

Rising Powers, Labour Standards and the Governance of Global Production

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Seminar Overview

- ❑ My background/research journey

- ❑ On-going ESRC Rising Powers initiative
 - ❑ ESRC Rising Powers and Interdependent Futures project
 - ❑ Rising Powers, labour standards and global production project

- ❑ Private and public governance of labour standards in global production
 - ❑ Recent findings on public/private regulations and trade regimes

- ❑ Speculative conclusions
 - ❑ public/private governance of labour
 - ❑ implications for RPs

My Research Trajectory: A potted CV

- Clusters (1991-)
 - How do SMEs compete in global markets?
- Global Value Chains (1997-)
 - How do GVCs govern global production, and what implications for local producers?
- Global Production Networks (2005-)
 - How are these engagements affected by institutional contexts and spatiality?
- Labour standards in global production (1998-)
 - What are the implications for labour and the governance of labour standards?
- Rising Powers (2010-)
 - How might RP actors (public and private) shape the ‘rules of the game’?

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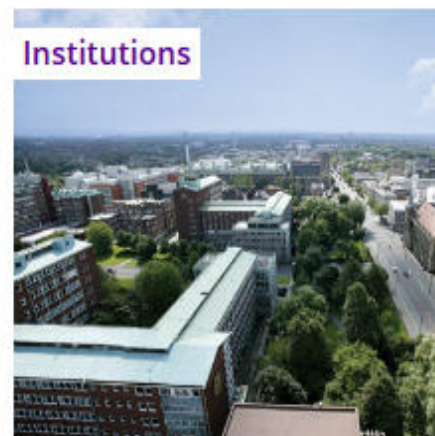
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Labour Standards and Global Production Networks



Law Development and Finance in Rising Powers



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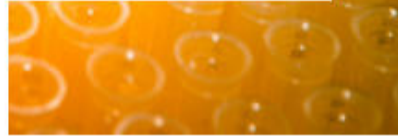
Rising Powers in African agriculture



Russia and the EU in the Common Neighbourhood



Governance in global biomedical innovation



Unequal Powers, Authoritarian Powers, Unstable Powers?



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12 projects; 10 UK Unis; >100 researchers



Rising powers, labour standards and global production project – Who's who?



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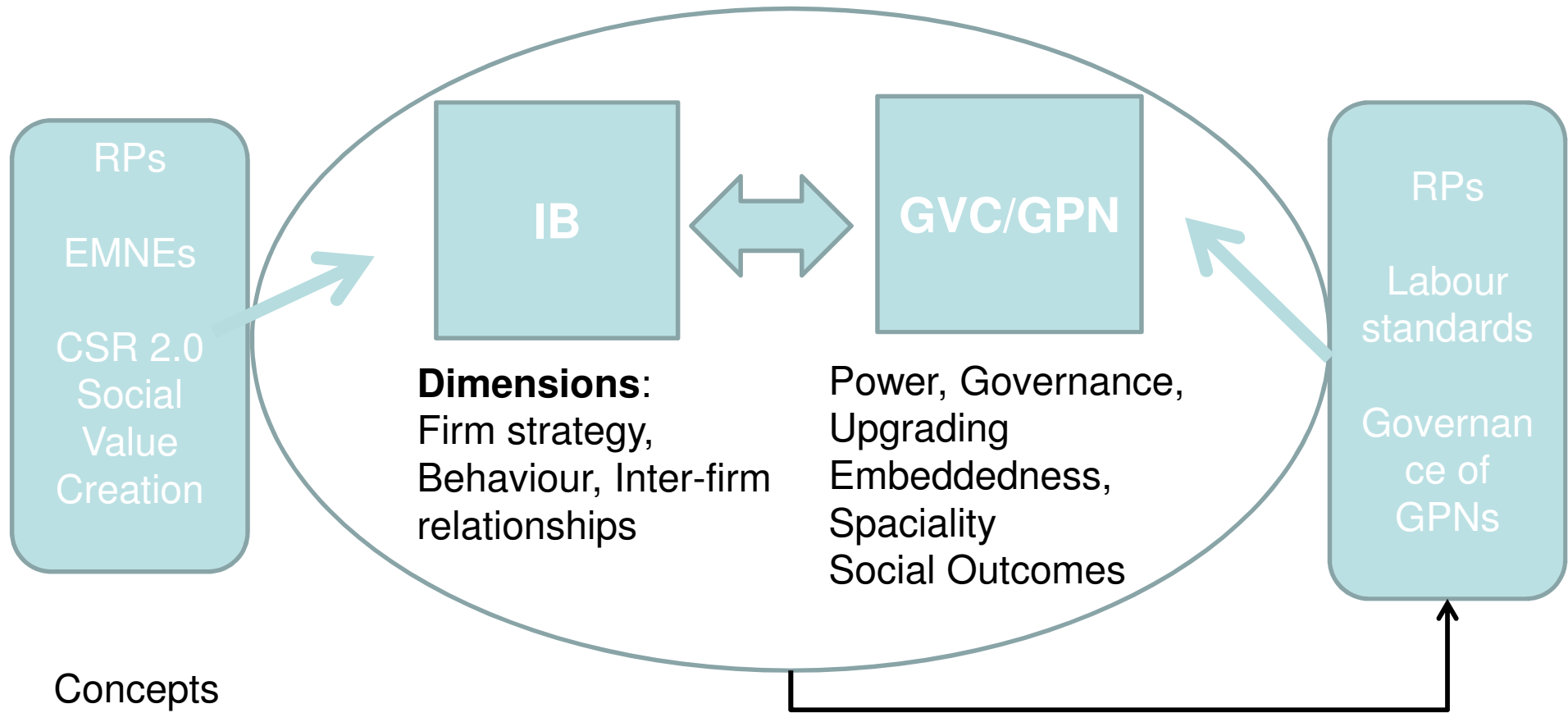


Stephanie Barrientos
Professor Global Development



Noemi Sinkovics
Lecturer in International Business

Global Production and Labour Outcomes: An interdisciplinary analytical challenge and the basis for a critical research collaboration



Concepts
Strengths, weaknesses
= attempted integration
= research methodologies

Defining Rising Powers

- ❑ What are “Rising powers”?
 - ❑ Jim O’Neill - BRICs, MINTs, N11
 - ❑ Who is ‘in’, who is ‘out’?
 - ❑ What is ‘rising’? What makes them ‘powers’?
 - ❑ Do they challenge the ‘rules of the game’?

- ❑ ESRC: ‘These powers have significant populations, make increasingly important contributions to the global economy and have a potential for greater security capability. Their emergence challenges the pre-existing dominance of the OECD countries and will lead to a change in competitive conditions, global governance and international relations.’

