in Latin America demonstrates heterogeneity of GVCs
- IDB book: *Rethinking Productive Development* at its core looks at the various industrial policy approaches as GVC policy approaches
- Malaysia’s experience with designing inclusive and sustainable industrial policy
- Myanmar, Vietnam, and Cambodia: It’s very difficult to create the correct policy incentives because they are in a very competitive space and trying to occupy the same position.
- Pacific Alliance policies in Central/South America
- Chile’s movement from manufacturing to services and the policies needed
- Costa Rica: transitioning from resource-based to more technologically driven development strategy
- Mexico’s diverse range of manufacturing and R&D clusters
- Brazil’s ability to attract Foxconn investments of 5 facilities in Brazil
- South Africa as a critical supplier of fish for Spain
- WTO’s Information Technology Agreement
- India’s offshore services development not through state but through SMEs
UNECLAC’s shrimp farming value chain work in El Salvador, rural tourism in Guatemala, and automotive value chain work in Mexico

**Key Questions**

1. What is the best way of characterizing this new industrial policy? Is there a way to define it succinctly and generally as was the case for previous paradigms of industrial policy?
2. What are the central differences between GVC-oriented industrial policy for big countries like Brazil and China and small countries that cannot pursue functional upgrading?
3. While Latin American industrial policy based on GVC analysis seems vibrant, what lessons does this offer for African countries? Can industrial policy aimed at GVC inclusion really deliver employment in the African context in the near future?
4. How practically can countries align industrial policy with other policy domains in order to create coherence in the pursuit of inclusive development? What role do IOs play in this process? Can they provide standard setting and enforcement functions to prevent races to the bottom?
5. What does the China case suggest about GVC-oriented industrial policy?
How will trade rules and business strategy intersect shape the form of GVCs in the future? Are we likely to see more or less concentration within value chains? Will regional chains become more or less prominent? How will the emergence of new economic powers affect the global pattern of trade?

Moderators: Cornelia Staritz, Austrian Research Foundation for International Development (Vienna, Austria); Mike Morris, University of Cape Town (South Africa)

Panelists: Bernard Hoekman, EUI (Florence, Italy); Simon Newnham, G20 Taskforce (Australia); Raed Safadi, OECD (Paris, France)

Summary

GVCs are absolutely changing the structure of trade negotiations, but debate ensues on whether or not they have changed the politics of trade. Participants generally accept that the private sector has a greater role in trade negotiations as more governments recognize the significance of imports for exporting firms. Some participants, however, believe that private sector influence remains minimal, with disconnect still between trade negotiators’ agenda and business realities.

Regarding the policy implications of GVCs, many participants suggest that GVCs deepen the argument for greater trade liberalization. Several participants argue that any trade policy that involves tariffs or other barriers becomes increasingly ineffective in a GVC world, especially for poor and low-income countries; other policy interventions, such as industrial policy or infrastructure development, offer greater benefit. Several participants note that despite this seeming consensus that free trade is good for GVC inclusion and promotion, the politics of outsourcing have made trade liberalization more difficult in many countries.

Regional trade agreements generate considerable discussion, with some contending that regional trade agreements are not enough to spur GVC growth/upgrading without other policies. Nonetheless, regional preferences will still play a large role in who is able to access what GVCs when going forward.

An important implication of GVCs is that policy around trade in services requires more attention, including more data and analysis.

Cases

• APEC agreement: demonstrates role of private sector in new trade negotiations
• China’s duty-free import policy for goods coming from least developed countries (LDCs): an example of trade policy that has had a significant impact on trade flows
• India’s trade policy: successful example of big country prioritizing exports and shutting out imports
• Nicaragua’s preferential free trade agreement: increased access to GVCs
• Walmart conference in 2011 discussing the minimum standards of suppliers: suggests ways that trade policy is informed by private standard setting

Key Questions

1. How might trade policy improve the competitiveness of firms through the creation of tailored policies, and by extension how does this improve the competitiveness of VCs at the global and regional levels?
2. For low-income and small countries in particular, what trade policies—beyond across-the-board free trade—would promote GVC inclusion that leads to economic and social upgrading? What case studies demonstrate successful and/or unsuccessful policy?

3. How have GVCs changed the politics of trade? Are the politics of loss and stagnation in the GVC-dominated economy limiting globalization organized around GVCs?
Session 7: Looking Ahead: Challenges for Development Policy and International Organizations

October 31, 2014
CLOSED: Chatham House Rule

How can GVC analysis better inform international policies? What are the most important lessons learned to date from efforts to apply GVC analysis?

Moderators: Gary Gereffi, Duke University (US); Frederick Mayer, Duke University (US)

Major Themes

• Social inclusion: Some participants suggest that too much policy focuses on competitiveness rather than the needs of excluded people. Others propose that we should focus on balancing competitiveness and social inclusion rather than choosing one or the other.
• Rents/profits: Several IO policymakers would like more case studies of the distribution of profits in order to evaluate the impacts of policy solutions. Proposal made to reframe the question of where rents go in a GVC competitiveness framework.
• Measurement: The question remains how to use the GVC paradigm to develop more meaningful measurement. Measures that would help with social upgrading and profit distribution seem particularly in demand.
• Global governance: The idea of a persistent governance deficit is floated, though some IO participants push back that the international system does not need to be reinvented wholesale.
• Political analysis: Call made for stronger accounting for and analysis of the political context. GVCs—and especially lead firms—should be recognized as actors in political arenas, rather than just responding to political changes.
• Regional integration: Suggestion that it is driven not just by market proximity but also as a consequence of a particular regulatory framework.
• RVCs and domestic value chains: Some participants echo earlier calls for academics to consider regional and local value chains rather than focusing too much on GVCs.
• Services: New case studies suggest that services are a dominant source of value in VCs.
• Role of states: Some IOs offer that they can influence governments, shaping the role of the state, but the discussion of how they should advise states is much less concrete.

Future Agenda & Suggested Action Items

• ILO will focus on GVCs at 2016 conference.
• OECD is developing extended supply-use tables, a three-year project that illuminates firm heterogeneity.
• Fung Global Institute is researching a set of service sector case studies.
• Several IOs would like to collaborate with academics in order to help analyze their projects and hone policy based on their experiences.
• Call made for multiyear projects focused on key questions that might draw funding
• Millennium Development Goals (MDGs) and Sustainability Development Goals (SDGs) offered as possible funding opportunities.
• Several statisticians propose collaboration with academics in order to develop more meaningful surveys and datasets.
• Some IOs propose that there is demand for training on the GVC framework using more approachable language and teaching tools. Diagrams and websites might be useful ways of doing so, in addition to in-person training.
• One participant offers the idea of long term economic research, similar to ecological research.
Appendix 1: Academic Reflections on GVCs and International Organizations
October 31, 2014
OPEN: Recorded lunch session
http://youtu.be/2FgWPDPml6Y

What will be the most significant impact of GVCs on international organizations in the next 3-5 years?

Moderator: Gary Gereffi, Dept. of Sociology and Director, CGGC, Duke University

Panelists: Stephanie Barrientos; Raphael Kaplinsky; Dev Nathan; John Pickles; Cornelia Staritz; Tim Sturgeon

Major Themes
1. Governance deficit: Numerous academics point to the governance deficit in the global political economy, drawing attention to the weakness of countervailing power to deal with lead firms. Participants offer states, labor unions, existing IOs, and new global institutions (such as an international labor court) as possible institutions to address the governance deficit.
2. Role of IOs: Many academics suggest that IOs need to “step it up,” by creating cross-cutting alliances with other organizations in civil society and going toe-to-toe with lead firms. Several academics suggest that IOs focus too much on win-wins and must reckon with losers in a VC world; they warn that GVCs are leading to non-full employment and excess capacity, and that the political reaction of losers—particularly in the global North—will lead to serious constraints on globalization. Several participants highlight the rise of economic inequality with GVC-driven economies.
3. Role of the state: Almost all commenters suggest that the state is “back,” but there is little agreement about what that will mean for IOs or the global economy. Several academics point to the significance of GVCs for new industrial policy.
4. Rents: Participants widely acknowledge they wish to understand the allocation of rents in GVCs, but they vary in their analysis of where rents are currently going among consumers in the global North, management within lead firms, and shareholders. At least one economist proposes that rents are small and relatively insignificant.
5. Private standards: Some comment on private standards, suggesting they have passed their peak as a method of social and environmental regulation because of tepid results. Some suggest that while that’s the case for labor, it’s not the case for environmental private regulation.
6. Data gap in services: Several commenters call for a better, GVC-informed statistical framework to measure trade in services.

