

The Rising Powers and Global Standards Research Network

Research Agenda

Over the coming decades the global economy will be radically transformed by the Rising Powers (most notably China and India, but also Brazil, Russia and South Africa). These nations are reshaping many of the rules, in particular the global standards that govern international trade and global production networks (GPNs). Yet we know little about who are the emergent actors – both public and private – within the Rising Powers (RP). Nor do we know how they will transform global standards or the consequences of these changes for local producers and workers – both within the RP and in the rest of the developing world. Understanding this process and its policy implications is important if we are to avert a global race to the bottom with declining standards. This requires a major international research initiative.

Globalisation has promoted rapid growth in international trade. It has also led to a paradox – namely, the co-existence of dispersed production on the one hand (through global production networks) and more centralised governance on the other hand (through global standards and the organisation of global value chains - GVCs). Global standards, especially relating to working conditions and the environment, have become critical to the co-ordination of dispersed GPNs and have become part of the effective rules of trade in many manufacturing sectors. They have been driven forward by global public bodies (including United Nations agencies and the European Union) and private actors (such as multinationals and global non-governmental organisations - NGOs). Standards are important in that they can promote greater efficiency and access to global markets. Yet their outcomes for smaller producers, workers and communities, and their contribution to poverty reduction are unclear. They remain an area of great dispute, in international trade negotiations and global production networks, and are thus in a constant state of flux.

The Rising Powers and Global Standards Research Network will define a new research agenda that considers how global governance on standards and production is affected by the RPs and the implications that arise from this for concerns around poverty and well-being of small producers and workers. The network will assemble an international group of highly experienced researchers from the UK, the OECD and the RP economies, to formulate a comparative research agenda and develop methodologies to address this theme.

Research Context

The RP economies are individually and collectively emerging as critical actors in the global political economy in a number of ways. This can be seen in the realms of trade, production, innovation and consumption as well as in strategic economic and political alliances. Thus, over the past decade Brazil, China, India and South Africa have, at times, been a powerful axis in global trade negotiations. At the

same time, trade relations between these and other developing economies have expanded with rapid growth in South-South trade in commodities, manufacture and services. In terms of production, China and India (along with a number of other regional economies in East and South-East Asia) are now the manufacturing powerhouses of the global economy. These economies are also becoming new 'hubs of innovation' that point to a new geography of knowledge which is likely to alter the structure of global production and knowledge networks. Many RP firms have enhanced their technological and functional capabilities, allowing them to progress from being suppliers to global multinationals to becoming global lead firms, engaging in foreign direct investment and organising their own diverse array of dispersed suppliers through global production networks that they manage. And in the realm of consumption, the RPs are not only all large economies, but ones that have rapidly growing domestic consumption demand and maturing consumer needs and tastes. They are the new growth areas for global consumption and retail competition.

While much of this is already being studied, critical gaps remain. We know that the RP economies are altering the geographies of global production, but our understanding of how they are reshaping the very 'rules of the game' that govern global production and trade remain weak. We do not know who the new public and private actors are within the RP that are driving this process, nor what motivates their actions. In what ways, for example, will RP lead firms organise governance of their production networks, and what consequences will this have for other developing country producers that seek to enter such networks? How will the rapidly expanding trade between the RP challenge the ways in which international labour and environmental standards are being adopted in global production networks? And what are the consequences for smaller producers and workers, and concerns about poverty reduction - both within the RP economies as well as in the rest of the developing world. This network seeks to explore the consequences of these shifts in global governance for the well being of the poor—specifically workers and producers.

Research Questions

The core research questions that drive the network are:

- In what ways are the Rising Power actors transforming the governance of global production networks and global standards?
- What are the implications of these changes for poor producers, workers and their communities?

The network will address these questions through analysis at three distinct levels:

- Global governance in the international arenas where global standards and related international trade rules are set.

- Global and local governance in the structure and organisation of GPNs that organise dispersed local producers and connect them to global markets.
- Local governance amongst communities of small producers and workers particularly in cluster settings where collective action possibilities can arise.

The network will explore the inter-play between these three distinct levels to assess the consequences for workers and poor producers (poverty and well being) and the changing patterns of global production networks and global standards (local and global governance). The primary geographical and spatial focus of this inquiry will be the RP economies and RP actors (both public and private).