- ❑ What does ‘Rising’ imply?
 - ❑ ‘if they are able to confront the hegemonistic powers’ (Hart and Jones 2010)
 - ❑ Phenomenal growth is in itself ‘transformative’, as it challenges dominance of existing economic powers (Henderson and Nadvi 2011), especially labour and environment

Rising Powers Context I: World GDP (average growth)

	1981- 1990	1991- 2000	2001- 2010	2011- 2013	2011- 2020
World	3.3	3.3	3.7	3.3	4.1
United States	3.3	3.4	1.7	2.2	2.5
United Kingdom	2.8	2.5	1.7	1.1	2
Euro Area	2.4	2.3	1.2	0.2	1.5
Japan	4.6	1.2	0.8	0.8	1
China	9.3	10.5	10.5	8.2	7.5
India	5.6	5.6	7.6	5.4	7.5
Brazil	1.6	2.6	3.6	2	5.2
Russia	-	-2.1	4.9	3.1	5.4
BRICs	5.3	5.5	7.9	6.5	6.6
Growth Markets	5.1	5.2	6.5	6.2	6.2
N11	4.5	4.4	4.1	4.5	5.3

Rising Powers Context II: Top 15 world GDP rankings

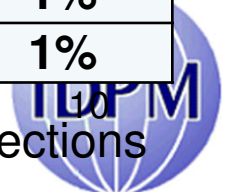
2012 GDP in 2012 US\$ bn

Rank	Country	Level	%World
1	United States	16245	23%
2	China	8221	12%
3	Japan	5960	8%
4	Germany	3430	5%
5	France	2614	4%
6	UK	2477	4%
7	Brazil	2253	3%
8	Russia	2030	3%
9	Italy	2014	3%
10	India	1842	3%
11	Canada	1821	3%
12	Australia	1542	2%
13	Spain	1324	2%
14	Mexico	1177	2%
15	South Korea	1130	2%

2050 GDP in 2012 US\$ bn

Rank	Country	Level	%World
1	China	61928	23%
2	United States	35818	13%
3	India	22799	8%
4	Brazil	10687	4%
5	Japan	8387	3%
6	Russia	8120	3%
7	Indonesia	7059	3%
8	Mexico	6586	2%
9	UK	5599	2%
10	Germany	5166	2%
11	France	5091	2%
12	Australia	4330	2%
13	Canada	3858	1%
14	Turkey	3634	1%
15	Nigeria	3595	1%

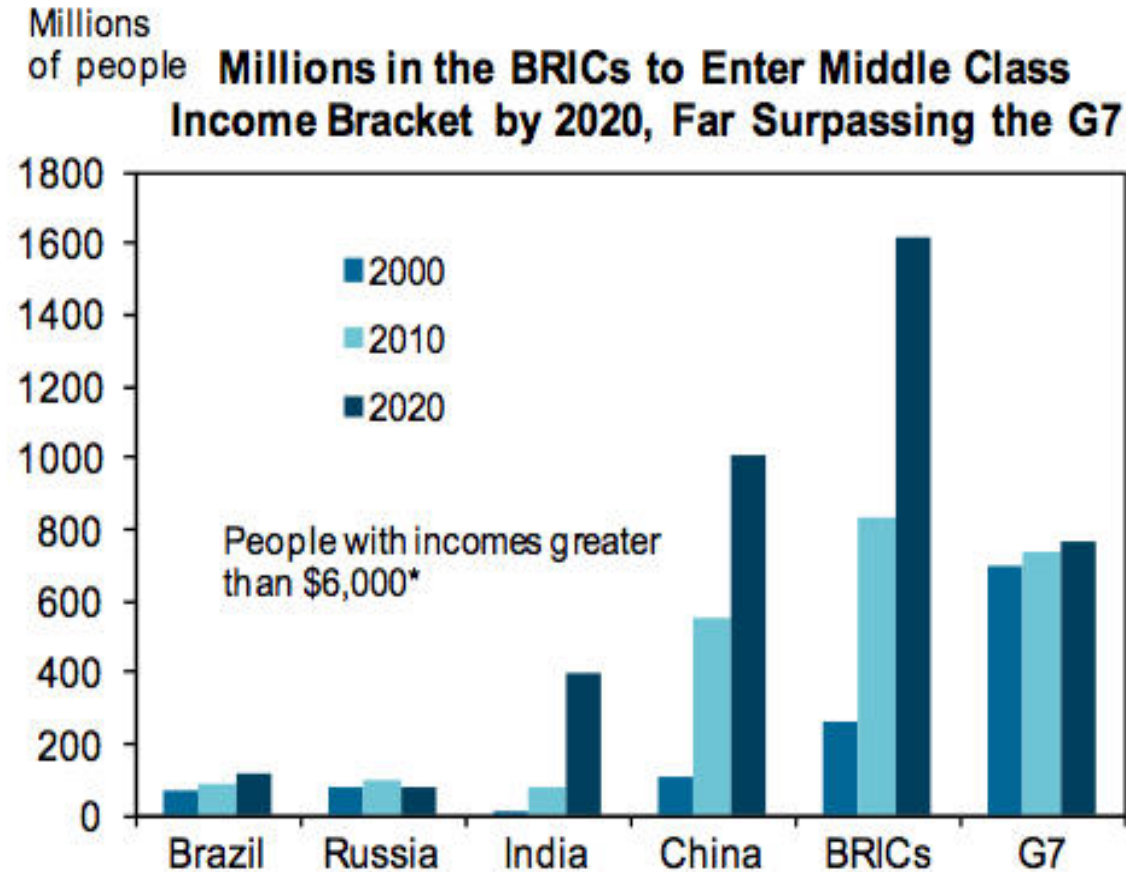
IMF, Edymar projections



Putting some 'meat' on the notion of 'Rising' (Nadvi,
Oxford Development Studies, 2014)

- Economic scale
- Growing dominance in international trade in particular sectors
- Substantial (and growing) domestic market
- Strong and effective state
- Significant and expanding segment of private capital, increasingly international
- Growing voice for civil society
- But... 'rising powers' – what consequences do they have for global governance?
 - Still somewhat ambiguous