Cases
- China: What does the case of China represent? A traditional tale of liberal modernization, the GVC golden child, or something else entirely? What role did VCs and industrial policy play in its rise? What role will China play in international governance going forward?
- Chile: Economic growth with GVC integration, but more economic inequality
- Apple: What does this case represent? It’s often used as a typical, rent-accumulating lead firm, yet does the quick demise of, say, Blackberry suggest that it’s not as powerful as often proposed?
Appendix 1: Academic Reflections on GVCs and IOs

Key Questions
1. Could IO practitioners get clear rules or decision trees to help make practical sense of GVC academic knowledge?
2. Who gets rents? How is rent allocation different in a GVC world? Has shareholder value and finance capital—and financialization more broadly—steered the GVC economy? Could new data instruments help us understand ownership and the characteristics of lead firms?
3. Should we analytically distinguish labor and environmental issues to a much greater degree?
4. Should academics distinguish GVCs, global value chains, from GGVCs, governed global value chains?
5. What is the future of the global political economy? Is the current system unsustainable, as some academics propose? To what degree does the GVC system operate as a kind of amplification device, a la the financial crisis?
6. How plausible—or necessary—are new international governance institutions, such as an international labor court? Can existing organizations like the ILO address these issues without new institutions?

Panel Discussion
GARY GEREFIFI introduces the panel as a chance to turn things around so that academics have an opportunity to lead the conversation. Encourages questions and comments after the panelists present for about five minutes each even if they don’t speak directly to what the panelists said.

KAPLINSKY: Has four points.
1. My future research will be about paradigm exhaustion and disruption of the global system. That’s partly a function of the operation of GVCs, but it also sets the frame in which GVCs work. The current system is unsustainable for three sets of reasons.
   a. The North, through the extension of GVCs, has set up its competition in the South, and it’s eating away at the sustainability of growth in the North.
   b. The social and political consequences of GVCs in the world is setting up opposition to globalization, often in a barbarian form, and the arteries of globalization are going to be attacked.
   c. The global system in general is unsustainable, particularly in regards to energy costs. That sums up in paradigm exhaustion, with a decline in the rate of growth and with massive processes of social and political exclusion. The very framing environment of GVCs’ operation is subject to severe disruption. We’re moving into a disruptive era. The past patterns won’t be feasible in the future.
2. We have to talk about new actors on the stage in terms of global governance. The idea that China will merely slot into an established frame in the WTO or other organizations is threatened. That will have implications for GVCs.
3. The specific implications for the UN system focused on industrial policy. Many of us think of industrial policy in the flying geese model. The next World Industrial Development report by UNIDO is looking at GVCs and structural chains and it completely misses the point. In the world of GVCs, the significant changes are not between sectors, but within sectors. Many of the industrial policy perspectives and instruments that we’re used to are in the Hirschman fiscal linkages sense of generating and appropriating rents and using them for structural change.
4. The severe debt crisis in almost all industrialized countries will challenge one of the major advantages that the corporate sector has with respect to globalization: transfer pricing. The double Irish type of agreement that you see in the IT sector, and the challenge to that, will filter through to a retreat from the world that Will Milberg in the opening panel pointed out, the state in complete retreat from the private sector. I hope that we’ll see the re-emergence of
national sovereignty over the powers of global capital, and the limitation on the purview of GVCs.

BARRIENTOS: I will focus on this from a development perspective rather than GVCs per se, in a context of this new world where the creation of jobs and work is a critical path out of poverty—one that is being more recognized, but not sufficiently recognized, by the international organizations. The research that we did with the Capturing the Gains project showed clearly that GVCs and economic upgrading can lead to social upgrading, but doesn’t necessarily. I think on the part of many IOs, there’s too much of an assumption that there will be win-wins coming from it. A lot of the policy debates get fractured by “all for” or “all against.” There are benefits and challenges of GVCs as a source of job creation and development. There’s pressure on raising standards, including product, social, and environmental standards. That potentially leads to important benefits if workers and producers can be upskilled. But the other dynamic of GVCs is simultaneously downward cost pressure. That has the reverse pressure to lead to increased casualization, increased insecurity of work, increased labor mobility. And in extreme cases, trafficked labor, undocumented migrant labor becoming much more prevalent.

The risk for IOs is focusing too much on win-wins. That’s an important element. But don’t assume those will automatically come. You have to focus on enhancing protection of rights and welfare of the more casualized workers, those who are losing out in the process. If that’s not part of the piece, I think GVCs will be in Raphael Kaplinsky’s scenario. They will be increasingly challenged.

What are the implications of this for IOs? I think civil society organizations have played a key role in challenging multinational lead firms on issues of labor rights, environmental protection, and social standards. But there’s a disconnect between the policy debate within IOs and the world of multinationals and civil society. We really need to be thinking through what the new alliances might be that could cross IOs and civil society organizations. Those new alliances could help shore up the benefits, so that it’s not just a downward pressure.

NATHAN: Four points to make. I situate myself in the long-medium term. There’s still scope for this system to play out quite a bit more. We have the spread of industrialization and modern services to parts of the world which were not within it earlier. These both bring in a new class of laborers, but they also create markets. There’s room before we reach another new inflection.

1. The rise of inequality with GVCs. This has particularly happened since the 1970s. There are two factors in the rise. The concentration of rents, where some of the lead firms get a large share of the profits within a commodity chain, and the other is the big difference between skilled and unskilled labor. Both have increased inequality, and it is a problem for the accumulation process. So what do we do as an IO?

2. The role of labor as agent. A better paid labor force will help a lot with inequality. An example is Brazil, making an increase in minimum wages. But we have to go beyond looking at labor as either victim of globalization or beneficiaries. Labor must be seen as agent, changing GVCs. This came to me strongly with a book on labor and GVCs I’m working on. We see the rise and struggle of workers, from garment sector workers in Bangladesh to Foxconn workers in China, the automobile sector in India, and even the IT sector. They refuse unions, but new forms of resistance have come up in a James Scott kind of “weapons of the weak” type. Quite widespread and spreading further. We need to see labor as a countervailing power, but it has a long way to go. I don’t agree with Raphael Kaplinsky that GVCs can be brought under national control—they must go under the global level. If we can have an international criminal court, why not an international labor court? We need to look farther ahead about what we need to do about the governance deficit. We have labor-capital relations that are not mediated at the national level. You can have voluntaristic agreements, or we go to a legal framework. I think we need to go in that direction.
Appendix 1: Academic Reflections on GVCs and IOs

3. The question of industrial policy for GVCs. There is a lot of scope for industrial policy in low-middle and higher-middle income countries trying to move up the VCs. Along with colleagues, I look on this as a kind of low-level trap. There are a number of constraints. Some of them are additive, building on each other, but some are complementary, so that if you don’t deal with all of them, you can’t get out of it. This trap can exist in any income level. Maybe Europe is in another trap like that. Something has to be coordinated in order to move it out. The difference is that we don’t have instruments like export targets as in the pre-WTO era. There is a scope for some kinds of quality requirements, even with WTO, that we can use to push for the lower- and middle-income countries to become more competitive.

4. The issue of capabilities and GVC development. We have to build resources.

PICKLES: I don’t have anything to say that speaks to institutions. But I’m impressed by the interinstitutional coordination that seems to take place.
1. We have to know what we don’t know. We don’t know about the new actors, the new drivers of the GVCs. We know very little about shareholder value and finance capital, and how it’s driving the global economy and the decision making within lead firms. We could add to that issues of tax policy, transfer policy. Perhaps the institutions are the ones who can begin to collect and work with that data.
2. An epistemological issue, and the global-local bifurcation. How we understand the relationship between the global and the national has to be thought carefully. It’s not either-or, and it’s not and-and. We have to learn from our histories. We need theories of strategies and tactics. There are some new actors that GVCs focus on, and asymmetries of power that form and governance that forms. One is shareholder investors. The other is the global South. From a GVC perspective, the de-centering of our analysis to a position from the global South is going to be very critical. These raise very different questions.
3. We have to understand the relationship between economic and social upgrading very differently. We’ve been trying to figure out a business case for social upgrading. But we have to think more strategically about organized labor. We have to give more attention to the emerging and changing role of labor and trade unions. It may be taking different paths than GVC scholars and IOs are considering.
4. The emergence of new spatial formations. I prefer to think of interregional formations, cross regional arrangements or transborder linkages than megaregions—they offer more tactical possibility for small and poor countries.
5. To what degree does the GVC system operate as a kind of amplification device for the financial crisis? It was amplicated through the structure of the global economy in ways that might not have quite happened before. We mentioned the role of VCs in transforming environmental issues. It certainly seems that it will amplify that as new kinds of transport, such as China over the Artic, have implications. Similarly, GVCs have to influence institutions to think about the end effects of VCs—we produce commodities that circulate globally but then go into waste channels. We have to think about that as part of the VC and the accumulation of waste products.

