



This is a repository copy of *The political economy of governance in a 'global value chain world'*.

White Rose Research Online URL for this paper:  
<http://eprints.whiterose.ac.uk/112187/>

Version: Accepted Version

---

**Article:**

Mayer, F.W., Phillips, N. [orcid.org/0000-0001-9588-976X](https://orcid.org/0000-0001-9588-976X) and Posthuma, A.C. (2017) The political economy of governance in a 'global value chain world'. *New Political Economy*, 22 (2). pp. 129-133. ISSN 1356-3467

<https://doi.org/10.1080/13563467.2016.1273343>

---

**Reuse**

Items deposited in White Rose Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the White Rose Research Online record for the item.

**Takedown**

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing [eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk) including the URL of the record and the reason for the withdrawal request.



[eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk)  
<https://eprints.whiterose.ac.uk/>

## **Introduction: The Political Economy of Governance in a ‘Global Value Chain World’**

Frederick W. Mayer, Nicola Phillips and Anne C. Posthuma

Frederick W. Mayer, Duke University, [frederick.mayer@duke.edu](mailto:frederick.mayer@duke.edu)

Nicola Phillips, University of Sheffield, [n.phillips@sheffield.ac.uk](mailto:n.phillips@sheffield.ac.uk)

Anne C. Posthuma, International Labour Organization, [posthuma@ilo.org](mailto:posthuma@ilo.org)

---

Abstract: The global political economy has come to be shaped by an historically novel form of industrial organisation, the global value chain (GVC). Yet, although there has been much attention both to GVCs and to global governance, there has been a great deal less that connects the two. This symposium aims to take a step towards redressing this situation in order to move *towards a better understanding of the political economy of governance in a ‘GVC world’*. This introductory essay outlines the aims of the Symposium as being (a) to advance a more encompassing vision of politics and agency in a GVC world, (b) to understand the implications of a GVC world for global economic governance, and (c) to move beyond empirical description and conceptual characterisation of forms of governance towards more explicit normative considerations of their implications for more equitable and sustainable outcomes.

---

Over the last quarter century, the global political economy has been shaped by an historically novel form of industrial organisation, the global value chain (GVC), distinct both from arm’s-length market transactions and from vertically integrated multinational corporations that characterised previous phases of economic globalisation. GVCs involve a pattern of production that is coordinated and controlled by corporations, but that is both functionally and

geographically fragmented. The functional fragmentation of the production process – wherein trade is no longer about the international exchange of final goods, but rather about trade in intermediate goods and services, or ‘trade in tasks’ (Grossman and Rossi-Hansberg 2008) – is associated with its geographical fragmentation, as lead firms have out-sourced and off-shored stages of the production process, shaping new global and regional patterns of specialisation.

Among policy makers in the international economic arena, the proposition is widely accepted that GVCs have become the foundation of contemporary global industrial organisation, no less than ‘the world economy’s backbone and central nervous system’ (Catteneo et al. 2010: 7). The 2013 World Investment Report, published by the United Nations Commission on Trade and Development, estimates that around 80 per cent of global trade now flows through GVCs led by transnational corporations (UNCTAD 2013). The International Labour Organization estimates that one in five jobs world-wide is linked to GVCs (ILO 2015). In a process of striking convergence, virtually all of the major international organisations focused on economic development now deploy the concept and language of GVCs as a core element of their respective strategies (Gereffi 2014). National governments increasingly focus on GVCs in their economic and development strategies. For both international organisations and national governments across large parts of the world, it does not seem an exaggeration to observe that ‘the goal of industrial upgrading within GVCs has become nearly synonymous with economic development itself’ (Milberg and Winkler 2013: 238).

An extensive academic literature now addresses the phenomenon of GVCs – or, as some prefer, the closely related concept of global production networks (GPNs) (Henderson et al. 2002; Coe et al. 2008). This literature can broadly be characterised as falling within the field of political economy, but its primary purpose has been to understand the business logics that drive within-chain dynamics, with relatively little attention to the political choices that enable, sustain and shape them. Indeed, in the GVC literature, the term ‘governance’ is typically used to refer to the exercise of power by lead firms over suppliers or customers within the chain and not to the politics of the much broader constellation of governance institutions, both public and private, that undergird GVCs (see, for example, Gereffi, Humphrey and Sturgeon 2005; Ponte and Sturgeon 2014). We acknowledge that the GPN literature adopts a wider perspective that includes non-firm actors, including states, international organisations, and civil society

organisations, labor groups, and consumers (see, for example, Yeung and Coe 2015), but while descriptively rich, its primary focus also is on the competitive dynamics of firms. As Frederick Mayer and Nicola Phillips suggest in their essay in this collection, this focus is perhaps not surprising given that the disciplinary roots of the GVC/GPN literature lie predominantly within the fields of economic geography and economic sociology.