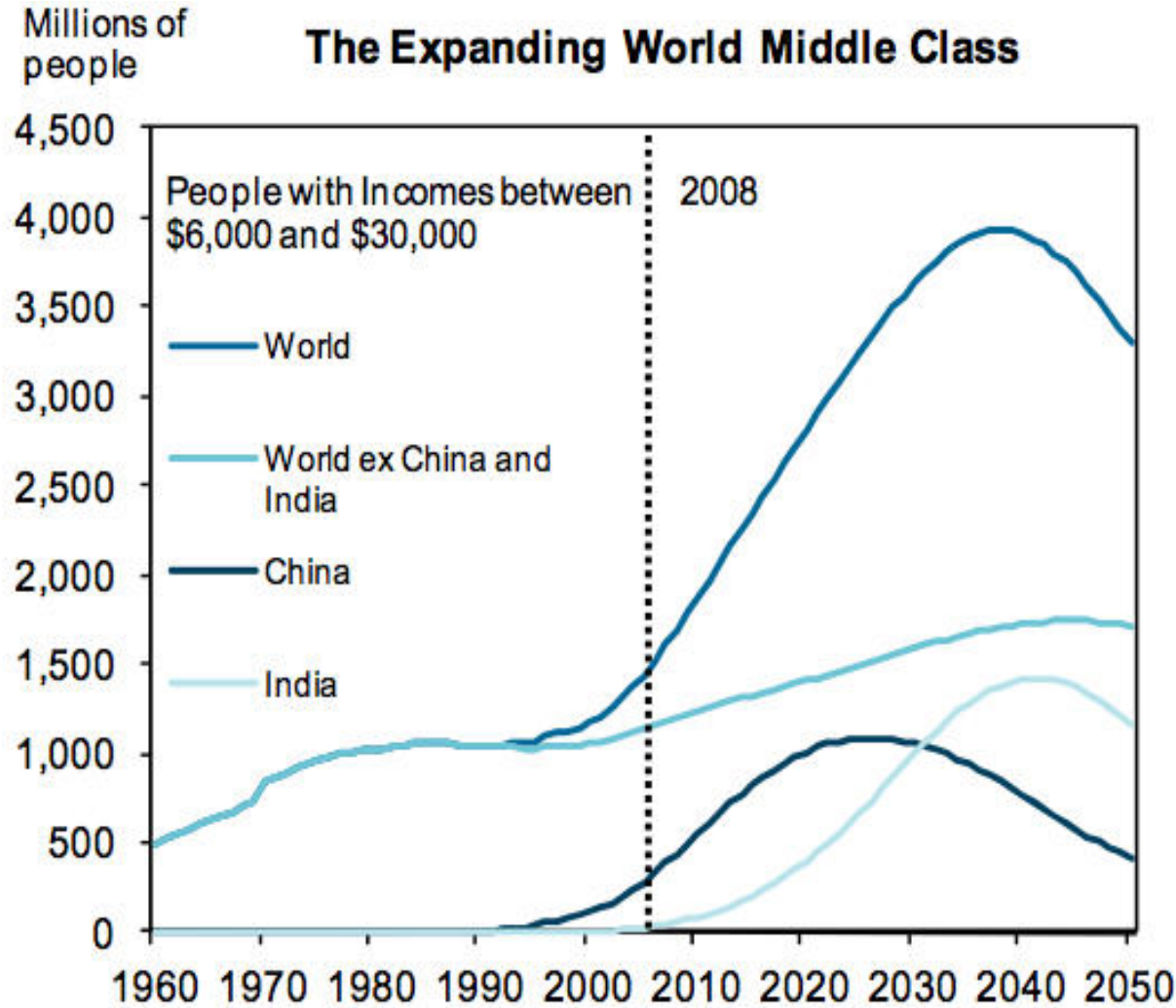
Rising Powers Context III: The expanding middle class



*We generally consider Middle Class as those with incomes >\$6,000 and <\$30,000. But, to compare BRICs to the G7, we included estimates for all people >\$6,000 - i.e. both the middle and upper class.

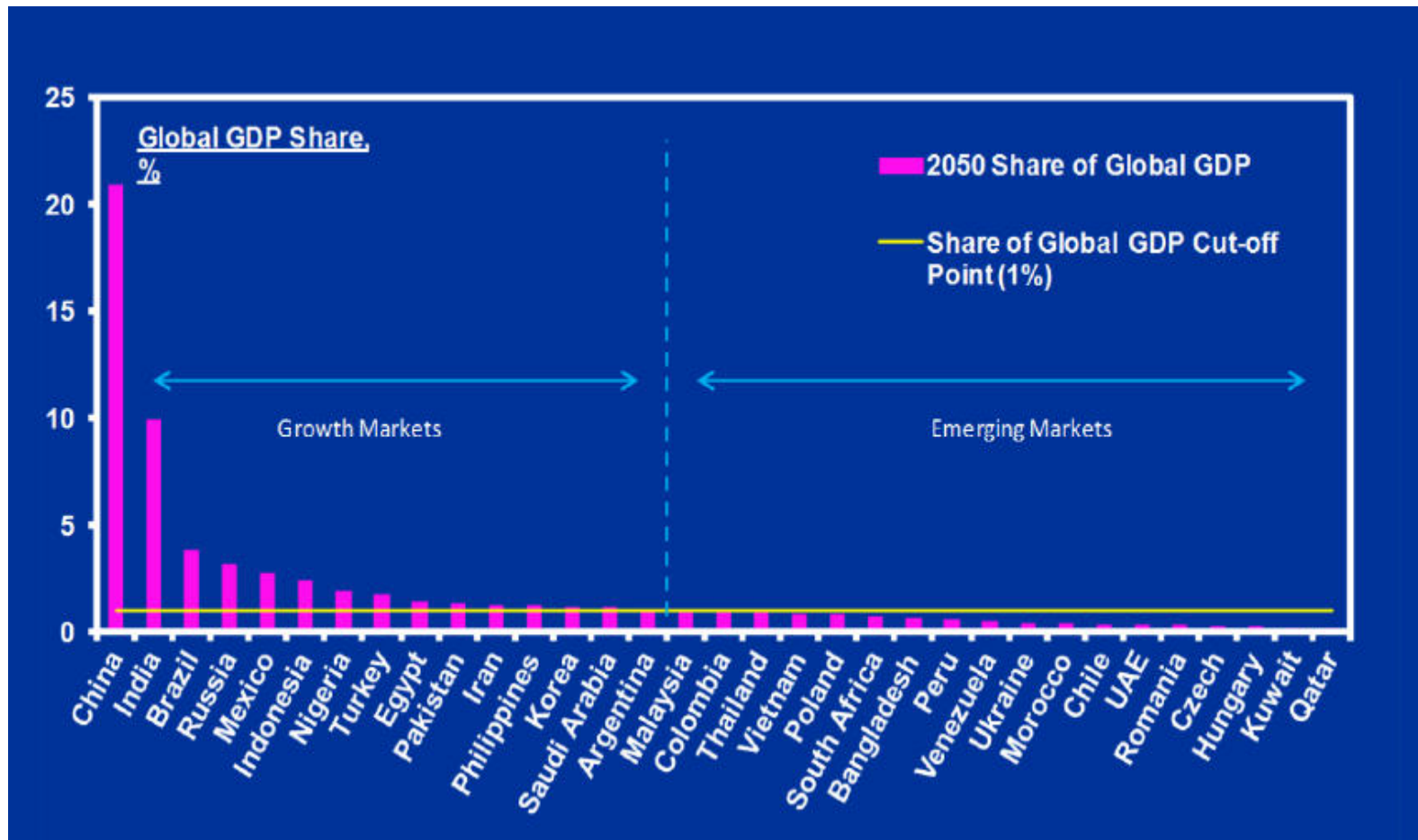
Source: Goldman Sachs

Rising Powers Context III



Source: Goldman Sachs

“Down with emerging markets” (Jim O’Neill)
 Growth market / emerging market split 2050 projections