Analytical Framework

This agenda is influenced by three distinct bodies of literature that address the links between global and local governance associated with globalisation. First, the literature on global standards which has shown how process standards—pertaining to working conditions, environmental considerations and quality assurance – matter greatly to international trade and to the co-ordination of global production networks. Within the purview of the World Trade Organisation (WTO), China and India have successfully argued against standards as non tariff barriers to trade. However, labour and environmental standards have encroached into a number of bilateral trade agreements that the United States and the European Union have signed with developing countries. Moreover, in many sectors – from consumer durables, food and horticultural products, to extractive industries - pressures by international non-governmental organisations (NGOs) and trade unions (TUs) have led to a plethora of publicly and privately formulated standards. Compliance with such standards is a pre-requisite for many leading markets. Finally, under pressure from consumer groups, many global lead firms have had to adopt wide ranging codes of conduct. In many cases their suppliers are subject to this, and have been incorporated into the lead firm’s corporate social responsibility (CSR) commitments.

Second, the literature on GVC and GPN have been used as a framework to analyse the rapid expansion of outsourcing in manufacturing and service delivery, and the role of global lead firms in co-ordinating ever-more complex networks of dispersed global suppliers. Central to these forms of production organisation is the role of power exercised by lead firms. This has consequences for the ability of local producers to upgrade their capabilities, and for workers within the chain to improve their position. Third, the literature on clusters has analysed how developing country producers, particularly small firms can obtain distinct advantages through spatial and sectoral. This potentially allows them to engage in collective action thus enhancing their international competitiveness and promoting local upgrading.

Collectively, these three frameworks – global standards, global value chains and production networks, and local industrial clusters - are not only closely inter-related, their dynamic interaction drives processes of economic and social upgrading within the developing world. This results in distinct sets of winners and losers in terms of countries, sectors, firms, workers and communities and has implications for both global poverty and well-being as well as for global and local governance.

The RPs challenge these developments in particular ways. For example, many RP suppliers have enhanced their capabilities and managed to upgrade their functions and take on more diverse activities within global value chains. In some cases, they have begun to outsource to producers in different parts of the developing and developed world, and in a number of sectors they are becoming lead firms, organising and governing their own value chains of dispersed global suppliers. In a number of sectors Chinese and Indian manufacturers have become global brands (China's Haier and Lenovo in white goods and computers, and India's Tata in the automotive and steel sectors, and Infosys and Wipro in software). To what extent then do such RP actors exercise chain governance differently, and what consequences arise from this for smaller producers and workers within the chain?

Similarly, demand for standards compliance has primarily come from developed country markets – either through regulators or consumer groups. Yet the RP economies are not only marked by their size (they account for over 40% of the global population), but also by their growing domestic consumer markets. For example, China is now the leading market for the global sports brand Nike. Given the growing significance of their domestic markets, there are questions on how concerns with standards and provenance of supply might emerge within these economies, influencing sourcing practices and production conditions. Simply put, are consumers (and lead firms for that matter) in the RP economies likely to be concerned with international labour and environmental standards, and how might this affect workers and poor producers who supply these markets? Furthermore, while the debate on global standards and on global production networks underline the increasing significance of non-state actors – private firms, NGOs and trade unions – in shaping and implementing standards, the role of the public sector is not irrelevant. The RP economies are not only noted for being large, but also for having 'large' states and state regulatory functions. The interaction between public and private actors in the further shaping of standards on labour and environment will be significant to debates on global governance and their impacts on both the local and global policy stages.

Thus, the network will address the implications of these changes for poor producers, workers and their communities. Many of the more successful stories of export led growth in manufacturing within the developed world, including the RP economies, come from small firm clusters. Such clusters often raised their competitiveness through collective action initiatives, enhancing capabilities of local firms and integrating them into the complex value chains of leading global

brands. Clusters can provide possibilities for smaller, and often poorer and less well endowed, firms to face external challenges through collective action and forms of local governance. To what extent can this help smaller producers face the challenges and exploit the opportunities that have arisen with the dynamism of the Rising Powers? The position of workers (and their well being) within global value chains, in particular chains that are being led and managed by firms from the RP economies, is also likely to be changing. This will involve developing an agenda for understanding better the implications for different categories of labour, including more marginalised and poorer groups of workers such as migrants and women workers. Finally, we are concerned with the consequences for poor workers and producers not just in terms of their productive livelihoods but also as consumers in expanding markets. Are global value chains, especially those led by RP firms, becoming better at addressing the 'bottom of the pyramid'?

Network Aims

The network will define an inter-linked and multi-disciplinary research framework and methodology capable of addressing the core research questions identified above. Through close interaction among the participants – by means of the three embedded Visiting Fellows and a major research workshop – the network will work to develop a proposal for the subsequent round of the ESRC Rising Powers initiative in order to fund the resulting research agenda. This proposal will draw on the existing academic knowledge in these areas as well as be enriched by interaction with a range of concerned policy actors and activists (in the UK, in international agencies and in the RP economies) with whom the network will directly interact.

