Global Value Chains and the Rise of the Global South: Unpacking Twenty-First Century Polycentric Trade

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Conceptual Context: Critical Questions on the GVC approach

- Very firm focused - what about institutional frameworks?
  - GPN approaches (Henderson et al 2002; Coe et al 2008; Coe and Yeung 2015)
  - State (Smith 2014) and trade regimes (Curran and Nadvi 2015)

- Is ‘upgrading’ in GVCs sufficiently theorised?

- Are GVCs always unipolar (‘power’ exercised only by lead firms)?
  - Multipolarity (Ponte & Sturgeon 2014)

- Are ‘lead’ firms always from the Global North?
  - Rising Powers and BRICs MNCs (Ramamurti and Singh 2009; Fleury and Fleury 2011; Sinkovics et al 2014)

- What about South-South trade and polycentric trade linkages?
  - Shifting geographies of production and consumption: South-South trade and implications for globalisation (Horner and Nadvi 2018; Horner 2015; UNCTAD 2014)
Empirical Context:
GVCs in the 21\textsuperscript{st} Century

Shifts in the geographies of globalisation.
- Growth of South-South Trade
- Rising Powers (BRICs) as centres of production and consumption
- Challenges the conventional ‘northern-led’ view of GVCs and GPNs (northern lead firms, northern end-markets)

Questions:
- How does the new geography of trade challenge our conceptualisation of GVCs and GPNs?
  - What does trade data tell us about the rise of the ‘Global South’?
- In what ways is this re-shaping Global Value Chains?
- Are Rising Power firms becoming lead actors within GVCs?
  - How do such firms organise their GVC ties?
  - What does this imply for governance?
- What implications for governance and upgrading in a world of ‘poly-centric’ trade?
  - Moving from the ‘G’ to the ‘R’ and the ‘D’ in Value Chains and Production Networks.
The NEW GEOGRAPHY OF TRADE

The centuries-old international trade geography, where the South served as hinterlands of resources and captive markets for finished goods of the North, is changing. (UNCTAD, 2004, 1)

Share of global South in:
• World manufacturing exports
  - Almost half (47%) (UNCTADstat)
• Share of global consumption
  – 32% in 2010 projected to 47% by 2025

South-South trade > South-North trade

Southern Lead Firms organising Value Chains
An ERA of “Polycentric trade”? 

- Geography of trade is changing. What does this mean for our conceptualisation of GVCs and GPNs? (Staritz et al. 2011, Gereffi 2014, Horner 2016, Pickles et al. 2016)
- ‘Traditional’ GVC/GPN view: North-South orientation (Southern producers serving Northern end markets, governed by Northern lead firms & Northern rules)
- Modern – 21stC view of GVC/GPN: Recognising multiple value chains and production networks (global, domestic and regional) under polycentric trade, and consequent governance and upgrading dynamics

“a key feature of global economic reorganization presented in these conceptual models is the progressive outsourcing by lead firms in developed countries of their peripheral, and frequently low-value, productive functions to low-cost countries and regions, while maintaining control of core nodes of value creation and retention in their home countries” (Neilson et al. 2014, 1-2)
Unpacking the shifting geography of trade

Figure 2. Share of global trade, 1948-2015

Data: Merchandise exports and imports. Source: UNCTADstat.com
SHIFTING TRADE PARTNERS

Figure 4. Developing economies’ trade by partner, 1995-2015

Source: Authors’ analysis based on data from UNCTADstat.com
South-South Trade Composition

Figure 5. Composition of South-South trade, 1995-2015

Source: Authors’ construction based on UN Handbook of Statistics (2016).
# SHIFTING GEOGRAPHY OF TRADE

Table 1. Patterns of trade flows for major developing country regions, 1995 and 2015