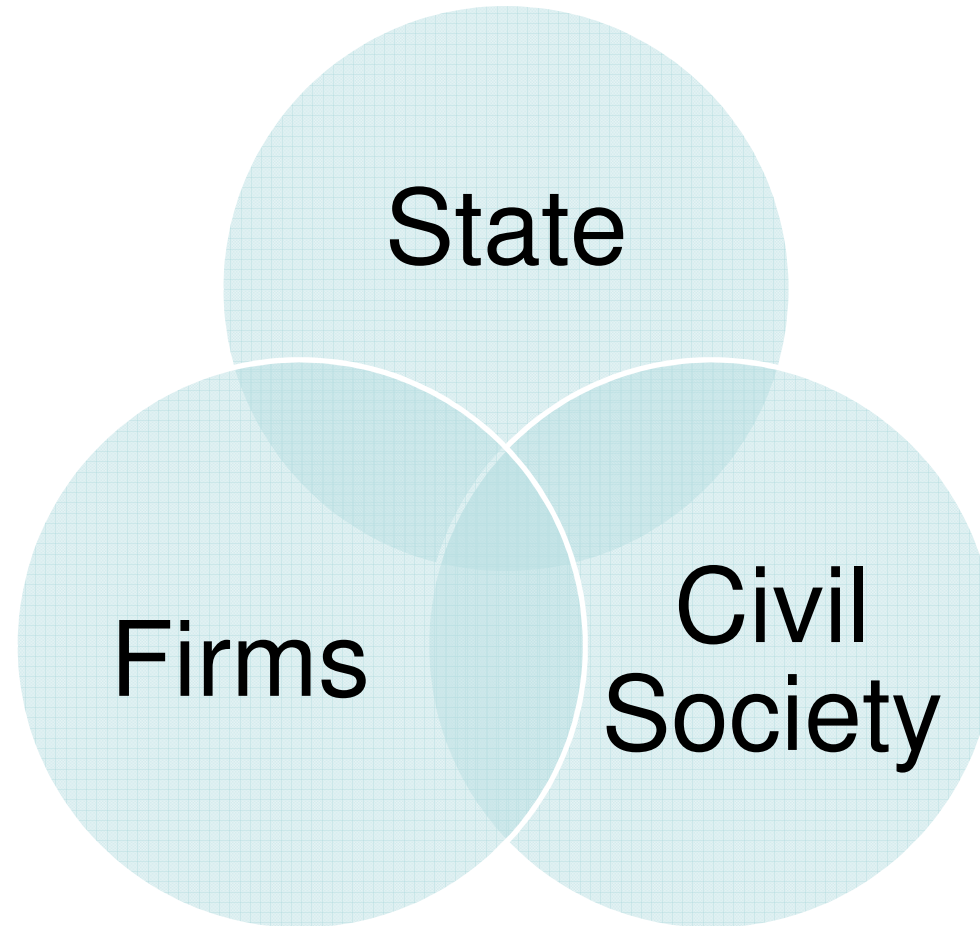
Rising Powers, Labour Standards and Global Production project

The “Big idea”

- ❑ Well known: China, India and Brazil – the ‘Rising Powers’
 - ❑ Economic growth, rising incomes, emerging middle classes
 - ❑ Emergence of new ‘global’ firms
 - ❑ Trade and the dominance of the RPs in key sectors
 - ❑ Investment and capital flows

- ❑ Our core questions: How do the RPs challenge (change) the ‘rules of trade’?
 - ❑ How do they engage with (International) standards on labour (& sustainability)?
 - ❑ Who are the key actors, public & private, driving this process?
 - ❑ What are the consequences of this?
 - ❑ Firms, workers and communities within the Rising Powers?
 - ❑ Other developing countries/OECD?
 - ❑ Our understanding of Globalisation in the 21st Century - New paradigms of economic and social development?

Our Focus:
Brazil, China, India
Global North (EU)



Our Empirical Focus

□ State

- How do Brazil, India and China regulate (and implement) labour rules?
- How does Brazil, India and China's engagement in international trade 'rule-setting' processes address labour concerns?
 - International Standards Organisation (ISO)
 - Brazil and the shaping of ISO26000
 - International Labour Organisation (ILO)
 - Multi-Stakeholder Public-Private Initiatives
 - Round Table for Responsible Soya, Bonsucro, etc..
 - Trade Agreements: esp. Regional and bilateral trade agreements
 - EU-India FTA

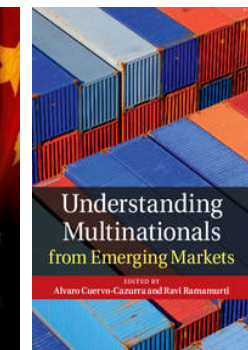
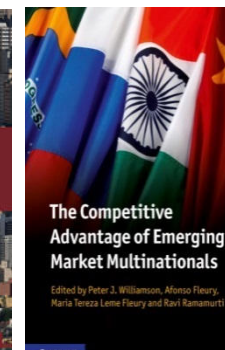
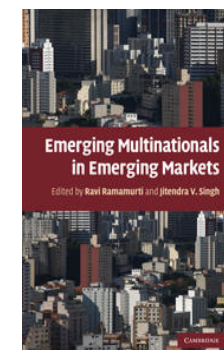
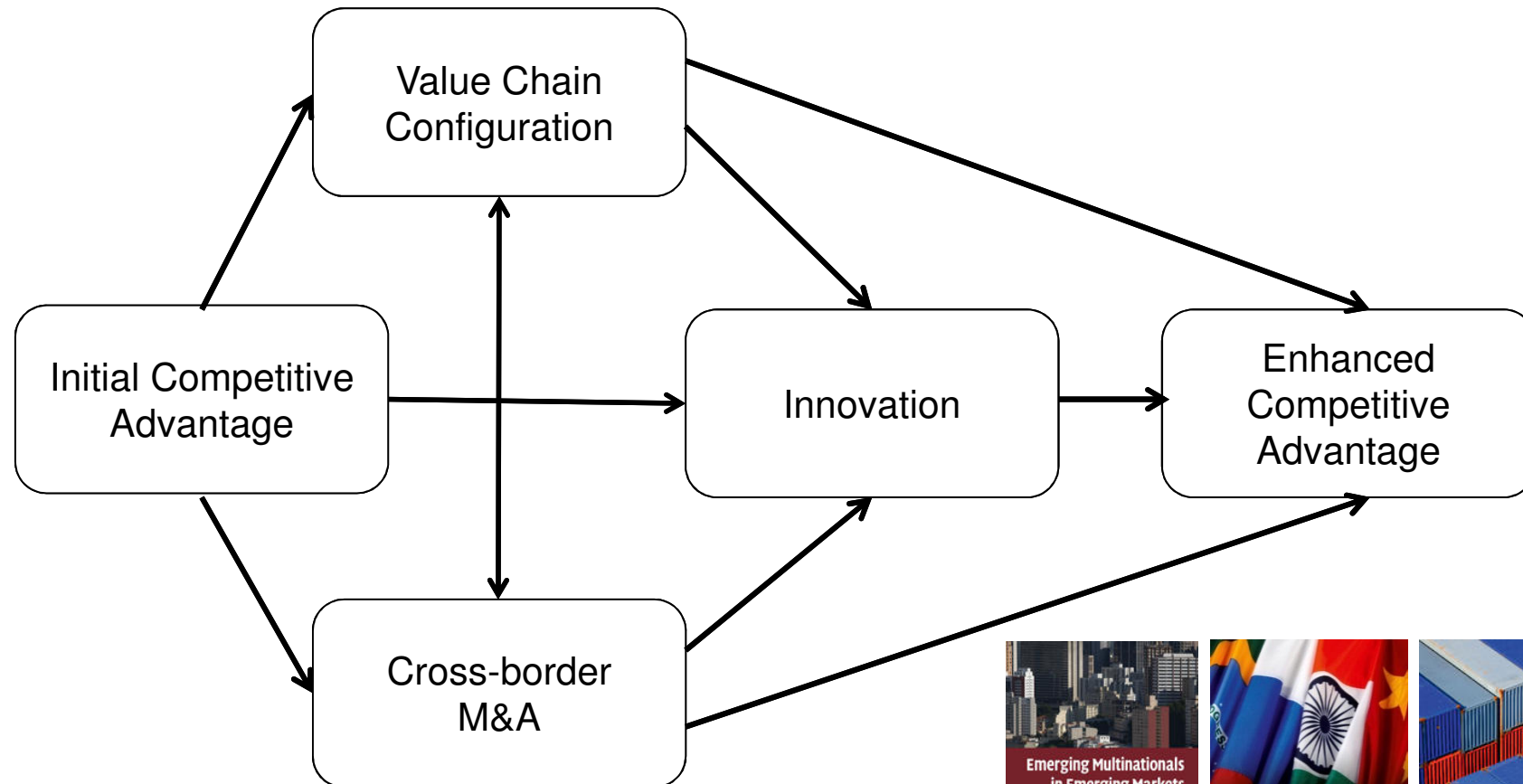
□ Firms

