



Global value chains and international development policy: Bringing firms, networks and policy-engaged scholarship back in

Gary Gereffi

Department of Sociology, Duke University,
Durham, NC 27708, USA

Correspondence:

G Gereffi, Department of Sociology, Duke
University, Durham, NC 27708, USA.
Tel: (919) 660-5611;
e-mail: ggere@soc.duke.edu

Abstract

This article argues that the global value chains (GVC) perspective bridges the firm-specific, private-sector and country-level, societal divide that has separated the international business and international economics literatures. A key mechanism that explains the policy impact of the GVC approach are the networks created between the policy entrepreneurs inside the international organizations (IOs) dealing with economic development and the idea entrepreneurs in the research community. The policy engagement of various segments of the GVC research community with development-oriented IOs has increased the scope and visibility of the GVC literature, and improved the quality and relevance of the findings from selected GVC research programs. However, one of the drawbacks of this collaboration has been the multiple meanings attached to the GVC concept and its policy usages within the IOs and national policy communities. The GVC framework remains centrally involved in contemporary research frontiers, including the impact of tariffs on national competitiveness and innovation systems, the digital economy, the future of manufacturing, the co-evolution between local economic clusters and global production networks, and the role of foreign direct investment in establishing complete value chains as a catch-up strategy in developing economies.

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INTRODUCTION

International business (IB) deals with cross-border flows of trade and investment that significantly impact the economic growth, employment and innovation potential of countries, and governments around the world regularly seek advice on how to optimally harness the benefits of this trade and investment. In an introductory essay to a double issue of the new *Journal of International Business Policy (JIBP)*, Deputy Editor Ari Van Assche (2018) observes that international economics (IE) scholars typically have far greater

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impact in policymaking circles than the research of their IB counterparts. Thus, he echoes the query posed by Editor-in-Chief Sarianna Lundan (2018) in the inaugural issue of *JIBP*: What can IB scholars do to obtain a more prominent seat at the policy table?

Van Assche contrasts the frames of reference of the IB and IE communities: while IB specialists focus on the performance of the firm from a *private perspective*, IE adherents highlight the performance of countries from a *public or social perspective* (Van Assche, 2018: 118). In order to successfully make a 'policy turn,' IB scholars are encouraged to expand the firm-centric lens they use to analyze how multinational enterprises (MNEs) behave and are organized in a global context, and to translate their findings to incorporate broader societal viewpoints so they become more readily useful to policymakers. To illustrate these divergent frames of reference, Van Assche (2018: 120) points out that trade policy has been the main domain of IE, whereas business strategy is the natural expertise of IB researchers. The former area helps us understand the performance differences between countries and how policies might improve national competitiveness, while the latter is focused on performance differences between companies and the role managers can play in strengthening firm outcomes.

This distinction between the IB and IE research traditions, while instructive up to a point, misses a third major approach that bridges the firm-specific, private-sector and country-level, societal divide: the global value chains (GVC) literature. During the past 25 years, GVC research has experienced an enormous upsurge of both academic and policy interest, branching out from its origins in the global commodity chains (GCC) research agenda of the 1990s to the explicit paradigm-building efforts promoted by the Rockefeller Foundation-sponsored Global Value Chains Initiative in the early 2000s (Gereffi, 2018a).

There are several reasons why the GVC story is relevant to the policy engagement-driven ambitions of *JIBP*. First, core IB and IE topics like MNEs, trade, national development strategies, industrial upgrading, small and medium enterprises (SMEs), and innovation are joined together in the GVC framework from the outset (Gereffi, 2018b). Second, GVC studies have been published in a wide range of leading multidisciplinary academic journals from IB, IE, development, international political economy and other social science fields that buttress its scholarly credentials. During the past decade, however, the GVC framework has also been

heralded as a mainstream development paradigm in recent flagship reports and conferences of leading international development organizations, such as the International Labor Organization (ILO), World Trade Organization (WTO) and the World Bank (Mayer & Gereffi, 2019).¹ This relatively swift uptake of an academic approach by such a diverse range of policy actors in the international development community is exceedingly rare and needs to be better understood. Third, new integrative publications about the evolution, maturation and contributions of the GVC framework are now available that provide insights into both the potential and the pitfalls that confront efforts to bridge the academic and the policy worlds (e.g., Bair, 2009; Milberg & Winkler, 2013; Werner, Bair & Fernández, 2014; Taglioni & Winkler, 2016; Gereffi, 2018a; Ponte, Gereffi & Raj-Reichert, 2019).

Building on my own experience with the GVC approach, my objective in this article is to provide insights into potential pathways that can link academic and policy-engaged scholarship. I will address several related themes. First, how does the GVC framework combine units and levels of analysis that remain separate in much of the extant IB and IE literatures? Second, what channels and specific mechanisms have promoted productive dialogue and constructive collaborations between the GVC research community and international development organizations? Third, what key advantages and limitations can be identified in the GVC experience with policy-engaged scholarship? Fourth, and finally, is the GVC research agenda still relevant in light of recent trade slowdowns, the rise of economic nationalism, the resurgence of industrial policy and other challenges to the international economic order in a post-Washington Consensus world?