STARITZ: We all see the implications of VCs, but we see that different actors use different approaches and focus on different issues. This is a great opportunity to learn from different approaches. But I want to highlight aspects that are important to make VCs more than an empirical phenomenon and more of an analytical tool.
1. The importance of power and governance and lead firms. It’s difficult to analyze power. But one important point is that sometimes we talk about private sector businesses as if they were homogeneous. They have different roles, incentives and strategies. It’s important to understand them.
2. The institutional context and policy questions influence how VCs are structured. We all agree that the role of the state has changed, and it still has some role. But there’s a difference between the business-enabling environment as an approach and the more interventionist industrial policy. It’s important to have a fruitful and productive debate, particularly regarding the implications for small and low-income countries. What is the role of skill development, technology transfer, FDI requirements? What are the successes that we can use to build on? What are the failures? We should use our differences to engage productively.

3. Economic upgrading. You don’t want only to look at improving efficiency in what you have now, but how you can improve capabilities and position to higher value added roles. There’s an issue of fallacy of composition.

4. The role of social and environmental issues. We see there is a governance deficit, and not all can be solved at the local and national levels. There’s a place for national states, but having international governance and binding rules between CSR and codes is important. We see a lot of exclusion with employment and GVCs. Broad-based social policy still has an important role to play, including on the demand side. Brazil, for example.

STURGEON: This is my last session, so I’ll reflect a little on the conference. A conference like this can work because we can speak a common language, and we take that for granted, but it came out of our work in Bellagio [, Italy—the Rockefeller Foundation supported Global Value Chain Initiative]. For academics who work in an interdisciplinary environment or those working in IOs, there’s a huge learning curve. Clusters are important—not all clusters are part of GVCs, but all VCs are comprised of clusters. I wanted to acknowledge the water that we’re swimming in—a conversation without the huge roadblock of what the other person is talking about.

It’s hard for me to say what IOs should do. The thing about GVCs is the traction that domestic politics and states have over local economic actors is weakened. Sometimes the most important actors aren’t even in your economy, and it’s hard to discipline and engage companies. So the role of IOs is in filling some of those governance gaps.

We have a data gap in services. The statistical framework around services isn’t well designed for studying value chains. With TIVA, I might believe in the goods categories, but in services, I don’t at all. The inputs are almost entirely estimated at the domestic level, and then you’re estimating them again. We don’t even have a framework for comparing trade in services and trade in goods. That’s a big undertaking for international agencies. I haven’t seen any discussion of how trade in services is different from trade in goods.

Discussion Opens to Audience
FERNANDEZ-STARK: Academia has raised important issues, especially the red flag around economic and social issues. I want to share the experience of my country, Chile. Forty-five years ago, it started a new paradigm of economic development, following all the recipes of IOs. It has been participating in chains and upgrading, especially extractive industries or agriculture that typically are difficult for upgrading, but it has been able to do it. Everybody sees the country as a best practice, a good boy of the class.

But when we analyze deeply what has been happening on social development, everyone is moving up, but differently. Income inequality has been greater. More economic growth, but more economic inequality. For four or five years, students have been striking about this. Is Chile a best practice or not? We need to think how to make GVCs more inclusive and fair. Can we do it? What should be the new development model? What is the role of IOs? The model isn’t creating the desired effects.

LOW: One thing I wanted to check with Raphael Kaplinksy. I want to understand better the conflict between southern dynamism and northern growth.
Appendix 1: Academic Reflections on GVCs and IOs

BAIR: The question of IOs dealing with the governance deficit—one hand, there’s been a use of GVCs in a strategic way by civil society, from organized labor to other NGOs, leveraging them to make changes in supply chains. But then people are looking at the efficacy of those standards and seeing that the auditing model hasn’t produced sustainable improvements. That’s not necessarily true of environmental compliance. There’s a problematic conflation of labor and environmental issues, which I think are quite different. You can imagine environmental upgrading as a win-win in terms of raw material sustainability, which lead firms have an interest in, and cost reduction. For those making the win-win case for labor, Richard Locke and others, I think the jury is out empirically.

But if we are at a moment where civil society actors are reaching a kind of exhaustion, where do we go from here? There seem to be different answers. Raphael Kaplinsky, go back to the state. Dev Nathan, you have to go to the global level. What is that going to look like? Is this a debate we’ve been having for a long time about whether the WTO is equipped to handle the issues of labor and trade? Will there be new private legal regimes, such as international arbitration to handle disputes about labor practices? Are there completely different hybrid forms we need to think about in terms of governance?

STUDENT: How to keep labor intact?

HOEKMAN: Rents are a big issue. We think about Apple and the cost of the iPhone. Where are there rents and where are there no rents, given the state of competition and the end market? My take is that there isn’t all that much in the way of rents, because these are quite viciously competitive markets quite frequently. If there are rents, who gets them? One of you mentioned shareholder value. But where there are rents, they mostly seem to be taken by insiders within firms. On national sovereignty and an international labor court—instead of starting from the top, let’s build bottom up. Recent trade agreements from the top, no one has the right to say we will help you enforce them, they don’t have standing. In the recent trade agreement between Canada and EU, there’s a provision that no national can take the government to court. We need to start with that. My take from the financial crisis is that the state is very much back.

On services, this is a huge research agenda. This division between goods and services really makes no sense. We’re stuck with a statistical convention that doesn’t reflect what we’re interested in, which is value added.

SYDOR: If one was to go ask 10 people on the street which country has been most important in VCs, I’d like to think that the majority of them—if they understood what a GVC was—would pick China. We’ve seen the most dramatic transformation in human history moving out of poverty in that case, but we’ve heard very little about China. In a certain sense, one could argue that China has followed a more traditional growth path, opening up over the last 35 years. Industrial policy was part of it, but a relatively small part of it. What do people think about the massive transformation and the role of VCs in relation to that case?

POSTHUMA: Economic gains don’t automatically translate into social gains. There are clear policy implications that IOs are grappling with, using GVC analysis. IOs are producing major studies and flagship reports about putting forth a new policy agenda dealing with this GVC world. The policy responses are multifaceted, which speaks to the issue of policy coherence, which speaks to the need to work on policy coherence and coordinating policy advice.

A final point. We have an internationally negotiated and agreed framework of labor standards through the ILO. While these standards are ratified, implemented, and enforced at the national level, we are seeing a growing effort and collaboration between different nations on labor rights in a cross-border framework.
SPRINGER-HEINZE: We work on capacity development. As a practitioner—not a policymaker or researcher—I’m interested in recommendations. What are the conditions we have to take into account? I go to a country, and come to a conclusion about what the best strategy is to take. It can’t build on big studies. Should we integrate with GVCs? Is it about the regulatory side, governance, imposing restrictions on firms? In the academic world, you always say, “it depends.” But that doesn’t help you much as a practitioner. Can you come up with clear rules that can be applied and give us a decision making basis? It’s a practical need.

Panelists’ Response

KAPLINSKY: I was too anxious to take up too little oxygen earlier, and misspoke. I was wrong to emphasize national government earlier. The control of transfer pricing depends on international governance, but I think that’s going to work itself out in the next few years for political reasons.

Once you talk about non-full employment and excess capacity, then the win-win to globalization begins to erode. My end-of-paradigm story is partly a technology story, because the rate of technological progress is slowed across the system. It’s partly an economic story, as Piketty points out. But it’s mostly a political story. And the implications of the unevenness which are consequent of the rapid drive of globalization are setting off political processes in the North which make the system unsustainable. We have the rise of fascism in Europe. The destruction of the middle classes. We have the fall of the real living standards in the US of people in the bottom 40 percent, lower now than they were in the 1970s. That will have a reaction, and it will limit globalization.

My second point is on rents. The most striking thing I’ve heard is that we’ve lost our focus. Gary Gereffi’s big contribution was helping us move beyond input-output relationships. They involved control, power, and coordination of logistics. The power is around the control of rents, blocking someone else from doing what you’re doing. Creating barriers to competition. Analytically, if we want to understand the outcomes of the global spread of production, we necessarily have to focus in on rents.