- How are Brazilian, Chinese and Indian Firms changing GVCs?
 - Taking on the role of lead firms
 - Implementing labour (and environmental) standards within their supply chains
 - Taking on 'corporate social responsibility' concerns
 - CSR understood quite differently

□ Civil Society

- How do civil society actors influence the discourse on labour standards
 - CSOs and the shaping of sustainability standards for domestic markets
 - Trustea in India;
 - CSC9000T in China

Firms: Existing work looks at EMNEs through the lens of sources and evolution of advantages



The GVC Approach: (Contending chain frameworks Bair 2005)

“GVCs take a broader look at supply chains coordinated by multinational companies, but also encompass economic analyses of the countries involved with the activities”

	Commodity chains	Global commodity chains	Global value chains
Theoretical foundation	World-systems theory	World-systems theory Organizational sociology	International business literature Global commodity chains
Object of inquiry	World-capitalist economy	Inter-firm networks in global industries	Sectoral logics of global industries
Orienting concepts	<ol style="list-style-type: none"> 1. International division of labor 2. Core-periphery-semi-periphery 3. Unequal exchange 4. Kondratieff cycles 	<ol style="list-style-type: none"> 1. Industry structure 2. Governance (PDCC/BDCC distinction) 3. Organizational learning/Industrial upgrading 	<ol style="list-style-type: none"> 1. Value-added chains 2. Governance models (modular, relational, captive) 3. Transaction costs 4. Industrial upgrading and rents
Intellectual influences	<ol style="list-style-type: none"> 1. Dependency theory 2. Structuralist development economics 	<ol style="list-style-type: none"> 1. MNC literature 2. Comparative development lit. 	<ol style="list-style-type: none"> 1. International business/Industrial organization 2. Trade economics 3. Global/international production networks/systems
Key texts	Hopkins & Wallerstein (1977; 1986) Arrighi & Drangel (1986), Arrighi (1990) <i>Review</i> , 23(1), 2000	Gereffi & Korzeniewicz (1994) Appelbaum & Gereffi (1994) Gereffi (1999), Bair & Gereffi (2001)	Humphrey & Schmitz (2000) <i>IDS Bulletin</i> , 29(1), 2000 Sturgeon (2002), Gereffi <i>et al.</i> (2005)