THE GVC FRAMEWORK

The Global Value Chains Initiative in 2000–2005 grew out of a September 1999 workshop hosted by the Institute of Development Studies (IDS) at the University of Sussex in Brighton, UK. The impetus for this meeting was to forge an integrated research framework that could link the macro- (global), meso- (industry and country) and micro- (firm and community) levels of analysis in order to confront the challenges of economic globalization, and the goal of the GVC research community was to generate novel findings and evidence-based policy proposals related to inclusive and sustainable



development.² Less recognized, however, is the fact that the GVC Initiative was formed by scholars associated with two quite distinct research traditions: the GCC approach that looked at how the role of MNEs in global industries affected development outcomes in particular countries; and the local economic clusters perspective that highlighted the export potential of SMEs in developing economies (Gereffi, 2018b: 15–17; Sturgeon, 2009).

These contrasting research orientations to the global economy – one top-down and the other bottom-up – generated the two main conceptual pillars of the GVC framework: governance structures and economic upgrading trajectories. The *governance structure* of GVCs was defined by the strategies of different types of ‘lead firms’ in global industries, which have the power given their size and control over key corporate assets (such as investment capital, technology, managerial expertise and marketing channels) to orchestrate the activities of the internationally dispersed networks of firms that make up their global supply chains. The initial governance structure emphasized in the GCC literature involved producer-driven and buyer-driven chains: the former referred to brand-name manufacturers that were leaders in technology- and capital-intensive industries, such as automobiles, aircraft, computers and pharmaceuticals; and the latter referred to consumer-goods industries where the lead firms were typically large retailers (e.g., Walmart, JC Penney, and Sears), global marketers with brands but no factories (e.g., Nike, Liz Claiborne and Disney), and supermarkets (e.g., Tesco, Carrefour) (Gereffi, 1994). Later, a more elaborate fivefold typology of GVC governance structures was outlined that included three forms of production networks (captive, relational and modular) on an organizational spectrum whose end points were hierarchy (vertically integrated firms) and competitive markets (Gereffi, Humphrey & Sturgeon, 2005).

Economic upgrading can be defined as ‘the process by which economic actors – nations, firms and workers – move from low-value to relatively high-value activities in global production networks’ (Gereffi, 2018a: 155). Various typologies have been used to analyze how this upgrading process takes place. One of the earliest formulations of firm-level strategies to improve competitiveness in GVCs involves four types of upgrading: product, process, functional and intersectoral (or chain) upgrading (Humphrey & Schmitz, 2002). While this typology is quite resilient and widely used, it is relatively static. It does not tell us how these types of upgrading

might be linked or evolve over time. The notion of dynamic trajectories of upgrading initially mirrored the experience of East Asian producers in consumer-goods sectors like apparel, footwear, and electronics. One of the best-known variants highlights a series of productive roles and potential upgrading trajectories that firms could adopt utilizing increasing firm-level capabilities: (1) the assembly of imported inputs, often in export-processing zones (EPZs) or special economic zones (SEZs); (2) the local production and sourcing of finished products [also known as original equipment manufacturing (OEM) or full-package supply]; (3) the sale of own-brand merchandise in domestic and external markets (OBM); and (4) the design of products sold under the brand of other firms (original design manufacturing; ODM) (Gereffi, 1999; Ernst & Ravenhill, 2000; Sturgeon & Lester, 2004).³

Both the GVC governance and upgrading concepts are based on detailed and historically grounded analyses of MNE strategies and the evolving structure of the international and domestic industries in which they are situated. However, the focus on MNEs from a GVC perspective is very different from how much of the IB field has looked at MNEs. The GVC framework reflects a confluence of three distinct theoretical traditions: *dependency theory*, which highlighted the power of MNEs to shape both external and internal economic outcomes in particular industries and regions; *world-systems theory*, which offered a holistic and critical perspective on global capitalism as an evolving and hierarchically organized set of core, semiperipheral and peripheral zones; and *development theory*, which focused on how national and local economies grow and diversify through integration into larger economic entities such as the global economy and regional trading blocs, and the role played by the state to stimulate growth and manage economic change and conflict (Gereffi, 2018b: 2–5). For GVC scholars, MNEs are central institutions linking globalization and development, and, as a result, the policy relevance of GVC research was a direct by-product of the embeddedness of MNEs within global, regional and local contexts and the recurring challenges of uneven development.

WAXING AND WANING OF INTERNATIONAL BUSINESS RESEARCH ON MNEs

In its early decades, the IB field indeed recognized and made significant contributions to topics involving foreign direct investment (FDI), MNEs

and globalization (Buckley, Doh and Benischke, 2017; Lundan, 2018). Big questions were tackled and novel paradigms distinguished IB from the more general fields of management and IE. John Dunning's pioneering work in establishing IB as an academic field, and in elaborating the three pillars of ownership, location and internalization (OLI) advantages of FDI in his 'eclectic paradigm', are well recognized (Dunning, 2002; Buckley, 2012). Beyond his many intellectual contributions, Dunning was also actively involved from the 1970s onwards in efforts by the United Nations (UN) to understand the impact of MNEs on economic development and international relations. He was appointed to the UN Group of Eminent Persons that recommended the creation of the UN Centre on Transnational Corporations (UNCTC) to evaluate the perceived good and bad effects of MNEs around the world, and he worked for many years as a consultant with UNCTAD in helping to establish its annual *World Investment Reports* that provided an overview of changing perspectives on the relationship between MNEs and development (Dunning, 2002: 822–823, 829; Buckley, 2010).

