



WTO FOURTH GLOBAL REVIEW OF AID FOR TRADE

8-10 JULY 2013

Side event title	Capturing the Gains in Global Value Chains
Organiser(s)	Stephanie Barrientos, Manchester University
Rapporteur(s)	Frederick Mayer, Duke University
Report of the session	<p>At the session on “Capturing the Gains in Global Value Chains,” Gary Gereffi, Stephanie Barrientos, Dev Nathan and Frederick Mayer presented findings from the Capturing the Gains (CtG) research programme, and David Croft (Waitrose) served as discussant. Azhar Rauf (UK Department for International Development) chaired.</p> <p>Professor Gary Gereffi (Duke University) provided an overview of the ever-increasing role of value chains in international trade, as well as important trends towards consolidation of value chains as lead firms rely on fewer but larger suppliers and concentration of production in relatively fewer larger emerging economies. Consolidation and concentration, he argued, presented both opportunities and challenges, particularly for small firms and countries at the periphery.</p> <p>Professor Stephanie Barrientos (Manchester University) drew on her research on agro-food value chains in Africa to illustrate the relationship of standards to economic and social upgrading. Food exports from Africa have long been dominated by a small number of large supermarket buyers, notably Walmart, Carrefour and Tesco. African supermarkets are rapidly growing, sourcing and selling within the region. Selling to supermarkets presents challenges, particularly for small producers, who find it increasingly difficult to meet the product, process and social standards of the buyers, including Global G.A.P. and the Ethical Trading Initiative. Regional supermarkets also apply standards, but they are often less stringent. This provides new openings for small producers and workers to ‘climb the value chain ladder’.</p> <p>Professor Dev Nathan (Institute for Human Development, New Delhi), used the recent tragedy in the Bangladesh garment sector to point out that private governance in the form of corporate codes of conduct and safety standards are unlikely to be sufficient to guarantee worker safety and other social benefits. Further, he argued that buyers, who monopolise rents from GVC operations, should be brought into the regular frameworks for governing industrial relations and be required to accept joint responsibility for work conditions in supplier factories. He pointed out that, although there have been advances in Bangladesh, including increases in minimum wages, there remain crucial lapses. Addressing these requires strong public governance.</p>

	<p>Professor Frederick Mayer (Duke University) presented a paper co-authored with William Milberg (The New School) on “Aid for Trade in a Value Chain World”, in which they argue that the distribution of gains from trade within a value chain depends fundamentally on the relative power of buyers and sellers. Typically, large lead firms enjoy considerable power and therefore are much better positioned to capture value than relatively powerless workers and small producers. The policy implication of this asymmetry is that unless aid is targeted at the bottom of the chain, the benefits of aid may be captured by the powerful at the top of the chain, rather than by the intended beneficiaries at the bottom.</p> <p>Discussant David Croft, Technical Director of Agriculture from Waitrose (and a member of the CtG advisory group), acted as a discussant of findings. He emphasised the importance of companies addressing social and economic resilience at the base of their value chains. He commented on the importance of collaboration between the private sector and local civil society and governmental actors. Although it is in the interest of businesses to invest in the communities that supply them, there are also practical limits to what the private sector, alone, can do.</p>
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—Capturing the Gains panel at the WTO.