Heuristic framework for analysing the global economy: The GPN approach

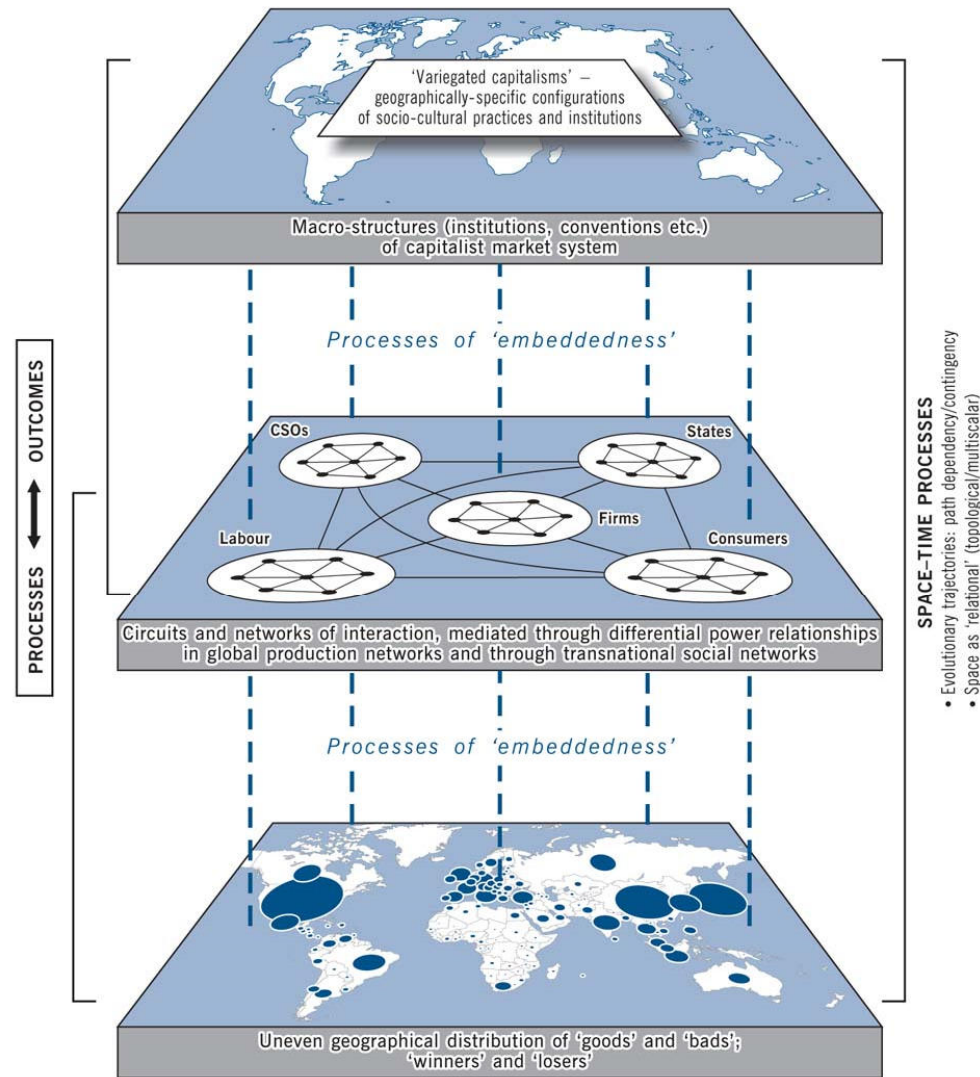


Figure 3.1 A simplified analytical framework of the global economy

Source: based on Dicken, 2004: Figure 2

What do we know so far?

(About half way through in our project...)

- ❑ RP States increasingly active on labour (and sustainability) regulation, but in differentiated ways and with different outcomes across Brazil, China and India
 - ❑ *Oxford Development Studies* 2014 SI on 'Rising Powers and Labour and Environmental Standards', 42:2.
 - ❑ *International Labour Review* 2014 SI on 'Labour Regulations and Labour Standards in China', 153:4.
- ❑ RP firms becoming global lead actors, shaping new GVC linkages, implications for EMNE debates
 - ❑ *International Business Review* 2014 SI on 'Rising Powers from Emerging Markets: Changing face of International Business', 23:4.
 - ❑ *Critical Perspective on International Business* 2015 SI on 'Rising Power Firms: Developmental promises and challenges', 11:2-3.
- ❑ Additional material on RP Clusters and CSR (Knorringa and Nadvi, *Journal of Business Ethics*, 2014 online); South-South trade, GVCs and GPNs (Horner, *Territory, Politics and Governance*, 2015 online first)....

Public and Private Governance of Labour Standards in Production

- ❑ Private governance of labour, limits to private governance, public governance and public-private governance
 - ❑ 'Regulatory renaissance' literature (Bartley, Locke, Coslovsky, Amengual, Schrank, Piore)
 - ❑ Regulation and Governance Sept 2015, 9:3, 'Governing global production'
 - ❑ 'Regulatory intermediaries' literature (Levi-Faur, Abbott)

Observations from two recent studies

- Nadvi and Raj-Reichert, 2015, *Regulation and Governance*, 9:3.
 - Whether and how public and private governance of OHS permeates down to lower tiers in the electronics GVC?
- Curran and Nadvi, 2015, *Cambridge Journal of Regions, Economy and Society*, 8:3.
 - How do trade regimes, especially rules of origin, impact GVC outcomes in Bangladeshi garments sector?

Governing OHS in lower tiers

(Nadvi and Raj-Reichert 2015)

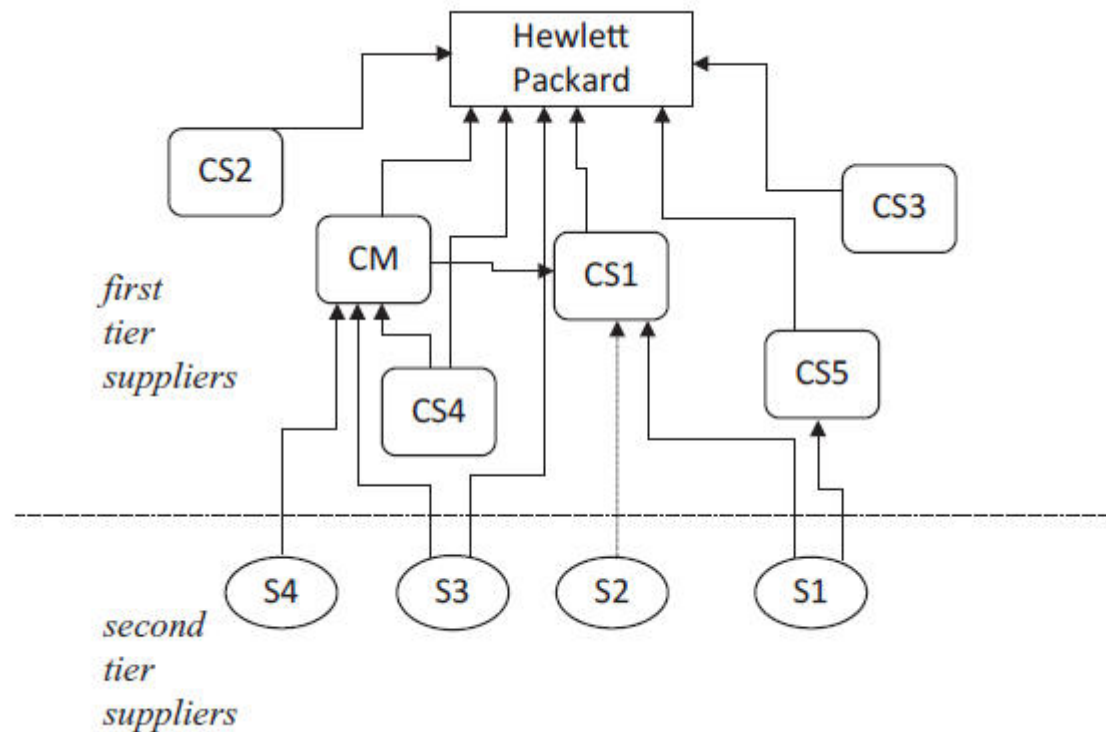
- ❑ Our points of departure:
 - ❑ OHS matters, but doesn't get as much attention in the literature on labour standards in production
 - ❑ Much of the literature focuses on the labour governance relationship between global lead firms and their 1st tier suppliers, what about the lower tiers?

- ❑ We study two distinct OHS related standards
 - ❑ Private: EICC code of conduct – process standard
 - ❑ Public: EU RoHS Directive – product standard but with OHS related process implications
 - ❑ Global Lead Firm Brand (HP), Leading 1st Tier Suppliers, 2nd tier suppliers to the 1st tier
 - ❑ Research carried out in US, EU, Malaysia

HP and its supply 'chain of connections'

1st tier: All MNCs (employing 1000 - 200000), upto US\$ 10 bn turnover, some with over 20,000 suppliers

2nd tier: All Malaysian firms, employment 30-2900



OHS and Private vs Public Regulation

EICC: Private

- ❑ Introduced 2004, based on HP's CoC. HP lead actor in pushing EICC. Common industry-wide std.
- ❑ EICC includes most leading brands and many 1st tier suppliers & CMs
- ❑ Draws on OHSAS 18000, ILO's OSH guidelines
- ❑ Since 2009 applies to all HP 1st tier suppliers, 1st tier to implement in their own supply chains
- ❑ 4 phase implementation process with self verification and independent audits

EU RoHS: Public

- Introduced 2006. Aims to reduce hazardous waste
- Implemented as EU directive, monitored by member states.
- Brands, manufacturers and distributors responsible for compliance
- Publicly assessed
- Brands and firms verify non use of HS.
- Non compliance can lead to fines, and closure of EU market access

How far do OHS standards (EICC and RoHS) permeate down the supply chain?