Raymond Vernon was another path-breaking figure in the 1960s and 1970s who put issues of political economy, political risk and the relations between MNEs and nation-states at the forefront of IB research. Vernon's Multinational Enterprise Project at Harvard Business School (HBS), which began in 1965 and lasted for 12 years, tried to remedy the economists' relative neglect of MNEs (Vernon, 1999).⁴ In his most popular book, *Sovereignty at Bay*, Vernon (1971) posed the question: To what extent have MNEs supplanted the national autonomy of governments? Extending his influential product life-cycle theory of international investment and trade (Vernon, 1966), Vernon emphasized the strategies and activities of MNEs as both a political and economic force, rather than just another form of international capital movement.

Although the memorable title of Vernon's book inevitably led many commentators to focus almost exclusively on the degree to which MNEs threatened the future of the nation-state, *Sovereignty at Bay* proffered a broader explanation for the spectacular growth of US-based MNEs in the postwar period that was rooted in the unique but declining advantages of US technological oligopolies, which confronted an 'obsolescing bargain' with host-country actors not only in resource-based industries like oil and copper (Moran, 1974) but also in some technology-oriented manufacturing industries

(Vernon, 1981). This latter aspect of Vernon's work on MNEs was an unlikely but influential forerunner to the subsequent GCC and GVC paradigms in two ways: first, Vernon laid the groundwork for a sectoral approach to studying MNEs, since their technological and size advantages generated distinct oligopolistic ('governance') structures across global industries; and second, the bargaining perspective for looking at MNE-host country relations facilitated detailed political economy case studies that were prevalent in the novel industry-oriented branch of dependency theory, which was incorporated by many GCC scholars (see Gereffi, 2018b: 3–11 for a review).⁵

In a widely debated article, Buckley (2002) has suggested that the IB field may be 'running out of steam' because it failed to maintain its connection with major contemporary issues of broad practical relevance. This concern is compounded by two 'translation' problems of IB research: (1) IB studies have very limited impact outside of business disciplines and in allied social sciences, which leads the IB field to be perceived as 'inward-looking' and excessively self-referential⁶; and (2) IB scholarship is rarely picked up by popular or industry publications, and insufficiently utilized by practitioners and policy makers⁷ (Buckley, Doh and Benischke, 2017: 1046).

In retrospect, there may be a larger life-cycle story of academic fields and ideas at work here. When the earliest IB studies were carried out more than 60 years ago, there was considerable interest in policy-related issues (Lundan, 2018). In the seminal years following the Second World War, the rise of FDI and MNEs was inextricably tied to the forging of the Anglo-American-led Bretton Woods system to rebuild the postwar international economy. The wide-ranging impact of IB pioneers like Dunning and Vernon across the international development, national policymaking and academic communities speaks to the fluidity of elites in this formative era. In more recent years, however, many IB scholars appear to have shifted their attention from MNE–state relationships towards internal governance issues within MNEs, which could contribute to the reduced policy relevance of IB work.

The emergence of the GCC and GVC perspectives in the 1990s and early 2000s was rooted in the policy debates surrounding the role of the state in import-substituting versus export-oriented national development strategies (Gereffi & Wyman, 1990), and the neoliberal turn associated with the 'Washington Consensus' policies of the 1980s (Babb,



2013; Stiglitz, 2002). The contrast between the IB and GVC frameworks is particularly striking in research exploring the growth, causes and consequences of global outsourcing and changes in the internationalization strategies of MNEs. The earliest GCC and GVC studies highlighted the structure and dynamics of offshore production in consumer-goods industries like apparel, footwear, electronics and automobiles (Gereffi and Korzeniewicz, 1994; Gereffi, 1999; Gereffi, Humphrey and Sturgeon, 2005). The initial GVC governance and upgrading concepts focused on the activities of MNEs in these sectors because the distinct governance structures of global industries (and their MNE lead firms) shaped the upgrading opportunities available to the developing economies where most offshore production occurred. In short, GVC governance structures and the supply chains of firms involved in MNE production networks linked the macro-level of international trade and investment with the micro-level of factories, jobs and local communities through the meso-level lens of global industries.

The IB literature also took note of MNEs and the offshoring phenomenon, but in a relatively insular way (Buckley, Doh & Benischke, 2017). Much of the IB work on MNEs since the 1970s has focused on the causes and consequences of offshoring for firms, with little analysis of the development implications. With few exceptions, IB studies related to globalization made almost no reference to the extensive GCC and GVC research on governance and upgrading.⁸

A notable departure from this pattern is the article by Buckley and Strange (2015) that identifies three 'models' of the global factory, each of which focuses on the global dispersion of economic activity but makes different assumptions about who controls (or 'governs') the global factory: (1) the 'global manufacturing system' model addresses the role of import-substituting and export-oriented development strategies that allowed countries to specialize in different industries and even different stages of the value chain in the same industry (Gereffi, 1989); (2) the 'foreign assembly' model highlights the role of MNEs in setting up offshore assembly operations to meet the competition of low-cost imports (Grunwald & Flamm, 1985); and (3) the 'global value chain' model zeroes in on the 'fine slicing' and relocation of MNE activities to independent overseas suppliers (Buckley & Ghauri, 2004). While ownership or control over globally dispersed activities varies across these scenarios, all three models share the core GVC insight that how

international production networks are governed has profound implications for the capture of profits and rents earned in GVCs, and hence for the global distribution of income and the upgrading prospects in emerging and developing economies.

Clearly, the GVC approach frames its core research questions differently from most IB studies that deal with MNEs and globalization, but an even more important dimension explaining the greater practical impact of GVC research has been its unrivaled success in being adopted by leading international development organizations over the past two decades. To understand this phenomenon, we need to move beyond ideas per se to the knowledge and policy networks that bridge academic research and the practitioner and policy-maker communities.