We need to distinguish GVCs, global value chains, from GGVCs, governed global value chains. An awful lot of the VC stuff we’ve heard hasn’t focused on governance, but outsourcing, trade in intermediate products, and that’s not what you meant when you spoke about GVCs. It’s time for us to extend our nomenclature and distinguish between these types.

BARRIENTOS: The biggest challenge we face is the governance deficit. It’s a public governance deficit, which goes back decades. Rana Plaza still collapsed, and there will continue to be crises like that. But it’s also a social governance deficit because they aren’t sufficient in protecting labor in a globalized, mobile world. It’s not a question of exclusion but how people who are included aren’t reaping the benefits of inclusion. The challenge we all face as academics and policymakers is, what does the new development model look like in a GVC world? No one has an answer at the moment. I see change take place when you get new alliances that involve the nation-state and private, civil society levels—at the global level and at the local level. There isn’t a single set of rules, a magic bullet. But we all have to get out of our silos. There’s too much sitting in silos and thinking that GVCs will solve the problems. They won’t.

NATHAN: Rents come from a number of sources. It’s not marginal productivity that gets you your income. It’s power that gets you your income. It’s because Apple has a certain power that they’re able to get the rents from the iPhone. But the markets play a role. Clothes retailers are in a competitive market situation. Apple is in a high-end market because people can’t get in. But in clothes, you can. A lot of the rents in labor arbitrage are going to the consumers of the North as consumer surplus. That’s a way that rents get dissipated, but there are also rents that get captured in the end. Foxconn, a huge player, has profits of only 2-3 percent over a twenty year period, while Apple’s has been going up. Where does all that money go? Goes back into Apple. It has a pile of cash larger than the GNP of
Appendix 1: Academic Reflections on GVCs and IOs

many countries. These rents are being captured by these structures of GVCs, and that is what needs to change to change the labor conditions supported by these GVCs.

We have to start from below. Workers still go and struggle. But we can’t leave it at the national level. The international maritime workers federation has for a long time had an international framework to deal with issues of merchant seamen around the world. But we have to go beyond it to a framework that is enforceable, so there must be a court where you can go.

PICKLES: I’m a little more optimistic. We do see enormous gains in China. I’m particularly interested in the role of the state in that process. My optimism isn’t positive, but it depends on the questions we ask. If we try to answer the gains of globalization as a win-win, we miss the point of GVC analysis. It’s meant to focus on the contingencies and asymmetrical relationships of power within integrated forms of economic transactions and relationships and how those had particular geographies and how those actors shaped the outcome. It’s always a win-lose. This is what Pascal Lamy was saying yesterday, that in a context of market capitalism, as Schumpeter has shown, it’s a process which is structured under competition as creative destruction. It depends on sunk capital invested in specific locations in specific forms of machinery which is immediately devalorized in a competitive and complex geographical world.

I enjoyed the discussion this morning about the way policy was becoming an adjustable pragmatics. In the process, there are always struggles over who captures those gains. We can shift the gains with wage restraint or forced migration regulation. We succeed at times. But we must recognize there will always be losers. And the politics of those losers becomes critical in a geopolitical context in which those losers are beginning to mobilize or de-mobilize.

STARITZ: Rents, etc. play an important role, but also financialization. In GVC research, it’s only touched on the side. Financial markets have a role in the real economy, but their role somehow switched from supporting real economic activity to dominating productive activity. We see this in VC’s in the role of banks. They should have had the most important role in financing productive investment and taking over risks. But they really don’t fulfill this role any more. They’re becoming investment banks or financing consumption or short-term trading activities. The role of development banks or SME financing has been reduced in many countries. Microfinance can’t replace it. Banks are crucial, but in a financialized world, they have a different role. When you look at firms, many of them make their profits out of financial activities and not out of their main productive activities. These disincentives relate to inequality.

STURGEON: We need to have a little perspective. For instance, how big are GVCs? If you take double-counted intermediates in trade and value added statistics as a proxy for governed GVCs, it’s 20 percent, rising to 40 percent of world trade. A huge number. But what we don’t see in the TIVA database, and I don’t think we ever will, are the characteristics of the firms, let alone the ownership. I did a survey on international sourcing in the United States to try to look at the characteristics and scale of international sourcing. What we found in the U.S. is that international sourcing across all business functions was quite rare—only 16 percent of a representative sample of U.S. organizations did any outsourcing at all for any business function. Now, when you looked at larger companies, 500 employees or more, that jumped to about 24 percent. In terms of industrial concentration, it was really in goods producing companies.

What we see is what we know—large multinational firms account for most of what we think about as global value chains. If you took away the largest 2,000 to 5,000 multinational firms, you don’t have GVCs at all. They sound scary because they are big powerful actors who capture a lot of rents and know how to manipulate transfer pricing.

But what we have to keep in mind is that these companies are extremely vulnerable. That sounds surprising. We use the Apple example over and over and over again. The iPhone only came on the market in 2007. A year later, Google released the Android operating system, accounting now for
Appendix 1: Academic Reflections on GVCs and IOs

about 70%+ of the smartphone market. Apple has about 20 percent. But you have to remember that
the incumbents—Nokia, Blackberry—have been rendered irrelevant in just a few years by two
companies that weren’t even in the mobile phone industry.

They will come to the table. But the only actors in the global scene that can go toe-to-toe with
truly global companies are international organizations. But there is an incentive on the other side. I
have to say, being at meetings with big companies and international agencies, the IOs need to step it
up. There’s a lot of self-congratulatory talk about jobs created and development projects, but very
little critical, challenging talk to big companies to spread those gains and act in a fairer fashion.
Appendix 2: What Have We Learned?
(Optional Session for Academics and Interested Participants)
Saturday, Nov 1, 2014

What new academic research is needed to help international organizations and national governments pursue more effective policies? What are the main ways we can disseminate the main findings from this conference to relevant stakeholders and constituencies?

Fritz Mayer and Gary Gereffi establish the session as an opportunity to learn what current research that various participants are engaged in, consider future research as well as collaborative ventures, and think through ways to fund and coordinate these projects.

Cambridge University Press Series
Fritz Mayer, Gary Gereffi, John Pickles, Stephanie Barrientos, Dev Nathan are all editors of a series at Cambridge University Press. The first volume will be on labor in Asia. There will likely be on Chinese industrialization in apparel. Probably something on outsourcing in Europe. They seek proposals and manuscripts. Regional focus is interesting, but main focus on GVCs and new dynamics. Both conceptual pieces as well as richly empirical. Single or dual authored, and edited. Potential publisher for a work like IH’s idea on a book that brought together concepts, policy, and data. All manuscripts have to be reviewed by Cambridge, but through Delhi. Reviewed through the Faculty Council of Press. Will have to push distribution, paperback versions, open electronic access.

LOW: Would be lucky to get it downloaded.

BARRIENTOS: Have to negotiate on a book-by-book basis. Managed in India, will be Cambridge University Press, CUP NY, and CUP India. Will use Africa office to push African focused books. They will insist on external reviewers. Pretty rigorous on reviewing process.

Special Journal Issues
MAYER: Re-energizing the Capturing the Gains project, had a workshop on governance, broadly defined. Anne Posthuma, Nicola Phillips, and FM are co-editing special issue on governance.

POSTHUMA: In Capturing the Gains, we had a lot of industrial analysis. What was emerging and tried to address—but not fully addressed—was how it was governed. What does this speak to policies, role of institutions? Those questions were not addressed, and we’ll try to look at policies.

PHILLIPS: Pitch this to New Political Economy. Interdisciplinary approach. Good thing about NPE, know they’re efficient in review process, and have prior online publication. Not hanging around waiting for a hard copy. Would all be published together in advance online. Priority is to get the proposal submitted, with titles, abstracts, etc. Then move quickly with draft papers that we as editors can review and submit.

GEREFFI: On the journals themselves, since we’re involving a lot of researchers and academics, we’ve really tried to prioritize special issues of high impact journals. Certain cost—especially the review process—we feel the benefits of taking into peer reviewed journals is really worth the effort.

Two others: Environment and Planning A. Wanted to have something from Capturing the Gains that would take key themes. Governance piece, and then Cornelia Staititz, John Pickles and others doing special issue on apparel.