<table>
<thead>
<tr>
<th></th>
<th>Africa exports</th>
<th>Africa imports</th>
<th>Asia &amp; Oceania exports</th>
<th>Asia &amp; Oceania imports</th>
<th>Americas exports</th>
<th>Americas imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed</td>
<td>72.81</td>
<td>48.19</td>
<td>63.84</td>
<td>41.29</td>
<td>51.97</td>
<td>36.36</td>
</tr>
<tr>
<td>Europe</td>
<td>52.57</td>
<td>37.30</td>
<td>47.30</td>
<td>32.31</td>
<td>17.08</td>
<td>13.83</td>
</tr>
<tr>
<td>North America</td>
<td>15.75</td>
<td>0.00</td>
<td>10.40</td>
<td>8.04</td>
<td>19.06</td>
<td>13.81</td>
</tr>
<tr>
<td>Japan</td>
<td>3.45</td>
<td>2.97</td>
<td>4.78</td>
<td>1.83</td>
<td>13.93</td>
<td>6.34</td>
</tr>
<tr>
<td>Other developed</td>
<td>1.05</td>
<td>0.79</td>
<td>1.36</td>
<td>0.92</td>
<td>1.90</td>
<td>2.38</td>
</tr>
<tr>
<td>Transition</td>
<td>0.51</td>
<td>0.65</td>
<td>1.19</td>
<td>2.48</td>
<td>1.01</td>
<td>1.62</td>
</tr>
<tr>
<td>Developing</td>
<td>25.64</td>
<td>49.77</td>
<td>32.03</td>
<td>55.97</td>
<td>46.54</td>
<td>61.61</td>
</tr>
<tr>
<td>Africa</td>
<td>12.41</td>
<td>17.68</td>
<td>11.44</td>
<td>13.58</td>
<td>1.95</td>
<td>3.84</td>
</tr>
<tr>
<td>Americas (dev.)</td>
<td>1.99</td>
<td>3.26</td>
<td>2.80</td>
<td>3.19</td>
<td>2.30</td>
<td>3.71</td>
</tr>
<tr>
<td>China</td>
<td>1.24</td>
<td>10.62</td>
<td>2.60</td>
<td>18.18</td>
<td>7.27</td>
<td>12.51</td>
</tr>
<tr>
<td>East, Southern and South-East Asia (excl. China)</td>
<td>7.56</td>
<td>9.32</td>
<td>10.37</td>
<td>7.45</td>
<td>31.58</td>
<td>34.72</td>
</tr>
<tr>
<td>Western Asia</td>
<td>2.44</td>
<td>5.63</td>
<td>4.81</td>
<td>8.64</td>
<td>3.37</td>
<td>6.50</td>
</tr>
<tr>
<td>Oceania</td>
<td>0.01</td>
<td>0.04</td>
<td>0.01</td>
<td>0.07</td>
<td>0.07</td>
<td>0.33</td>
</tr>
</tbody>
</table>

What accounts for growing share of the global South?

- Intermediate trade as part of expansion of GVCs (e.g. UNCTAD 2015)
- Shift in final demand (our analysis of TiVA data, also Athukorala and Nasir 2012)

What does this shifting geography of trade mean for our conceptualisation of value chains and production networks?

![Graph](source: Authors’ construction based on OECD TiVA database (December 2016 version).)
Rising Power Lead Firms

Changing lead firms: companies on the Fortune Global 500 list by headquarters

<table>
<thead>
<tr>
<th></th>
<th>No. 2000</th>
<th>% share 2000</th>
<th>No. 2015</th>
<th>% share 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed</td>
<td>465</td>
<td>93</td>
<td>343</td>
<td>68.6</td>
</tr>
<tr>
<td>Transition (all Russia)</td>
<td>2</td>
<td>0.4</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Developing</td>
<td>33</td>
<td>6.6</td>
<td>152</td>
<td>30.4</td>
</tr>
<tr>
<td>BIC</td>
<td>14</td>
<td>2.6</td>
<td>112</td>
<td>22.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>3</td>
<td>0.6</td>
<td>7</td>
<td>1.4</td>
</tr>
<tr>
<td>India</td>
<td>1</td>
<td>0</td>
<td>7</td>
<td>1.4</td>
</tr>
<tr>
<td>China</td>
<td>10</td>
<td>2</td>
<td>98</td>
<td>19.6</td>
</tr>
<tr>
<td>Other developing</td>
<td>19</td>
<td>3.8</td>
<td>40</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100</td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s construction.
MULTIPLE VALUE CHAINS AND PRODUCTION NETWORKS