THE IMPACT OF GVC ANALYSIS ON INTERNATIONAL DEVELOPMENT ORGANIZATIONS

Virtually every international organization (IO) with a mandate related to economic development has embraced the concept and language of GVC analysis. The uptake of the GVC paradigm began in the early 2000s with a few early adopters, such as the ILO and UNIDO. The WTO, OECD, the World Bank and national development agencies like the US Agency for International Development (USAID) and the UK's Department for International Development (DFID) were slower to move toward GVCs, but, with the 2008–2009 financial crisis and the subsequent global recession, the rate of adoption rapidly accelerated throughout the IO development community. By 2013, the GVC framework was ubiquitous (Mayer & Gereffi, 2019; Werner, Bair & Fernández, 2014).

The adoption of policy-relevant ideas by IOs requires an understanding of the social networks that allow ideas to be discovered, nurtured and institutionalized within IO decision-making bodies. Large bureaucratic organizations operate in a top-down fashion when implementing broad objectives, and they allocate resources and personnel within internal divisions or units to help accomplish this mission. New ideas or contending approaches, however, typically enter IOs at lower levels in the organizational hierarchy, and work their way up the system to help solve problems introduced by the external or internal environments. Globalization created a series of external challenges to the prevailing development

paradigms and conceptual models used by IOs, and the GVC framework offered fresh insights to address these concerns.

In analyzing the dissemination of the GVC paradigm to IOs, it is useful to focus on the ties between two sets of change agents who were instrumental in the uptake of the GVC approach: policy entrepreneurs and idea entrepreneurs. *Policy entrepreneurs* work in specific units of the IOs and they are receptive to new ideas about development that can be utilized by their organizations.⁹ *Idea entrepreneurs* are typically based in academic institutions and research centers, and they have studied development using a variety of interdisciplinary tools and conceptual approaches.¹⁰ Thus, idea entrepreneurs are an external epistemic community (Haas, 1992) that engages with policy entrepreneurs inside development-oriented IOs to nurture change. In short, the networks joining policy entrepreneurs inside development IOs and idea entrepreneurs on the outside constitute the microfoundations of the GVC uptake story.

A few examples will illustrate how these connections worked in practice. In the late 1990s and early 2000s, the ILO, UNIDO, UNCTAD and other UN development agencies were searching for relevance and policy space in an era dominated by the neoliberal orthodoxy of privatization, deregulation and free trade associated with the so-called 'Washington Consensus' (Babb, 2013; Babb & Chorev, 2016; Wade, 2003). The ILO was particularly well positioned as an early mover to incorporate GVC analysis. As the only UN agency with a tripartite governing structure representing governments, workers, and employers, the ILO was attentive to how globalization and the policies of neoliberalism altered the relationships between these three actors.

The International Institute for Labour Studies (IILS), the ILO's research arm, played an important role in bringing the GVC paradigm to the organization. In 1998, IILS launched a research project on 'Global Production and Local Jobs' that sought to tackle the challenge of how to 'use globalization as a lever for local development by taking advantage of the opportunities opened up by the global economy' (Palpacuer & Parisotto, 2003: 97). The research focused on local industrial upgrading, jobs and development policy in the apparel, electronics and automobile industries. A central concern was how to moderate the social and economic imbalances resulting from global integration, since development research showed that global

relationships can be an unstable basis for growth and development if they disrupt and divide local industries and communities, thereby marginalizing those actors that fail to develop strong global ties. Addressing such problems called for significant changes in policymaking at multiple levels, a goal of the ILO's new 'Decent Work' agenda introduced by ILO Director-General, Juan Somavia, in 1999.

When Gerry Rodgers became the IILS director in 2005, he promoted the global production network (GPN) and GVC perspectives within the ILO (IILS, 2006). The IILS generated visibility for the GPN/GVC research agenda by hosting various conferences and workshops, and linking the ILO's Social Policy Lectures in December 2005 to the topic of 'The new offshoring of jobs and global development' using the GVC perspective.¹¹ Following a large 2006 research conference on 'Decent work, social policy and development' at ILO headquarters in Geneva, IILS internationalized its agenda by organizing a series of decent work regional workshops in four of the largest emerging economies in the world: Cape Town, South Africa and Beijing, China (April, 2007), Bangalore, India (November, 2007), and Rio de Janeiro, Brazil (April, 2009).¹² This set the stage for an ambitious international project of country cases and regional comparative analysis, carried out by the 'Capturing the Gains' research program on 'Economic and social upgrading in global production networks' in 2009–2013.¹³

With the financial crisis in 2008 and the subsequent global recession, engagement with the GVC framework accelerated rapidly. For the WTO, the economic crisis of 2008–2009 was something of an existential threat. The WTO was concerned that many countries would be tempted to adopt protectionist measures that would undo years of progress towards freer global trade. Pascal Lamy, the WTO Director-General from 2005 to 2013, searched for a new way to underscore the importance of maintaining open markets given the collapse of confidence in neoliberal economic orthodoxy by developing and advanced economies alike. Almost overnight, Lamy became a champion of the GVC concept, seeing it as a way to justify maintaining free trade.¹⁴ As Lamy later explained, 'If you are importing over 50% of your exports, then imposing measures to protect producers is decreasingly logical' (Lamy, 2014).