The way these work, you include a list of all the articles that you want with authors and abstracts. Then the paper go in. You need 6-7 accepted papers to be a special issue. Any paper
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

accepted could be published even if you don’t get enough for a special issue. If you have just 3-4, could be called a special feature. You can’t guarantee that papers you want will get through the layers, but anyone that gets through will be published.

There are tradeoffs of different kinds of journal. Prestige v. quickness.

BARRIENTOS: Environment and Planning A is in process. Got 7 still under review. Lost a couple. Under quite strict reviewing process. Effectively getting 4 sets of review comments for every paper. Bit like an assault course. Hoping 2015 will come through. Trying to get at crosscutting themes, which is difficult, bringing countries together. Focus on economic and social upgrading in certain sectors.

MORRIS: Make sure you establish rules of the game with special issues. A lot of nonsense with Environment and Planning A process.

MAYER: We should think about other outlets as well. Other vehicles that we might want to think about, more digestible form.

BARRIENTOS: The Capturing the Gains website, secured for another year. 42 working papers. That’s a resource.

STARITZ: John, Leonard Plank and I, submitted a special issue of Regions, Economy, and Society. We have internally reviewed them. We have nine papers. Apparel sector in Capturing the Gains. Institutional policy, how it links with upgrading and GVC dynamics. Focus on trade policy.

Working Paper Series at CGGC and Websites

MORRIS: Do you Gary have a working paper series at CGGC?

GEREFFI: No. But we’ve taken project series. We should think where we want to have, might need to have working paper series that would make sense.

MORRIS: Publishing this paper on EJDR has been difficult. If you had some mechanism, everyone would use your website. You really should have something.

STACEY FREDERICK: We started working on the idea of a working paper series, for researchers at CGGC. Possibility that we could extend beyond CGGC once we get it started. With update of the new GVC website, working on the kinks of linkages, but idea that it’s a repository for any work that we’re doing, others are doing on GVCs. Easy way to find it in different group. It will require the help of everyone to keep their profile updated.

GEREFFI: That might be the right website.

MAYER: One that links, but another separate issue to extend the working paper series to be a vehicle for all of us.

FERNANDEZ-STARK: We have many reports because we’re often client based. However, when it’s finished, you can see the report delivered. Then we move on. What’s happening, we have rich material, maybe 50 under name, but probably 2 are journal articles because don’t have time.

GEREFFI: One point on that, Fung Global Institute, Capturing the Gains. Useful device to link. So that you can get to them easily. On the case of CGGC, advantage of going from report to publication, but not to working paper.
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

STARITZ: CGGC would give credibility, a brand. This is different to where you could put it. Report. Then it becomes a working paper. Then a journal article. Working paper is a step on the way to making it a journal paper.

FREDERICK: CGGC will start a working paper series over the course of the next year. But the idea of bringing in other groups, we could make GVC initiative a group that isn’t just CGGC employees.

MAYER: Not cost-less to have a working paper series. Has to be some editing, quality control.

BAIR: There are cases where journals will consider working papers prior publication, affecting willingness to review. Have to think about that.

GEREFFI: We have to think about these websites. However we do it, the idea that CGGC is a brand on GVCs raises the idea of having a working paper series.

KAPLINSKY: My own experience: I published a book on China’s impact on global commodity prices, published by Routledge. One of my best works. No one read it. Next work, we did it free, spent a $1,000 of own money. More impact with that book than anything else we’ve done. Self publishing, unless you have a website, it’s not going to go anywhere. We have a commodities websites. Mike’s website, UNITA, UNCTAD websites, etc. Network of websites. You have to invest money in that. IDS Bulletin used to do that. Nothing quite like that at the moment. Don’t underestimate the reviewing process. These things have costs.

BARRIENTOS: With Capturing the Gains, we had the resources, but those have now ended. We have the website, but no means to update it. People aren’t going to know. If we could just park it. Very rich material. Would love to shift it over—CGGC becomes the hub—and then we could put it there, so people could access it.

FREDERICK: Andy and I have catalogued all the publications at Capturing the Gains, we haven’t had the chance to add them yet. We’re going to link to the webpage, but we can add all the PDFs as well.

GEREFFI: For it to happen, resources are needed to do it well.

MORRIS: I agree with RK, but we don’t give a shit at this stage of our careers. I publish because of some crazy psychological need on my part. Bear that in mind. Working papers—if the senior members of my series want to do the work, I’m going to take it on face value. I’m not going to do quality control. You can cut your costs, but you have to make some judgment calls.

KAPLINSKY: MM, you have two portals. Resource center v working papers. Public service component.

PIETROBELLI: Still see some confusion. What’s the objective of working papers? Making recently published work accessible? Build reputation further? Require different strategies. What several people told us, 50 percent getting access to our website only get access on smart phones, they can only read three line synthesis. If aim is to be noticed, then figure out different strategy. How to use blogs. Best known of us publish somewhere more prominent.
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

PHILLIPS: At Sheffield, all the traffic on website is to blog, not to the working papers. A lot is flowing from that. My colleague was a real skeptic, but he says he has to concede that’s how the profile of the center’s work has been built.

Fung Global Institute Work

LOW: We have 8 papers on services. My preference would be to use this Cambridge series. We’ll have 8 that have been topped and tailed for consideration. Could be a volume.

I’m under pressure from my bosses to give it to FGI website. Got into trouble because I wrote something SDGs for other website. Practical question: at least some of this book, would like to put out working papers to Cambridge. Would it be a problem to stick on FGI website? Is the practice to have it linked, or reproduced? What’s the convention?

MAYER: Some working papers would care, some not. But if you look at Huffington Post, it’s just hot links. Resides there, but linked to it.

NATHAN: Economic Times at India, you can put the link wherever you want. Cambridge knows that everything starts as a working paper. Okay if 20 percent is published in a journal. They have a long process of reviewing. Someone from Asia, Europe, America. Edited book, don’t do every piece. Ebook.

LOW: Also this collection of case studies, but they’ll get published in some form or another. Maybe one batch, then another batch.

Open Questions: Where are the frontiers, where are the gaps?

PHILLIPS: Still seems to me that governance is something missing from discussions. We still address governance and politics in different ways. FM and I are working on a paper that makes an early statement of what we think about this. The insights of political science and international relations haven’t really been brought to bear on GVC debates. Political science is notable for its absence. But also the other way around, the discussions that we have about global governance and the nature of the state are rarely informed from GVC debate. Our end is to do something about that. There are a range of questions to be asked about how, why it matters for global governance more broadly that the world is now organized around GVCs. Expand and alter the focus what we think about when we think about governance and politics.

We all accept that GVCs are developed for harnessing asymmetries of market power, but what’s missing is the question of asymmetries of political power within chains and surrounding chains. Domestic politics around GVCs not developed in debates.

BARRIENTOS: I’m working on gender and GVCs. Really looking at what’s changed for women. I’m hoping to put this in the Cambridge series. Title of the book, “Supermarkets Have Liberated Women…?” Put a plea to bring gender side in. Consumer facing, 70-80 percent of customers of Wal-Mart are women. Managers get gender, because they know who their customers are.

A general issue, IDS has a link to GVCs, but development studies discipline doesn’t get GVCs at all. They don’t think about them in a development way. Still face that access. In the longer term, this workshop has made us think about what development is in a GVC world. Development studies still thinks about the developed North versus the undeveloped South, and that’s not the case. We have a big agenda.

KAPLINSKY: Three journals have come to me asking for paper on governance. Clearly a hunger in the governance area in the political economy side to engage with this. But I worry about the phrase “governance deficient,” it’s a poor phrase. Deficient of regulatory governance, but plenty of chain governance. Problem that you’ll embed this phrase, and it’s very confusing.
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

GVC Nomenclature

KAPLINSKY: The thing that crystalized for me with the number crunchers is that we’ve lost the focus. GVCs are now all trade in increasingly segmented intermediaries—which is what you number crunchers are looking at. Whereas Gereffi 1994, that’s about power, governance, rent. That’s a key lesson. We might want to think about GVCs and GGVCs. Within GVCs that are characterized in power relationships, those are Governed GVCs. I looked for hits on GVCs, 38 million. Everyone is talking about GVCs, and clearly they mean different things. There’s intellectual space for moving outside of the bioproducer driven taxonomy of value chains. Are there other taxonomies? An IDS Bulletin type paper might lay that out.

Massive group of people in development studies working on innovation and development. Google Globelics. Fantastic at graduate students. That work is largely GVC work, though they say they’re working on innovation work. I think we should try and get these two works working together.