• End markets within the South, including domestic and regional

• “G” does not always go with VC and PN?
  → attention to scale part of the definition

• Different (narrow vs. broad) interpretations of domestic and regional

Domestic: organised and led by local lead firms, source from national suppliers and feed demand in domestic end markets

Regional: lead firms are supplying markets in neighbouring and regional economies as well as sourcing from, and sub-contracting to, regional suppliers (building on Barrientos et al. 2016)
GOVERNANCE: Multi-polar Governance......?

- Building on and going beyond multi-polar governance (Ponte and Sturgeon 2014) - Multiple chains and interactions between them

- New “players” playing role in the same “game” – do they operate in the same way?

- But...... the “game” may change as well
  - Overlapping forms of governance

- Standards requirements – varying across different end markets (Kaplinsky and Farooki 2010; Nadvi 2014, Schouten & Bitzer 2015, Pickles et al. 2015)
Development strategies within multiple value chains:

- Participation in GVCs → G/R/D ‘VCs’ - which end market? Which requirements?

- Greater attention to domestic, regional and other Southern markets
- Ease of chain switching (degree of chain segmentation)
- “Strategic diversification”, strategic downgrading/decoupling
## Value Chains and Development: North-South vs. Polycentric Trade

<table>
<thead>
<tr>
<th></th>
<th>Late 20\textsuperscript{th} century global trade</th>
<th>21\textsuperscript{st} century polycentric trade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chains/networks</strong></td>
<td>Singular: Global (North-South)</td>
<td>Multiple: Global, regional, domestic</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td><strong>Key Actors</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Northern lead firms</td>
<td>Global, regional, domestic lead firms</td>
</tr>
<tr>
<td></td>
<td><strong>Standards</strong></td>
<td>Global, regional, domestic standards</td>
</tr>
<tr>
<td></td>
<td><strong>Typology</strong></td>
<td>Buyer-producer; Market-modular-relational-captive-hierarchy</td>
</tr>
<tr>
<td></td>
<td><strong>Polarity</strong></td>
<td>Unipolar</td>
</tr>
<tr>
<td><strong>Development</strong></td>
<td>Upgrading focus</td>
<td>Economic (product, process, functional, inter-sectoral) within a singular chain</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Economic, social and environmental across multiple chains</td>
</tr>
</tbody>
</table>
Value Chains and development: North-South vs. Polycentric Trade

Source: Horner and Nadvi 2018
Conclusions on Polycentric Trade

• A different geography to 21\textsuperscript{st} century economic globalisation

• Much activity beyond chains/networks in Northern-lead firm governed chain

• Shift from North-South orientation to one of more polycentric trade

• Future research:
  – Dynamics and scalar dimension of multiple value chains and production networks (politics, technology)
  – Governance – new lead firms and standards requirements
  – Development strategies in an era of polycentric trade?
GPNs and the new contours of development in the Global South

• ‘A great leap: Domestic market growth and local state support in the upgrading of China’s LED industry’, Florian Butollo and Tobias Ten Brink
• ‘South-North and South-South production networks: Diverging socio-spatial practices of Indian pharmaceutical firms’, Rory Horner and James Murphy
• ‘The origin and expansion of regional values chains: The case of Kenyan horticulture’, Aarti Krishnan
• ‘From standard takers to standard makers? The role of knowledge-intensive intermediaries in the setting of global sustainability standards’, Simone Strambach and Annika Surmeier
• ‘Governance and upgrading in South-South value chains: Evidence from the cashew industries in India and the Ivory Coast’, Jannes Tessmann
• ‘Petty commodity, serious business: The governance of fashion jewellery chains between China and Ghana’, Heidi Haugen
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Innovation Systems Development in China and Russia

Labour Standards and Global Production Networks

Law Development and Finance in Rising Powers

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