Under Lamy's leadership, the WTO recast its 'Aid for Trade' initiative, a partnership with the OECD, to highlight the GVC approach. The 2011 biennial report referenced GVCs 15 times and noted that



GVCs had become a growing priority for countries (WTO/OECD, 2011: 32). By 2013, GVCs were the central focus of the biennial review and provided a new framework for thinking about trade and development. '[D]eveloping countries can greatly benefit from value chains by concentrating on areas of comparative advantage,' Lamy wrote. 'Value chains are an easier path to economic development than building vertically integrated production processes from scratch' (WTO, 2013: 12).

The story of the World Bank's uptake of GVCs parallels that of the WTO and OECD in certain respects.¹⁵ The Bank largely ignored GVCs prior to the onset of the financial crisis. The Great Recession of 2008–2009 precipitated a demand for a new way of thinking about the trade–development nexus and the GVC framework met that need. But in other ways, the World Bank story is quite distinct. This is perhaps not surprising given the much larger scale of the Bank, its sprawling organization, and its more complex mission. Whereas, at the WTO, top leaders embraced the GVC analysis in the immediate aftermath of the global economic crash of 2008–2009 and launched significant initiatives that drove change from the top, at the World Bank, the story is more bottom–up. It begins with a handful of policy entrepreneurs located in the Bank's International Trade Unit, which was part of the Poverty Reduction and Economic Management division that provided economic policy advice and technical assistance to developing countries.

When the 2008 financial crisis hit, the first reactions of lead economists in the trade unit were akin to those at the WTO and the OECD: fear of rising protectionism. Early publications sought to make the case for continuing on the path towards global free trade and warned that a protectionist response would make matters worse (Evenett, Hoekman & Cattaneo, 2009). Outside the Bank, a growing network of academic researchers was associated with the policy world. At the Centre for Economic Policy Research (CEPR) in Geneva, a set of European-based scholars created the Trade Alert Network to disseminate their views on current trade issues.

Inside the Bank, the economic crisis created an opening for a non-traditional way of thinking. Cornelia Staritz joined the trade unit in 2008, a young Austrian fresh from completing her PhD in economics at The New School for Social Research.¹⁶ With the onset of the financial crisis, Staritz and

her senior colleague, Olivier Cattaneo, pitched an idea to Bernard Hoekman, the chief economist in the International Trade Unit. Since the phenomenon of GVCs was gaining a lot of resonance, why not bring together the leading scholars in the field to understand better how global industry was actually responding to the financial crisis and why so little demand for protectionism had materialized? Hoekman agreed, and in 2010 the World Bank published *Global Value Chains in a Postcrisis World: A Development Perspective* (Cattaneo, Gereffi & Staritz, 2010). The book featured a number of leading GVC researchers and signaled the Bank's public adoption of the GVC approach. It highlighted the resilience of a global economy organized around GVCs due in large part to the rise of supply chains linking producers and markets in South–South trade, as well as more traditional North–South trade and investment.

Strong interest in GVCs at the World Bank has continued to impact the organization. In 2014, the bank created a new Trade and Competitiveness Global Practice, headed by former Costa Rican Foreign Trade Minister, Anabel González. The flagship publication for this new unit was *Making Global Value Chains Work for Development* (Taglioni & Winkler, 2016). In 2020, the World Bank's flagship annual publication, *World Development Report*, will be dedicated to GVCs (World Bank, 2019).¹⁷

ADVANTAGES AND DRAWBACKS OF POLICY-ENGAGED GVC SCHOLARSHIP

These examples illustrate the process by which the GVC framework has been disseminated to and adopted by development-oriented IOs over the past two decades. This leaves open the question of the broader impact and potential advantages and disadvantages of these ongoing collaborations between research communities, development practitioners and policymakers. What can we learn from the GVC experience in this respect?

I will briefly comment on three topics related to this theme: (1) the scale and scope of research that can be undertaken; (2) the relevance and quality of findings and research programs related to important societal issues; and (3) multiple meanings for core GVC concepts as defined by diverse user groups or constituencies and the challenge of theory building.

Scale and Scope of Research

The varied collaborations between diverse groups of GVC researchers and development-oriented IOs, government agencies and foundations has greatly expanded the scale and scope of GVC-related work since the early 2000s. They have advanced both the formation and the institutionalization of interdisciplinary research communities that cover the impact of globalization across countries, regions, and industries, with an emphasis on identifying policies and other solutions to address the problems of uneven development at multiple levels (Gereffi, 2018b).

Foundations, universities and non-governmental organizations (NGOs)¹⁸ have played very significant roles in helping to institutionalize the GVC research paradigm. The Rockefeller Foundation not only supported the GVC Initiative in its formative years (2000–2005)¹⁹ but it also encouraged the creation of a university-based research center to maintain ties and promote the publications and other activities of GVC-related researchers around the world. To support this goal, the Center on Globalization, Governance & Competitiveness was established at Duke University in 2005, and was renamed the Duke Global Value Chains Center (Duke GVCC) in October 2017. Its mission was not merely to catalogue the activities of GVC researchers²⁰ but, more importantly, to serve as a hub to sustain the growing interest in designing and carrying out new GVC studies for an expanding number of clients and stakeholders. Since a large portion of active GVC scholars have university affiliations around the world, this fosters a broad and continuous flow of ideas, research methodologies and findings for the academic core of the GVC research community.²¹

Relevance and Quality of Findings and Research Programs

By definition, the engagement of development-oriented IOs and governments with the GVC research community lends policy relevance to the resulting studies. However, the challenge for GVC scholars is to assure that the study design, implementation and diffusion of results are appropriate and effective. The ‘Capturing the Gains’ (CtG) research program is a good illustration of the sometimes perilous path to establishing both relevance and sustainability in a setting with multiple and shifting stakeholders.