Of course, there is also an extensive literature on global economic governance that does explore, in considerable depth, the roles of both public and private governance in governing an increasingly globalised world. The literature is far too vast to summarise here, but a very partial listing would include the work of Rosenau and Czempiel (1992), Young (1997), Snidal and Abbott (2000), Weiss (2000, 2016), Keohane (2001), Hall and Biersteker (2002), Held and McGrew (2002), Ruggie (2004), Kingsbury, Krisch, and Stewart (2005), Büthe and Mattli (2011), and Haufler (2013). With few exceptions, however, the global governance literature tends to treat the global economy in traditional market terms, as if international trade flows were still characterised by either arm's-length exchanges of final goods or transfers within multinational corporations, and not the highly fragmented pattern of production and trade in tasks that now exists. In short, it fails to account for the implications of the GVC world.

It may be only a slight overstatement, therefore, to say that although there has been much attention both to GVCs and to global governance, there has been a great deal less that connects the two. As a consequence, the political economy of governance in a GVC world remains poorly understood. This symposium aims to take a step towards redressing this situation.

We see our collective task as addressing three challenges. The first is the predominant focus in GVC debates on the powerful economic actors that coordinate GVCs, and that consequently exercise considerable market power, with significant distributional consequences, in the global economy. Of course, private power matters. Lead firms in GVCs now determine, to a large extent, who produces what and where, and at what price – and, therefore, who wins and who loses in global production. A global economy dominated by a relatively small number of powerful economic actors affects the creation and distribution of economic gains, the location of production, the inclusiveness of global trade, the conditions of work at different points in the chain, the environmental consequences of production, and, most generally, the prospects for

sustainable and inclusive economic development. However, this firm-centric approach to understanding GVCs and the global political economy they shape overlooks the broader dynamics of global economic governance that enable and support this exercise of private power. Too little attention has been afforded to the role of states and international organisations in this process, allowing the place of public authority to sink into the shadows as the focus rests on private power, broadly conceived as represented by both firms and civil society organisations.

The contributions to this symposium seek, therefore, to advance a more encompassing vision of politics and agency in a GVC world. They attempt especially to rehabilitate public authority in our understanding of the political economy of governance in a GVC world. Mayer and Phillips focus on the question of how, conceptually, to start more robustly to integrate states and public authority into GVC/GPN debates, advancing a typology of forms of governance – facilitative, regulatory and distributive – to which politics, states and public governance are critical. In her focus on explaining workers’ rights outcomes in this GVC world, Layna Mosley argues for much closer attention to the public sector – to political institutions and political actors’ interests. Jennifer Bair describes the complex interaction of public and private actors in her exploration of the Better Work Programme. Anne Posthuma and Arianna Rossi similarly explore these interactions in their article on labour standards in the GVC world, bringing in the arena of international organisations – specifically, in their case, the ILO – in understanding the role that public authority does and can occupy in promoting labour standards in the global economy. Together, the articles paint a rich picture of the diversity of agency in the GVC world, moving us beyond a narrow focus on market actors and private governance, and towards a better appreciation of the broader politics of governance.

The second challenge is to understand the implications of a GVC world for global economic governance – that is to say, for those institutions, public and private, that seek to promote or regulate global economic activity and manage its consequences. GVCs create both new challenges and new opportunities for governments and international organisations, for corporations, labour groups, or other non-governmental organisations in society, and for the interactions between public and private institutions. Yet, we suggest, both the academic literature and policy thinking can fairly be said to lack a systematic understanding of the global

governance challenge posed by the concentration of power in GVCs and of the ways in which both public and private actors are responding to that challenge.

All of the articles collected here reflect on these ‘feedback loops’ and advance perspectives on the forms that contemporary governance is taking in the GVC world. Mayer and Phillips offer the notion of ‘outsourced’ governance, arguing that states have actively delegated many governance functions to the private sector and continue to exercise their power in order to maintain and advance GVCs. The other three articles focus particularly on the patterns of governance that determine outcomes for workers in GVCs. Posthuma and Rossi advance the idea of ‘coordinated supranational governance’, and Bair the notion of ‘hybrid governance’, both intended to capture the complex realities of governance and political agency in GVCs and the need for greater articulation between governance actors in promoting labour rights. Mosley’s focus on the interactions of public governance with the market dynamics of GVCs similarly advances a perspective on the challenges for the global governance of labour standards posed by the power structures that crystallise within GVCs.

The third challenge is normative, and rests on the task of moving beyond empirical description and conceptual characterisation of forms of governance towards more explicit considerations of their implications for more equitable and sustainable outcomes. The normative dimension of GVC and GPN analysis has remained less developed – and less explicitly valued – than empirical description and conceptual characterisation. Yet, we suggest, it is through a more concerted focus on the political in a GVC world, and a better framing of the political economy of governance in this context, that we can advance a more penetrating normative analysis of the distributional consequences of prevailing modes of economic organisation.