1st Tier

- All 1st tier suppliers comply with ISO 14000, OHSAS 18001
- All meet EICC, but OHS auditing from brands is uneven
- Implementation of EICC to 2nd tier suppliers by 1st tier is minimal
- All 1st tier suppliers RoHS compliant

2nd Tier

- Some 2nd tier suppliers ISO 14000, OHSAS 18000
- SMEs exempt from having Safety and Health Officer under Malaysian law
- Some government inspection on OHS but minimal govt. support
- No evidence of support on OHS permeating down the GVC
- No/limited awareness of EICC
- High levels of RoHS compliance

Public vs Private standards and lower tiers of GVCs

- ❑ Private codes (EICC) have limited traction down the GVC – even amongst large MNC 1st tier suppliers who are EICC members
- ❑ 1st tier usually have much bigger supplier base than lead firm, but far less resources devoted to supply chain compliance
- ❑ 1st tier often not a ‘target’ for NGO campaigns – but maybe changing
- ❑ RoHS implemented down the chain to lower tiers. Usually with no support from GVC lead firm or 1st tier, or from the state.
- ❑ Key motivation for RoHS: EU Market access



Market access linked public regulations could promote improved labour outcomes

Trade Regimes and GVC impacts

(Curran and Nadvi 2015)

- ❑ Garments – the world’s most trade regulated sector
 - ❑ MFA (upto 2005) multilateral regime – quota based market access
 - ❑ Post MFA through bilateral and regional trade preferences
 - ❑ Eg: AGOA, CAFTA, EU- Everything But Arms (LDCs), US-Israel FTA & QIZ (Jordan/Egypt)
 - ❑ Key to these is Rules of Origin
 - ❑ Single and Double Transformation RoO
 - ❑ RoO debate: restrictive vs promoting industrial upgrading
 - ❑ Bangladesh RMG sector heavily governed by trade regimes
 - ❑ MFA until 2005
 - ❑ EU-EBA double transformation RoO; EU-EBA single transformation RoO 2011
 - ❑ Structural Changes in RMG sector (knit vs woven) and shifts in end markets

Bangladesh – Trade Regimes drive RMG growth

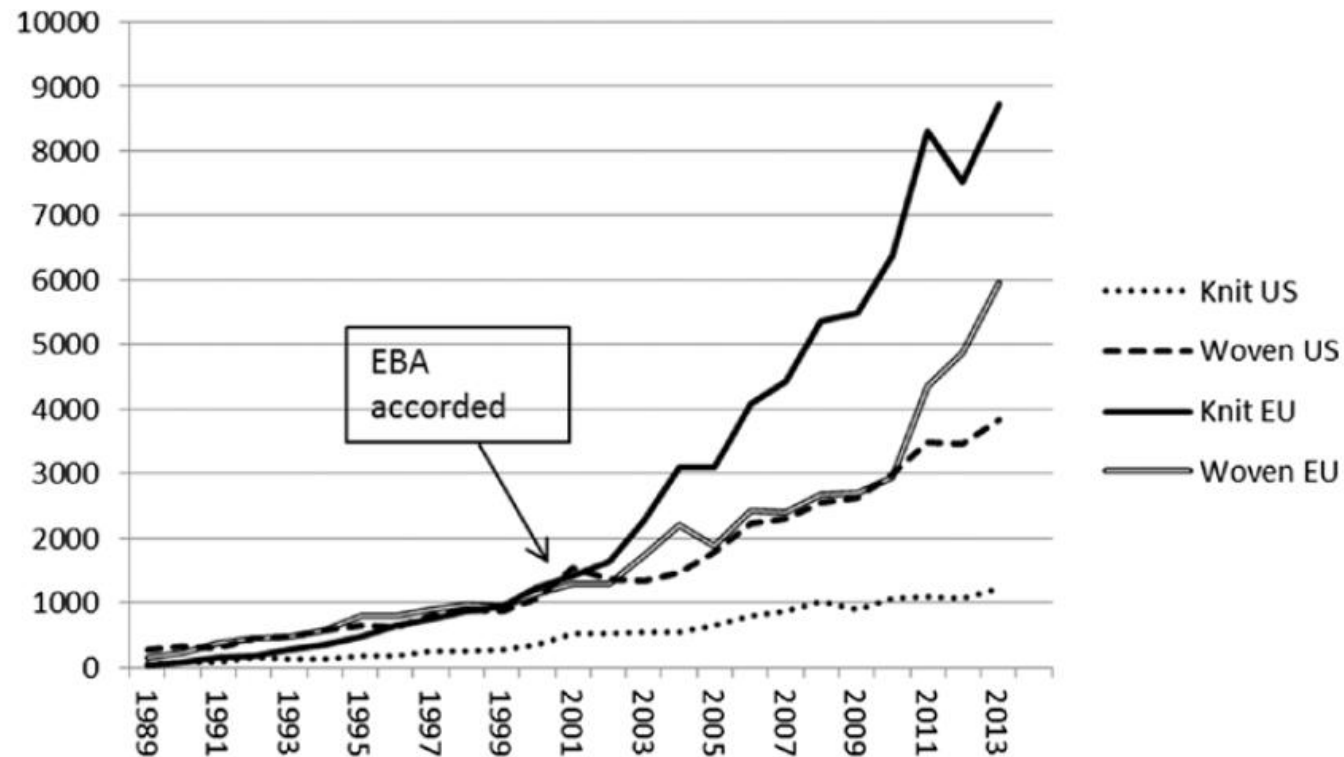


Figure 1. *Bangladeshi clothing exports 1989–2013 (\$ms).*
Source: ITC Trade Map. Mirror data.