As noted earlier, CtG was an outgrowth of the ILO’s interest in linking economic and social

upgrading in global industries (Barrientos et al., 2011). The UK’s bilateral aid agency, DFID, was keen to support the goal of poverty reduction adopted by the British Labour Party governments of Tony Blair and Gordon Brown from 1997 to 2010. Stephanie Barrientos, a faculty member at the University of Manchester, persuaded a couple of DFID officials (who previously worked with her on the British Ethical Trade Initiative) to provide two million GBP to support a new global research program to consider how developing countries and poorer workers within them could ‘capture the gains’ created in the GVC-dominated global marketplace.

Beginning with a conference at Manchester University in December 2009 and culminating in the Capturing the Gains Global Summit in Cape Town, South Africa, three years later,²² the CtG program spawned a wealth of new research (e.g., Nathan, Tewari & Sarkar, 2016; Barrientos, 2019; and special issues of several journals²³) addressing how strategies for economic upgrading, long the focus of the GVC literature, might also be accompanied by ‘social upgrading’.²⁴ However, when David Cameron’s Conservative government assumed power in May 2010, it moved the progressive orientation of CtG out of the UK political mainstream, and DFID’s leadership was divided about promoting and implementing the findings and policy recommendations of the CtG project. Ultimately, CtG’s advisory networks in both the private and public sectors strongly supported the project’s research results about the need to improve social upgrading in GVCs such as horticulture, apparel and tourism. Notwithstanding this official endorsement of CtG’s analysis, DFID’s shifting policy priorities closed off possibilities for a new round of funding.²⁵

Multiple Meanings for GVC Concepts and the Challenge of Theory Building

Policy-engaged GVC scholarship is enhanced by the emphasis placed on high-quality publications. For academic participants, these are closely linked to career trajectories, especially articles in prestigious journals. In addition, the books and flagship annual reports published by development-oriented IOs like the World Bank, OECD, UNCTAD, the ILO and others, which are frequently co-authored with academic collaborators, have been very influential. They not only raise the visibility of the GVC paradigm to scholars and practitioners but also



often make significant contributions in terms of concepts, new data sources,²⁶ and findings.

One of the drawbacks of the wide dissemination of the GVC approach is that it has frequently been internalized in different ways within the IO community. In a comprehensive review of seven UN agencies that all use the term ‘value chain development’, the authors conclude there is considerable ‘fuzziness’ about how the concept is adopted:

...[value chain]-related activities sometimes seem to be rather the outcome of ‘re-labelling’ former private sector development interventions. In other cases, activities that could clearly be subsumed under the value chain approach are not labeled accordingly... These observed shortcomings in knowledge management, transparency and the lack of defined unique selling positions make inter-agency cooperation in [value chain] promotion difficult (Stamm & von Drachenfels, 2011: 30).

In short, many of the UN agencies that adopt the GVC framework mislabel its core concepts and don’t apply the framework consistently.

However, there may be a more systematic explanation for the multiplicity of interpretations given to the GVC approach. The IOs in the UN system have distinct ideological tendencies and preferred development models, given their history, culture and the constituencies they serve. Accordingly, one can identify three main approaches to GVCs among the IOs:

- A ‘neoliberal’ interpretation – This focuses on open international trade and investment as a rationale for the centrality of GVCs in the global economy. It views the role of the state as largely limited to supporting well-functioning GVCs and minimizing trade ‘friction’ at borders (i.e., fewer restraints and regulations). It envisions a highly limited role for state policies in other domains and prefers ‘outsourcing’ regulatory and distributive governance to private actors (Mayer & Phillips, 2017). The WTO, OECD, International Monetary Fund, and the World Economic Forum tend to fit this model.
- A ‘developmentalist’ interpretation – This envisions the state as the primary arbiter of economic growth; it focuses on the most vulnerable groups and regions that are marginalized by uneven development (Werner, Bair & Fernández, 2014), and it stresses investments in human capital, physical infrastructure, and local productive capacity. Although it recognizes GVCs as a phenomenon to be dealt with by states, it imagines only limited engagement with GVC actors. UN

agencies that identify with this approach include the OECD Development Centre, the Globalization and Development Strategies Division of UNCTAD, and the UN Development Program.

- A ‘partnership’ interpretation – This recognizes the essential role of private-sector actors in development and the need to harness them to accomplish development objectives involving local stakeholders and domestic priorities. It views development as a partnership between public and private actors in which states and IOs work with GVC lead firms to upgrade local suppliers, ensure fair treatment of workers, adopt environmentally sustainable business practices, and support investments in communities (Abdul-samad & Manson, 2019). The World Bank, regional development banks (like the Inter-American Development Bank), the ILO, the Investment and Enterprise Division of UNCTAD, and UNIDO are generally in this camp.²⁷

These diverse interpretations of the GVC framework are an inherent feature of many relational and multi-level models. The meso-approach of GVC analysis highlights the role of private-sector actors in linking the global (macro-) and local (micro-) levels of development. However, the governance structures of GVCs embody the asymmetries of power in global industries, and upgrading dynamics posit that there are multiple entry points and potential trajectories for moving up (or down) relevant value chains. Policymakers, the development IOs and NGOs that represent different constituencies of countries, social actors and pressing global issues can use the tools of GVC analysis to understand not only current structures and trends but also the leverage points to enter and shape their preferred outcomes in global industries. Thus, there is no single development theory implied by the GVC approach. This is a source of frustration to some and an element of openness and flexibility to others.