MORRIS: I said that people are confused when talking about market-arms-length, that’s not GVCs. At first, I said, we must maintain purity of GVCs. But I thought about it, and I think it’s flogging a dead horse. We have to tackle this thing.

I was very perturbed by Lamy’s talk. It was just Washington Consensus and trade liberalization in a new form. Issues around governance and rent disappeared, with industrial policy and everything else. If we don’t find a way of reinforcing point, we’ll lose all focus. Success will be the death of us.

MAYER: Will Milberg, Maria Carnevale and I are working on rents. We’re building a formal model to think about rents, but also how to predict distribution of rents in the system. We think about what data we have and what data we need. Rents are a really important issue. Foreground issue of rents, but also to connect it up with data.

BAIR: I was thinking about how clearly GVCs are on the field, but we’re still at the 50 yard line. Clear recognition that trade and value added has been documented through industry case studies. We’re all using trade and value added as proxy for GVCs. Can we imagine situations where we have trade and value added that is not governed trade? Why is that important? What are the policy implications of making that distinction? I think governed is a problematic term. Maybe coordinated trade? The point is that someone somewhere is orchestrating a flow toward an end market. I’m not sure what the right term is.

The problem with governance, we have three kinds of governance we’re talking about. The original governance, driving the chain—interfirm relationships. Then, governance of the sort that Nicola and Fritz are talking about, regulatory and macro frameworks. And those people aren’t talking about GVCs. I’m going to a conference on public and private governance that has no papers with GVCs in title. Third, business school literature on shareholder governance—but we haven’t really cracked that literature on financialization and the implication of that literature.

Final point, it’s true that the innovation folks and development studies and economic sociology haven’t gotten into GVCs. But I also think that’s partly because our own community has gotten a little lazy about engaging other work. We’ve gotten a little self-referential. Not a good enough job of engaging that literature on, say, shareholder capitalism. Start doing it, and push us beyond comfort zones.

MAYER: I want to second point about vocabulary. In Capturing the Gains, we kept getting confused about what we’re talking about with governance. Gary talks about chain governance. When I talk about it, I think about what political scientists mean by governance, which is the distributive, regulatory etc. Then there’s corporate governance. Gary and I used the phrase market governance—
Appendix 2: What have we learned?
CHATHAM HOUSE RULE

probably not the right term, and corporate governance, and chain governance. Maybe we should have a compact to use a certain language ourselves.

GEREFFI: Most interesting thing that I heard during summit was this comment that we’ve created a common language that allows such a diverse group to get together. Part of the common language is that the term global value chain has been used as an organizing point for IOs, despite that it means different things. So the fact that GVCs have emerged as a reference point for a broad group of scholars is something we don’t want to lose.

In 1999/2000, we thought no term is perfect. But once we got a global brand, want to strengthen it and reach out to other communities. When UNCTAD had report, there was a lunch discussion about what term to use for volume. Remember, UNCTAD published the highly forgettable acronym NEMs (non-equity modes) of coordination. James Zahn was there and said stick with label we know, branding is really important. Let’s go with label we know. Keeping a label, maybe going back to roots, but what I also see on VoxEU and other blogs, people are recognizing in a useful way that there’s a broad meaning of GVCs from trade at the borders view to developmentalist focus where state has a big role. Much better to say that under label, we know there are different meanings. But be careful not to fragment community. We want to integrate community.

The fact that measurement people are coming in around operational definition of GVCs defined by TIVA database, that’s useful, because it forces us to come to agreements. Maybe we stumbled into the term, but for the 38 million hits out there, it’s a term that allows us to create a family of conversations that’s useful.

KAPLINSKY: I agree with that, but a forewarning. I work in the African context. There are all these reports. Two years ago, all on commodities. Now they’re all on GVCs. Two years’ time, they’re going to be on inclusive development. If we want to do something, let’s not mess around, because they’re going to move on.

STARITZ: I agree with last point, it’s useful to have a common language. But our group has to make the argument that issues of governance, power have to be asked. I think there should be a debate.

I even see in chain and network literature, an increasing divide between GVC and GPN people. Productive conversation between people. Not such a huge difference. But it seems now at different meetings or email conversations that they are quite divided groups, and divided more and more. A problem. We should not just be the GVC people and they’re the GPN people. It’s important that we reach out or have a constructive debate.

NATHAN: The term “global supply chains” has come back. GVC as a subset (or superset)? ILO is using this term for its preparation.

Our analysis has become somewhat structural. We don’t see how people act back on these structures. Not able to conceptualize that structural chain. Agency of labor.

Two areas we need to work on: Development theory—what do GVCs have to say about development theory? Can’t leave it as unsaid. Flying geese model, upgrading. What do we now say about development model and development theory?

Another area, what do we say about trade theory? Not just Ricardo, but even Samuelson etc. We’ve not really taken this up.

FERRANTINO: I’m having personal reactions to this conversation, how the hell did I get into this room? I wouldn’t have anticipated being here 5 years ago. What am I going to tell people once I get out of this room? And who’s not in touch with you? Some you want to engage and won’t want to engage.

I discovered to my surprise 18 months ago that I was hired to be the GVC expert, and I didn’t know that. I was standing close to quant people like Bill Powers and Bob Koopman I was working on
nontariff measures, which brought in overlapping groups of praxis. We tried to bring those people in UNCTAD around something called an MTM wiki, that’s now being taken over by Brandeis. But in order to throw together papers from various institutions, you’d have datasets, case studies, legal information on SPS and TBT. And here’s this other category called “supply chains,” which was about roads, boats, and customs. And I had no idea that was neoclassical at all. It was about talking to neoclassical people saying there’s transaction costs, and uncertainty. Thought I was on the other end of the extreme. Here, I’m neoclassical, I had no idea. Other people doing quant. There’s a section of the wiki called supply chains where reading about roads, ships, customs, and a link to Gary’s website. What is that? Well, there’s case studies. Case studies on SPS and vegetables.

So I’m sitting here thinking about what I need to read. It’s wonderful. There are people working on power issues. Lead firms. Gender. I’m making notes. I need to go to the Fung Global Institute site more. I’d never heard of Capturing the Gains before I came here. I don’t know how academic trade people at World Bank define the topic and what they read. There must be people in innovation in overlapping field using different terminology. Whatever you build, whatever you do to lower the costs to those of us working the rest of it, and also to bring in people in an overlapping paradigm, as a public good.

FERNANDEZ-STARK: Agree with point to refocus on power, rents, governance. But the forum should be different. We want to be clear about the implications of our research. We should be aggressive and proactive in showing it to IOs and countries. We have words that are difficult to understand. We should try to bring it down, try to guide low income countries, how to move to this direction.

MAYER: In Capturing the Gains, I would say, so what? With policy, we have to map from policy choices to outcomes, and let’s call that development. I think we have some conceptual work to do and empirical work to do before we get there.

SYDOR: I felt that I was working on GVCs for a number of years, but had never read any of these studies. It strikes me as quite different. Not sure that the approach reflected here is the right one. For example, when I go to Duke CGGC website, the definition of GVCs has no mention of power or governance in it. It’s an interesting aspect if you start with the idea of fragmentation of production and where value is located, but that the governance aspect is an interesting subset of that. There are also other interesting subsets in terms of upgrading and so on. From measurement side is that you end up with the TIVA database is because it’s one of the few concepts in GVCs clearly enough defined that allows you to think about measurement. For example, upgrading, what do you think and say after all these years about upgrading? I read 20 different papers with 7 different definitions, and I couldn’t make any comparisons, I couldn’t think about how to generalize concepts.

I’ve heard the last two days everyone saying you want firm level data, but I’m not sure that you develop industrial policy with firm level data. The basic GVC governance concepts are more activity or industry based. You have five types of governance for various industries not firms. In certain circumstances you think about heterogeneities within industries, but I think you want to have more generalizations there. I have a lot of thoughts about each aspect of this.

If you end up with three points—policy development, theoretical development, and measurement—have to keep working on it. I’m missing clear definitions of what people are talking about.

AEROE: Our key question is to understand what conditions do GVCs work for growth and development? What we want are case studies on what the consequences for governance where things have worked. Must be some case studies. What are the consequences for governance, but also public-private? The role of regulatory policies? The other stakeholders around the structure, education etc? Also for us, what is the role of private standards? We spoke about nontariff measures, TPT. How are
Appendix 2: What have we learned?

private standards expressed, how to they link to public standards, are they conversions and moving to public standards? Also, inspired by the work of Patrick and Fung Global Institute—the role of service providers. Insight from TIVA database, the focus is now on working on local service providers.