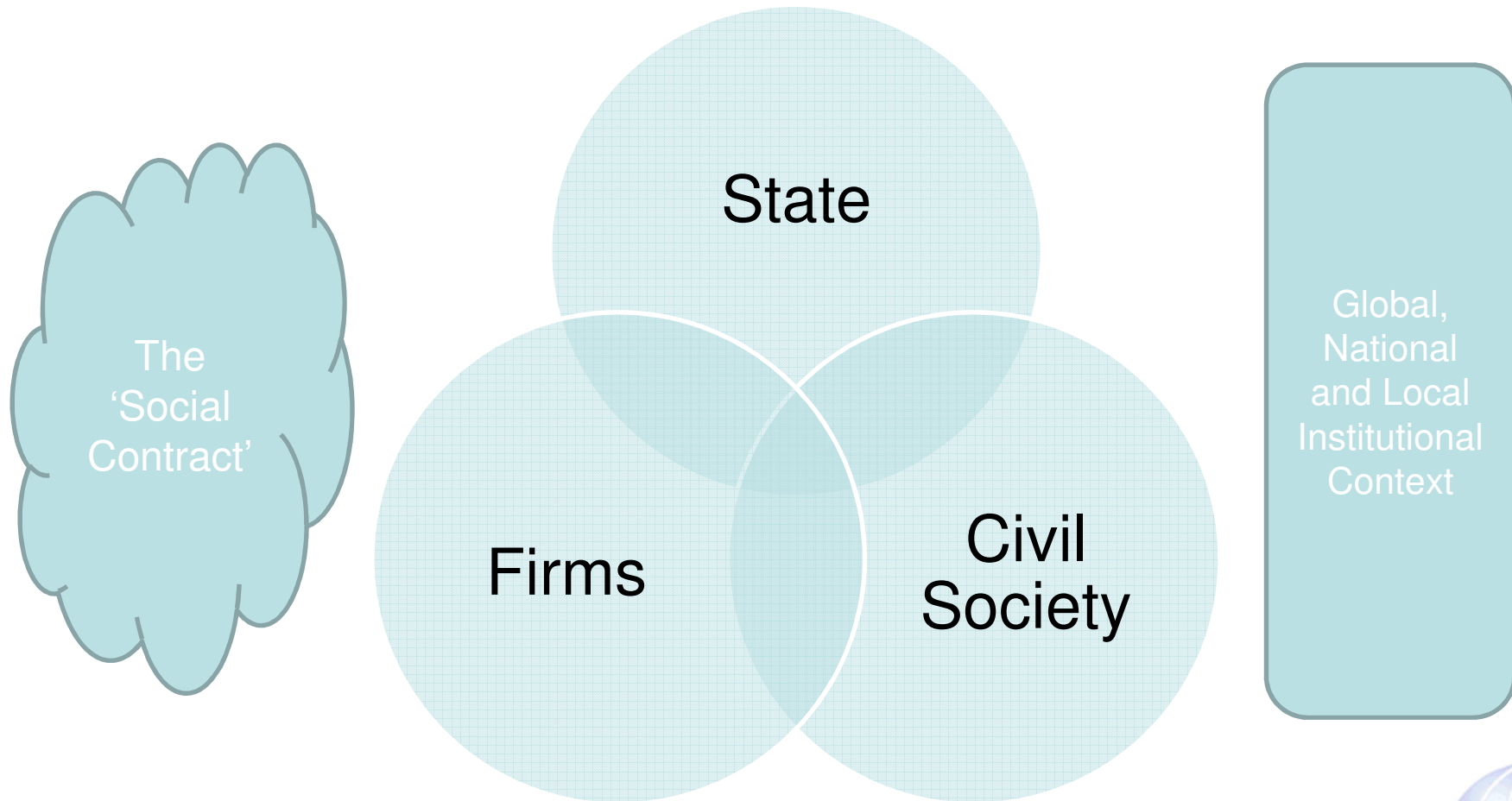
RoO, Trade Regimes and GVC implications

- ❑ Trade regimes and GVC linked market access
 - ❑ BD engagement with US market linked to MFA, BD's key position in EU market tied to EU-EBA
- ❑ Upgrading and trade regimes
 - ❑ EU-EBA not only drove move from woven to knit production, with single to double transformation processes; unit values for knit exports to the EU higher than in the US. RoO.
- ❑ Changes in trade regimes (RoO) in 2011 led to rapid changes in export profiles
 - ❑ Growth of woven exports to EU using imported fabrics.
- ❑ What implications then for labour standards?
 - ❑ Tazeen factory fire, Rana Plaza collapse
 - ❑ Differing responses – EU brands develop the 'Accord'; US brands opt for their own measures. Focus on brands and suppliers, BD state left 'off the hook'.
 - ❑ Could market access linked trade regimes (such as EU-EBA) be an important 'stick' for improving labour standards?

Conclusions I

- ❑ Limits to private governance of labour standards in global production (Locke 2013)
- ❑ Our findings, from two very different studies, underline the significance of public regulation, especially through market access linked trade regimes
- ❑ The importance of trade regimes in driving the economic geography of GPNs. This is observed in other studies (the Jordan case, see Azmeh and Nadvi, *Development and Change* 2013, Azmeh and Nadvi, *International Business Review* 2014).
- ❑ GVC-GPN research needs to pay more attention to the nature of local and global institutional/state policy contexts.

Conclusions II: What does this all imply for our 'Rising powers, labour standards, and the governance of production'?



Speculative 'conclusions' on social contracts: State-Firms-CSOs in the Rising Powers

□ Brazil

- Public-private 'consensus' on minimum norms on labour and the environment. Enforced by the State, accepted by firms and supported by CSOs. Buttressed by social protection. But 'Brazil cost' is high, issues around fiscal & political stability of the model

□ China

- Party-State is the main driver of the agenda. The State is engaged on labour and environmental sustainability concerns. But the Chinese State is highly differentiated (national/local, coastal and inner provinces). CSOs absent but 'civic action' grows. Some scope for building 'consensus' around environmental/food safety concerns, but more challenging on labour. Firms 'rule takers' rather than 'rule makers'

□ India

- 'Strong' laws but weak enforcement. Corruption, informality, contract labour. CSOs numerous but not very effective. Weak 'social contract' on labour, more possibilities on sustainability issues. Firms and CSR, but CSR as community development.

Rising Powers – further speculative conclusions

(but more work to be done)

❑ Firms

- ❑ Do RP lead firms point to ‘new’ business models?
 - ❑ Domestic market
 - ❑ South-South trade
 - ❑ Innovation
- ❑ How do RP lead firms engage with labour standards, and CSR in their GVC ties
 - ❑ Sustainability (Environment) matters, but labour less clear
 - ❑ Concepts of CSR differ across China, India and Brazil
- ❑ Social Value Creation

❑ Civil Society

- ❑ India and Brazil – extensive CSO engagement but with differing outcome
- ❑ China, less clear, but civic strife and civic engagement rising.
- ❑ Consumers driving sustainability – less apparent, but growing

More to come...

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China and Russia At Their North Asian Border



China goes global



Conflict Management in Central Asia



Innovation Systems Development in China and Russia



Labour Standards and Global Production Networks



Law Development and Finance in Rising Powers



Low Carbon Transition in Sub-Saharan Africa



Poverty and Inequality in Brazil, India, China and South Africa



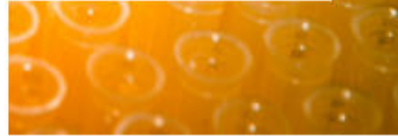
Rising Powers in African agriculture



Russia and the EU in the Common Neighbourhood



Governance in global biomedical innovation



Unequal Powers, Authoritarian Powers, Unstable Powers?



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