The life-cycle perspective discussed for the IB field may also have an analogue in terms of the development arena. In the 1960s and 1970s, there was a great deal of interest in interventionist, state-led models of development, ranging from import-substituting industrialization (ISI) in Latin America to the socialist bloc countries during the Cold War. In the 1980s, there was a clear ‘neoliberal’ turn associated with the Reagan and Thatcher administrations in the US and UK, respectively, and internationally with the ‘Washington Consensus’ model

that delegitimized the interventionist policies of development economics and the ISI approach (Krugman, 2006). Following the 2008–2009 economic crisis, there is a renewed appreciation by the WTO, World Bank and other development agencies of the need to build a more collaborative, partnership approach to restore support for international trade and investment. Thus, the different interpretations given to GVCs may reflect historical shifts as well as distinct development ideologies.²⁸

CAN THE GVC FRAMEWORK STILL GENERATE FRUITFUL RESEARCH QUESTIONS?

One of the greatest strengths of the GVC approach has been its ability to continue to generate important and fresh research questions across multiple disciplines and user communities. UNCTAD's annual *World Investment Reports (WIR)* are a good barometer of big issues that concern policymakers, practitioners and academics. In 2013, the *WIR* on global value chains (UNCTAD, 2013), along with a series of World Bank books (Cattaneo, Gereffi & Staritz, 2010; Taglioni & Winkler, 2016; World Bank, 2019), galvanized attention among IOs and the broader public on the centrality and robustness of the GVC paradigm. UNCTAD's *WIR 2017* on 'the digital economy' is playing a similar role with that topic (UNCTAD, 2017a), which has received a great deal of attention in the popular press as well as by pundits infatuated with the Fourth Industrial Revolution (Schwab, 2017).

GVC scholars are already making distinctive contributions to this debate. Timothy Sturgeon has authored a recent UNCTAD report on 'The "new" digital economy and development' (UNCTAD, 2017b); Rehnberg & Ponte (2018) analyze how the widespread adoption of 3D printing might restructure manufacturing and affect upgrading trajectories in the aerospace and automotive GVCs; Wu & Gereffi (2018) compare the business models and internationalization strategies of Amazon and Alibaba, showing that Amazon does not fit the 'asset light' profile of digital economy firms proposed in UNCTAD (2017a); and Gereffi (2018c) examines how US protectionism towards China masks a broader pattern of strategic competition between the two global superpowers that has been unleashed by China's 'Made in China 2025' high-tech ambitions to control key technologies of the future.

Another timely topic is the changing relationship between GVCs and local economic clusters in the

globalization era. The need to integrate the global industry and local cluster levels of analysis was one of the themes that gave rise to the GVC Initiative in the early 2000s, and this has proven to be a fruitful research agenda (Bair & Gereffi, 2001; Schmitz, 2004; Giuliani, Pietrobelli & Rabellotti, 2005; Pietrobelli & Rabellotti, 2011). A recent edited volume that draws heavily on cases of industrial districts in Italy and Spain extends this tradition and theorizes about how the co-evolution of GVCs and economic clusters spurs competitiveness and innovation in contemporary manufacturing sectors, where MNEs originate and contribute to entrepreneurship at both the global and local levels (De Marchi, Di Maria & Gereffi, 2018). A critical issue posed by contemporary clusters is how they can scale-up and integrate with global economic actors for efficiency gains without forfeiting their local territorial advantages associated with design, indigenous innovation, a domestic supply base and marketing.

For smaller economies that wish to prioritize upgrading via high-tech manufacturing exports, there is a key debate about whether industrial policies that foster FDI-dominated clusters generate sufficient local linkages and knowledge spillovers for a sustainable pattern of industrial upgrading. A new analysis of the electronics and medical device GVCs in Costa Rica suggests that MNEs in local industrial agglomerations can generate significant knowledge spillovers from high-value manufacturing-related services, even when local suppliers and traditional knowledge assets are limited, if the MNE's global strategy stimulates human capital development within the country (Gereffi, Frederick & Bamber, 2019).

A final example of new frontiers for FDI stems from the desire for catch-up industrialization in sub-Saharan Africa and the innovative use of industrial parks for integrated value chain development. Ethiopia's policymakers are engaged in an ambitious industrialization plan whereby industrial parks will be used to boost employment, exports and FDI in the manufacturing sector, which is targeted to reach 25% of gross domestic product. Ethiopia recently identified textiles and apparel as the key strategic sector to help transform its economy. The explicit GVC angle to the current industrial policy is to bring in complete value chains around specific GVC anchor firms. Ethiopia's proof of concept is Hawassa Industrial Park in which PVH, the world's second largest global apparel firm (after VF Corporation), has assembled



a fully integrated vertical supply chain, built around compliance with high social and environmental standards (Mihretu and Llobet, 2017). The infrastructure for the park was constructed in less than one year, with strong support from the Ethiopian government and Chinese investors. While this case raises a host of important research questions concerning scale, scope and generalizability of Ethiopia's upgrading model, it illustrates that GVC-oriented development strategies remain vital to governments and MNEs alike.