Key Participants

The network brings together academics from the disciplines of development studies, business studies, politics, economics, geography and sociology. The cross disciplinary nature of the network is one of its strengths. At the heart of the network is a core group of Manchester based colleagues from the School of Environment and Development (SED), School of Social Sciences (SoSS) and the Manchester Business School (MBS). The core group will work closely with European (Knorringa), Australian (Anita Chan), US colleagues (Gereffi, Milberg) and the three embedded Visiting Fellows from Brazil, China and India (Chan King Chi, Das and De Almeida) in defining the research programme. The network will also include other UK and OECD academics and research partners from the developing world. In addition, the network will engage with a small group of concerned international policy specialists and NGO activists and trade unionists to draw out the policy significance of research agenda.

The participants of the network include:

- *University of Manchester based:* Dr. Khalid Nadvi (SED) –Network Co-ordinator & PI; Dr. Stephanie Barrientos (SED); Dr Neil Coe (SED); Professor Fang-Lee Cooke (MBS); Professor David Hulme (BWPI); Professor Nicola Phillips (SoSS); Professor Kunal Sen (SED); Professor Rudolf Sinkovics (MBS); Professor Rorden Wilkinson (SoSS).
- *Other OECD based:* Professor Regina Abrami (Harvard Business School); Professor Anita Chan (University of Technology Sydney and Beijing University); Professor Gary Gereffi, (Duke University, US); Dr Peter Knorringa (Institute of Social Studies, The Hague, Netherlands); Professor Richard Locke (MIT, US); Professor Will Milberg (New School, US); Professor Doug Miller (University of Northumbria); Dr Stefano Ponte (Danish Institute of International Studies, Copenhagen); Professor Meenu Tewari (University of North Carolina, US).
- *Rising Power based:* Dr Chan King Chi (City University of Hong Kong); Professor Keshab Das (Gujarat Institute of Development Research, India); Mr Mansueto De Almeida (Instituto de Pesquisa Economica Aplicada, Brazil); Dr Dev Nathan (Institute for Human Development, India); Dr Debapriya Bhattacharya (Centre for Policy Dialogue, Bangladesh); Professor Padmini Swaminathan (Madras Institute of Development Studies, India); Dr Nguyen Thang, (Hanoi University, Vietnam); Dr Wu Jieh-Min (National Tsing Hua University, Taiwan).
- *Policy Specialists, Private Sector, Trade Union and NGO participants:* Dr Michele Clara (UNIDO); Duncan Green (Oxfam); Mukesh Gulhati (MSME Foundation India); Neal Kearney (ITGLWF); Amy Luinstra (ILO/World Bank); Dr Mark Robinson (DFID); May Wong, (Asian Monitor Resources Centre, Hong Kong); Lynda Yanz (MSN); Dr Shahid Yusuf (World Bank).

Institutional Affiliation

The network will be based at the University of Manchester's Faculty of Humanities. Given the agenda of the proposal and the cross school nature of Manchester based participants, the network will be housed at the Institute for Development Policy and Management (IDPM). It will also associate with the Political Economy Institute (PEI) at Manchester and with BWPI. In the recent RAE exercise Manchester was ranked at the top of institutions engaged in development studies, with IDPM and BWPI being at the core of Manchester's research on international development.

Visiting Fellows

Three embedded visiting fellows (VF) will spend up to three months each at Manchester. Keshab Das is one of the leading Indian academics working on small firm cluster dynamics. His time as a VF will focus on the research agenda on poor producers especially within small firm clusters. Chan King Chi has

undertaken pioneering work on labour regimes in global factories in China. He will spend his VF in working on the research agenda on labour in global production networks, particularly within China as well as of Chinese-led GPNs within the region. He will work closely with Professor Anita Chan, a leading global authority on labour in China. Mansueto De Almeida, who works at Brazil's leading economic research institute, will focus on the RP and the changing governance of global standards.

Work Plan and Anticipated Outputs

The network will run for one calendar year from 15 January 2010. It will operate through a system of electronic based exchanges (emails, skype, e-conferencing), embedded visiting fellowships, and an international workshop where network participants will convene to shape a research programme and funding proposal, interact with policy actors and be challenged by a wider body of academics interested in these themes. From January to May 2010 the network will concentrate on pulling together existing theoretical and empirical literature and databases that can inform this research agenda. Funds have been set aside to provide for limited research assistant support for Manchester and RP based colleagues and to facilitate travel by network participants to meetings. Three embedded visiting fellows will spend approximately three months each in Manchester during the period May to September 2010. An International Workshop will be held during this time (scheduled for 28-30 June). Outputs from the workshop will include one overarching 'agenda-setting' paper and at least three regional papers. These will be revised and submitted to leading journals by early 2011. A research proposal based on this agenda will be finalised by October 2010. A website for the network will be developed to sustain the network's activities and provide a platform for wider dissemination of the network's output.

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