Our experience is that imported services matter. The role of imported services for enterprises and competitors—the higher the content of foreign services, the more competitive it’s going to be, what it means for local competitiveness.

Have to boil down to advice, concrete policies. Need to translate what I learn from here.

STARITZ: For sure we need to start with empirical data about how trade is fragmented. But to answer the question you asked—what are the implications on development, on distribution—we need a conceptual perspective. We need data in descriptive way, but we need conceptual questions answered. Quite clear difference between trade economist perspective and what people do here. A lot of diversity. Can also be fruitful.

All this work deals with trade barriers, transaction costs, etc. It’s important. But is this enough to understand economic upgrading? No, that’s not enough. Trade patterns and how rents are distributed, when you look at GVC perspective, it’s not only explained by just comparative advantages or newer growth theories. Understanding the role of lead firms is crucial, and just looking at static comparative advantage isn’t enough.

Second point, how to increase value added, or economic development? The question of economic perspective. Not just showing how trade is fragmented, but how this takes place and the role of economic development. We always try to point out institutions, power, lead firms. Important differences. Many economists who use trade in value chains.

FERRANTINO: My policy perspective hasn’t changed that much, but my reasons for policy have changed a lot.

SYDOR: I’ve heard a lot about the power of the distribution of rents within the value chain. At the same time, you hear a lot about the smile curve in value chains. It’s not clear to me that the smile curve is all about rent. It’s about some activity being higher value added or lower value added. Terms tossed around about rent, value, value added, value capture—you have to think about definitions.

We’ve had a couple conversations over last two days, but I’ve recently looked at more than 200 products with 230 industries on this so-called smile curve measured in three different ways. I took the smile curve as a general concept. Maybe there’s some value in understanding this smile curve, and this data exists, and it takes a couple of days to do. But have to have language that’s similar, definitions.

KAPLINSKY: I think sociologically, we have to reduce our arrogance. I said I don’t understand or trust TIVA to number crunchers. What the hell are you talking about? Then we got into a discussion about smile curves. The smile curve is useless. It doesn’t tell us anything about distribution. If you might be doing something that no one else is doing, return might be enormous. We’re interested in the relative capacity to capture value. Then we got into a discussion about how to measure it. If we could build our surveys from this discussion. We need Mike, Aaron, Bill as part of that discussion. We have to get off our arrogant chairs.

FREDERICK: I’m from textiles originally. Big takeaway from me is that everyone comes from different disciplines with different terms but interested in same things. Merging worlds is hard because merging datasets to measure global fragmentation and how it’s governed takes a lot of time. Knowing the theory and embedding it in different industries is a whole other skill set. Whole vocab here and there that often mean same term, but get those groups working together. You have traditional GVC group—sociologists, who haven’t looked to datasets to try to explain, build more on case studies. There’s a new group of GVC economists looking at datasets and developing theory.
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

There’s a new group of statistical agencies calling things GVCs but they’re really trying to figure out how to measure input/output analysis and TIVA. Then there are the international organizations sponsoring work under GVCs to inform policy—they like case studies, but need quantifiable approach to make policy changes. Working together, we could make a lot of progress making real numbers in historical and quantitative analysis.

HULL: What Stacey is talking about is the magnificent way that the GVC is being used and applied and adopted. From practitioner level, it’s pretty amazing how they’re applying GVCs by throwing billions of dollars, working with millions of people, trying to create the upgrading that we’re talking about. They’re throwing money at it. The challenge is that we need someone to help translate. There’s very different manipulations in terms of who we’re trying to help, communicate with. There’s a really interesting space in the practitioner arena. Academics doing case studies and theory, instead of just saying here’s your policy, work with international development organizations to design activities and creating programs.

MAYER: We have so much to learn, and we have to accept problem as it’s faced by those with money.

LOW: The work I’m doing at the moment—I’d love to ask big businessmen and multinationals how you extract the rent, who do you extract it from, how do you manage your power base? Not trivial questions, but if I do that, they’ll show me the door. But I have to make them conformable. We have to have some sensitivity about what’s feasible. I’ll never forget RK trying to get beyond doors of Del Monte in Nairobi. He just wanted to know transfer pricing policies.

SPRINGER-HEINZE: Two debates, and we’re jumping between the two. It reminds me of previous work on agricultural research. We always had that question, how can you bring research results to feed into innovation processes on the ground? The CGIR group has developed a new approach to bring agricultural development agencies and civil society with research, in order to have a research agenda guided by those who take research results and do something with it. More, if you like, demand driven type of research. I found that a very good move, and it’s allowed us to participate in research agenda setting.

In translating, it’s not about bringing down the level, but about reducing complexity so you see the choices more clearly. I was part of Comprehensive Africa Development Program set up by African Development Group. Set target of 6 percent agricultural growth, and they had to come up with investment programs. So that’s policy, but even if you have an investment plan and a policy framework, you still have to implement it. We have to select value chains again, and where growth comes from, and how do we do that? Still a big, big question about how you implement it and what every minister in the government has to do. It doesn’t end with policies in general. It has to be made practical.

In terms of terminology, 30 handbooks on VC development. But looked through GVC term. It shows up sometimes, but not always. Talk of value chain development, not always global. Important to look at local markets and not just global markets. Know there’s a connection. But if you take a market driven approach, it makes a difference whether you look at local or global. Also open up to this concept of VC, which is not necessarily GVC.

What we need are heuristics. So many aspects, you really have to make sense of debates and bring it all together. If you use that knowhow for capacity development, we need some heuristics. Maybe not too simplified, but some orientations that allow people to come conclusion in not too long a time. For example, in a particular value chain and market, here’s what will have a greater likelihood than something else that’s already been tried out. That would be helpful. Don’t oversimplify, but think about translation in terms of such heuristics.
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

STARITZ: We have a great learning opportunity from IO practice. We should take advantage of it.

PICKLES: Liked point that there’s overlapping points of praxis. Not resolve debates, but find a way of thinking about scaling up from academics and scaling down to practice. Consider that we finish with an architecture that continues things forward. When we all go back to worlds, it’s bilateral. Taxicab conversations. But what other kinds of architecture are possible? In textiles, they began to think about MFA forum. Seems that we’re in that moment with such rich diversity of participants. The working paper discussion is about an architecture. We need to finish with something more than bilateralism.

These are very exciting conversations about data. We’re seeing the emergence of new forms of data collection and management and circulation. The work you’re doing on 200 industries sounds fantastic. Then we’re seeing emergence of new institutions of access, data circulated in new ways. Thirdly, coordination of groups like this might allow us to get at data that is privately controlled but that has public consequences. We have to organize an interinstitutional blog to make the argument that private data is a public good. That’s obviously a phased process with certain legal codes. If you’re dealing with population data, you can go in in limited ways. We have to think about architectures that would allow us to move in that direction.

BARRIENTOS: I think the TIVA database is fantastic. But it’s limitation is that that is the only data that is available. We know as researchers there’s a lot other things you need. Trade data looks at products that move. With private standards, you introduce a whole load of issues that are not measurable. Process standards are not measurable in the way that TIVA can measure. So you’ve instantly got a limitation on TIVA. But in agriculture, there’s a lot of certification data—can you match that up? But who owns certification data, GLOBAL GAP. Who’s going to get that? Won’t be us researchers.

Just to have a repository that you could go to. Clear demarcation of what the different components of this GVC research are and how they might inform each other, I think that’s all you need to arrive at.

Concrete building blocks

GEREFFI: Duke CGGC is in a good position to be a hub, however we want to use it.

Two, maybe need for short update statement on where the field is now. The 2001 IDS bulletin—“The Value of Value Chains,” first programmatic point of this agenda. Would be helpful to have an update in a short article, publicly available.

Three, pulling in data people with policy drivers with key new concepts, because those groups discipline each other. Aaron and Michael and Ivo and all, not only have energy resources and requirements, but they want to link it. One of the most promising suggestions is finding a way of coming up with a volume. Might make sense to have a focused meeting on that, and IH thought he could find resources.

There are resources in several countries to do something in a more integrated way among Mexico, U.S., and Canada. What can we do in next 12 months? All have to have resources attached. I think we can find them.

KAPLINSKY: We had a vehicle called IDS bulletin, a free document, designed to be accessible to policymakers. Address an issue in a coherent way. 4,000 words per article. We did “Value of value chains.” If you google it, you’ll find that two or three of the top references are in IDS.