All of the articles collected here are ultimately driven by a normative commitment to improving social outcomes. Mayer and Phillips frame their normative argument in relation to the distributional outcomes of ‘outsourced governance’, identifying resulting patterns of inequality as a consequence of political processes and, therefore potentially addressable by different political choices. Mosley, Bair, and Posthuma and Rossi each demonstrate that a necessary first step towards improving social outcomes is a better understanding of political forces that undergird the GVC world. Mosley argues for the continued importance of national political

institutions and actors in the protection of worker rights, and offers a set of hypotheses about the conditions under which labor rights are most likely to be protected by national governments. Posthuma and Rossi make the case for a continued, although modified, role for international organisations, with particular focus on that of the ILO in advancing worker rights in a globalised economy. And Bair explores the necessity of interplay between public and private institutions if workers are indeed to enjoy better work, cautioning that the same forces that make such hybrid governance necessary also make it difficult.

It is possible that we are entering a period of retrenchment in the process of globalisation. Much will depend on whether the global economy can be governed effectively, fairly and sustainably. The articles in this symposium go some way towards helping us answer whether that is possible and, if so, what form of governance will be needed. Together these articles add to the growing literature that describes the challenges faced by workers, firms and developing countries as they grapple with the realities of GVCs. But perhaps their greater contribution is in moving towards a more coherent conceptual understanding of the political economy of governance in a GVC world. At its heart, this conceptualisation frames the global order through the prism of power—exercised by corporations, civil society organisations, and the state—and provides a way of better understanding the interplay of economic and political power in shaping the global political economy.

## **References**

Büthe, T. and Mattli, W. (2011), *The New Global Rulers: The Privatization of Regulation in the World Economy* (Princeton: Princeton University Press).

Cattaneo, O., Gereffi, G. and Staritz, C. (2010), 'Global Value Chains in a Post-Crisis World: Resilience, Consolidation and Shifting End Markets', in O. Cattaneo, G. Gereffi and C. Staritz (eds), *Global Value Chains in a Post-Crisis World: A Development Perspective* (Washington DC: World Bank), pp. 3-20.

Coe, N., Dicken, P. and Hess, M. (2008), 'Global Production Networks: Realizing the Potential', *Journal of Economic Geography*, 8 (3), pp. 271-95.

Gereffi, G. (2014), 'Global Value Chains in a Post-Washington Consensus World', *Review of International Political Economy*, 21 (1), pp. 9-37.

Gereffi, G., Humphrey, J. and Sturgeon, T. (2005), 'The Governance of Global Value Chains', *Review of International Political Economy* 12 (1), pp. 78-104.

Grossman, G. and Rossi-Hansberg, E. (2008), 'Trading Tasks: A Simple Theory of Offshoring', *American Economic Review*, 98 (5), pp. 1978-97.

Hall, R.B. and Biersteker, T.J. (2002), *The Emergence of Private Authority in Global Governance* (Cambridge: Cambridge University Press).

Haufler, V. (2013), *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy* (Washington, DC: Carnegie Endowment).

Held, D. and McGrew, A. (2002), *Governing Globalization: Power, Authority and Global Governance* (Cambridge: Polity Press).

Henderson, J., Dicken, P., Hess, M., Coe, N. and Yeung, H.W-C. (2002), 'Global Production Networks and the Analysis of Economic Development', *Review of International Political Economy*, 9 (3), pp. 436-64.

ILO (International Labour Organization) (2015), *World Employment Social Outlook: The Changing Nature of Jobs* (Geneva: ILO).

Keohane, R.O. (2001), 'Governance in a Partially Globalized World', *American Political Science Review*, 95 (1), pp. 1-13.

Kingsbury, B., Krisch, N. and Stewart, R.B. (2005), 'The Emergence of Global Administrative Law', *Law and Contemporary Problems*, 68 (3/4), pp. 15-61.

Milberg, W. and Winkler, D. (2013), *Outsourcing Economics: Global Value Chains in Capitalist Development* (Cambridge: Cambridge University Press).

Ponte, S. and Sturgeon, T. (2014), 'Explaining Governance in Global Value Chains: A Modular Theory-Building Effort,' *Review of International Political Economy*, 21 (1), pp. 195-223.

Rosenau, J.N. and Czempiel, E-O. (eds) (1992), *Governance Without Government: Order and Change in World Politics* ( Cambridge: Cambridge University Press).

Ruggie, J.G. (2004), 'Reconstituting The Global Public Domain—Issues, Actors, and Practices', *European Journal of International Relations*, 10 (4), pp. 499-531.

UNCTAD (United Nations Conference on Trade and Development) (2013), *World Investment Report 2013: Global Value Chains: Investment and Trade for Development* (Geneva: UNCTAD).

Weiss, T.G. (2000), 'Governance, Good Governance and Global Governance: Conceptual and Actual Challenges', *Third World Quarterly*, 21 (5), pp. 795-814.

Weiss, T.G. (2016), *Global Governance: Why? What? Whither?* (New York: John Wiley & Sons).

Yeung, H.W-C. and Coe, N. (2015), 'Toward a Dynamic Theory of Global Production Networks', *Economic Geography*, 91 (1), pp. 29-58.

Young, O.R. (1997), *Global Governance: Drawing Insights from the Environmental Experience* (Cambridge, MA: MIT Press).