I have 10 topics that capture the issues being discussed, of which 5 can be done by GVC community on own, 5 by practitioners.

1. History and overlapping paradigms
2. Types of GVCs
3. Governance, power and rents
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

4. Measuring GVCs – perhaps UN, World Bank, ITC could give us an article
5. How do GVCs affect policies?
6. Praxis and practitioners, how GVC framework helps
7. GVCs and upgrading, bringing together innovation Carlo etc.
8. Standards – possibly bring in more than private standards
9. Short article by Fung, how they use it. Get TNC person in as author, how they work through GVCs and open different door to us.

What are we going to do with that? May be possible to go back to them to have a guest edited IDS bulletin. Something in development community that they look at? But should be free, accessibly written.

BARRIENTOS: I second this. Good abstracts important. Private sector people don’t read 4k, read 400. Problem with IDS, no one left there doing GVC stuff. My proposal is to do it through CGGC, because that’s the hub. Link it to the hub.

Clearly you need core funding to do that. That’s what we need to be thinking about. Not to go off and do another research project. We have an enormous among of knowledge. Build from there.

SYDOR: My primary interest would not be have a piece where I talk to Michael, Bill. Mine would be have a piece on governance, upgrading, or whatever and involve the measurement community and say, with your knowledge of statistics, how can we currently measure this, what can you develop to measure that? Same with policy community. And not have separate pieces. You always seem to have a session on data, but it has to be integrated into the whole.

MORRIS: I like RK’s suggestion. You overload Gary to ask him to raise money to do this. What’s the shortcut solution? There’s an existing vehicle, IDS. The way to finesse this is to go connect this.

Vehicle is the ideas bulletin. It’s just a mechanism to me of an existing funded thing. That’s what I think it might be. If you can raise the money, tomorrow, that’s great, but I wouldn’t want to be in his shoes.

BARRIENTOS: Who’s sitting on a load of cash at the moment is GPN in Singapore.

GEREFFI: They’re trying to build something that’s their own thing. The World Bank, everything we do with them, it’s free. Other vehicles through IOs if we want public accessibility.

MORRIS: I want a piece on measurement, which is addressed to people like me. I don’t know what it means. I have no way of getting into it. Talk to illiterates like me.

FERRANTINO: When I compare RK and Aaron’s point, they’re different things. One, promoting dialogue and cross fertilization, and the other is for a handbook or a primer. What you proposed at first, directed at a nonspecialist policy audience, if you have no idea how to reach into this elephant, that’s the thing.

KAPLINSKY: My point is partly sociological. If you’re writing on it, then your colleagues will read it.

POSTHUMA: On how to expand dissemination, websites I might check during lunch hour. But messages from LinkedIn pop up for me. I can do that real quickly. It’s the contrast between active search and your active outreach that gets into people. Might be a way to put it all together. Analyze the case study, shoot out a quick message.

What I’ve got to do is prepare a report for director general’s office on what happened, looking to 2016 ILO conference on GVCs. There’s a window. Immediate thing is that there’s interest
Appendix 2: What have we learned?

CHATHAM HOUSE RULE

at ILO director general’s office in Geneva. Need to put forward ideas about what are practical. I work in Latin America. And in Lima, want to know strong policy lessons learned, good practice, what we may have to contribute to policy lessons. And at the country level, at Brazil, I’d love to do a policy experiment that could be done that’s practical and operational and controlled. Those are different levels I have to act on immediately.

AEROE: One instrument useful for my work is the World Bank LinkedIn group. I know it takes resources, because someone has to feed it. But it’s a good instrument for a community to share and debate stuff.

FREDERICK: We have a LinkedIn group that we’re putting together. Moving forward, that’s a good way to communicate. But a lot of you aren’t on LinkedIn. Some are active on ResearchGate.

GEREFFI: Whatever these ideas are, but back to the resource question. At CGGC, we have to have two or three people allocated. We’re going to need core resources over a few years that will allow us to build. So we’ll look for sources.

I like Raphie’s short article piece idea, but especially the sociology side of it, written by people within communities—that’s extremely powerful to get beyond ourselves. Great vehicle to reach out.

We’ll send this report from this meeting. Maybe this end discussion is a separate two pager, something that we can try to do in the next six months. Short term, it has to be in months, not years. Then there are all these other neat projects already underway.

BARRIENTOS: Also, we need to think about how to meet again. I have a proposal: Society for Socioeconomics is meeting in London 2nd-4th of July. Regulation Decent Work is meeting in Geneva 8th-10th of July. A lot of people will go to one or the other. Trying to get fund something at Manchester between the two. Trying to get people from Geneva to Manchester. If you are going to either, let me know. If you can fund yourself, brilliant. An opportunity to have another meeting. Not just academic. Knowledge exchange funds. Policy, civil society.

POSTHUMA: At Regulation Decent Work, we have a special session on upgrading and VCs.
Appendix 3: Links to Interview Videos

International Organization Participants

Anders Aeroe
Director, Division of Market Development
International Trade Centre, Geneva, Switzerland

Jeanne Downing
Senior Business Development Services Advisor
USAID, Washington, DC

Anabel González
Senior Director, Global Practice on Trade and Competitiveness
World Bank, Washington, DC

Michael Ferrantino
Lead Economist, International Trade
World Bank, Washington, DC

Ivo Havinga
Head of Economic Statistics
UN Statistics Division, New York, NY

Bernard Hoekman
Director, Global Economics, Robert Schuman Centre
European University Institute, Florence, Italy

Andrew Hutson
Director, Global Value Chain Initiatives
Environmental Defense Fund, Raleigh, NC

Pascal Lamy
Honorary President of the Jacques Delors Institute
Norte-Europe, Paris, France

Patrick Low
VP of Research
Fung Global Institute, Hong Kong

Atul Mehta
Director, Global Manufacturing, Agribusiness and Services
International Finance Corporation, World Bank Group, Washington, DC

Moono Mupotola
Division Manager: Regional Integration & Trade
African Development Bank, Abidjan, Côte d’Ivoire

Ramón Padilla Pérez
Economic Affairs Officer, Industrial Dev. and Int’l Trade Unit
UN Economic Commission for Latin America and the Caribbean, Mexico City

Carlo Pietrobelli
Lead Specialist, Competitiveness and Innovation Division
Inter-American Development Bank, Washington, DC

Raed Safadi
Deputy Director of Trade & Agriculture Organisation for Economic Co-operation and Development (OECD), Paris, France

Andreas Springer-Heinze
Senior Planning Officer for Market Development/Value Chains
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Eschborn, Germany

Erick Zeballos
Deputy Director, Washington Office
International Labour Organization, Washington, DC
Appendix 3: Video Interview Links

**Academic Participants**

**Jennifer Bair**  
Associate Professor, Sociology  
University of Colorado, Boulder

**Stephanie Barrientos**  
Professor at Institute of Development Policy and Management &  
Associate Director of Brooks World Poverty Institute  
University of Manchester, UK

**Karina Fernandez-Stark**  
Senior Research Analyst, CGGC  
Duke University, Durham, NC

**Gary Gereffi**  
Professor of Sociology &  
Director of Center on Globalization, Governance & Competitiveness (Duke CGGC)  
Duke University, Durham, NC

**Raphael Kaplinsky**  
Professor of International Development  
Open University, UK

**Frederick Mayer**  
Professor of Public Policy  
Duke University, Durham, NC

**William Milberg**  
Dean and Professor of Economics  
New School for Social Research, New York, NY

**Mike Morris**  
Professor of Economic Development  
Director, Policy Research in International Services and Manufacturing  
University of Cape Town, South Africa

**Dev Nathan**  
Professor, Coordinator of SARNET  
Institute for Human Development, New Delhi, India

**John Pickles**  
Professor of International Studies  
University of North Carolina, Chapel Hill, NC

**Nicola Phillips**  
Professor of Political Economy  
University of Sheffield, UK

**Anne Posthuma**  
Senior Specialist for Employment and Labor Market Policies  
International Labour Organization, Brasilia, Brazil

**Cornelia Staritz**  
Senior Researcher  
Austrian Research Foundation for International Development, Vienna, Austria

**Tim Sturgeon**  
Senior Research Affiliate at the Industrial Performance Center  
Massachusetts Institute of Technology, Cambridge, MA

**Tong YS**  
Ph.D. Candidate in Development Studies, Cambridge University, UK

**Giovanni Zanalda**  
Assistant Professor, Economics and History  
Duke University, Durham, NC