CONCLUSION

Buckley, Doh and Benischke (2017) advocate for IB researchers to explore 'grand challenges' that have the potential to capture the public's imagination and impact the world of practice and policy. Although the goals are lofty, this is wise advice. However, like many attractive ideas, this is easier said than done. It requires not only willingness on the part of scholars but also a set of analytical tools appropriate to the task and receptiveness by policymakers and the public. For a variety of reasons, some planned and others fortuitous, the GVC paradigm has managed to find a sweet spot of academic acceptance and policy relevance in the swirling controversies surrounding globalization and development. Hopefully, there are useful insights from this experience that can facilitate *JIBP's* recommended 'policy turn' for the IB community.

There was nothing automatic about the adoption of the GVC framework in IO policy circles. At the outset, GVC scholars concentrated on forging a new development paradigm that could integrate multiple levels of analysis between the global and the local, with an emphasis on MNEs, the governance structures of their international supply chains, and the prospects for upgrading by developing economies across a multitude of industries. In contrast to the IB field, which moved to a more managerial orientation concerning MNEs, most GVC researchers had a development focus from the outset. While various historical junctures provided openings for new thinking about development, the efforts of policy entrepreneurs in the development IOs and the idea entrepreneurs within the research community were instrumental in initial acceptance and later the rapid diffusion of the GVC approach.

Was the spread of the GVC framework a win-win for the academic and policy communities, or did

something need to be sacrificed? The answer is probably a mix of both. The mutual gains aspect has several dimensions. The uptake of the GVC approach by many development IOs undoubtedly increased the visibility of GVC research, and it generated numerous opportunities for GVC scholars to participate in IO conferences and workshops and pursue funding and contract research on topics of mutual interest. Even more important were the country and regional experiences and ideas about development held by the people working inside IOs that were shared with researchers during project collaborations. Although academics are often narrowly focused on publications in scholarly books and journals, GVC engagement with IOs and other policymakers has been a joint learning process that has improved the scope and quality of research and publications for both academics and practitioners.

There are also downsides to policy-engaged scholarship. The policy community usually prefers research that addresses practical development issues with concrete policy implications. MNEs are similarly pragmatic, except they are interested in strategy options and a better understanding of locational differences on the ground (e.g., the foreign-investment decision process), plus modeling outcomes for varied policy scenarios. Policy-engaged research often has to be done relatively quickly, and, for longer-term projects, there is always the possibility that the sponsors and audience for this research will shift personnel and priorities between the launch of a project and its conclusion (as happened in the Capturing the Gains project discussed above). Finally, we have seen that policy communities can shape the concepts and results of research programs to fit their diverse ideological positions, internal predilections, or changing historical events. To a certain extent, these problems are faced by all international research projects, and policy-engaged scholars can mitigate these risks in multiple ways, such as by developing diverse portfolios of topics, participating in multiple research networks and communities, and publishing their findings in both academic and policy-related outlets.

Looking forward, we are in a period of unusually rapid and intense change in the global economy and geopolitical environment. As a result, the demand for good policy-engaged scholarship continues to accelerate. *JIBP* will embrace this challenge in a forthcoming special issue on 'Global value chain-oriented policies' co-edited by Carlo Pietrobelli, Roberta Rabellotti and Ari Van Assche.

The special issue seeks to analyze specific policies that could help firms, countries, regions and clusters benefit from GVCs, as well as address the difficulties of participating in them. This publication invites a detailed consideration of topics that extend both IB and GVC research, such as: novel ways of attracting FDI and new trends in the organization of GVCs; the impact of changing trade policies on firms, jobs and communities in exporting and importing countries; value-capture policies related to stronger innovation and production ecosystems; and targeted training programs to provide skills related to ascendant and established technologies. As highlighted in the current article, this research agenda is both timely and stimulating, and it promises to foster exciting and productive dialogue, insights and collaboration among the academic, policy and practitioner communities.

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NOTES

¹Other international organizations with a strong GVC focus include the United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), World Economic Forum, and the Organisation for Economic Cooperation and Development (OECD), as well as the main regional development banks representing Latin America, Africa and Asia. Also on this list are bilateral development agencies from rich donor nations like the United States (US), United Kingdom (UK), Germany, Denmark, Switzerland and Japan.

²The first official publication of the GVC Initiative was a special issue of the *IDS Bulletin* entitled 'The value of value chains: Spreading the gains from globalisation' (Gereffi & Kaplinsky, 2001).

³The limitations and advances to these early GVC upgrading approaches are discussed in Gereffi (2019).

⁴Prior to joining the HBS faculty in 1959, Vernon already had a distinguished record of accomplishments in both the public and private sectors. During stints with the US Securities and Exchange Commission and the US Department of State, Vernon participated in the development and implementation of the Marshall Plan, the International Monetary Fund, and

the postwar recovery of Japan. He worked a couple of years for the Mars chocolate company (gaining industry fame for heading product development of peanut M&Ms) and he directed the New York Metropolitan Region Study that forecast the changing distribution of people and jobs in the New York metropolitan area (see https://en.wikipedia.org/wiki/Raymond_Vernon).

⁵My own approach to GVCs, and particularly the analysis of MNEs in the context of global industries, was strongly influenced by the work of Vernon and his associates in the HBS Multinational Enterprise Project and at Harvard's Center for International Affairs, where I was a visiting scholar from January 1977 to June 1980 (Gereffi, 2018b: 7–8).

⁶A pertinent illustration of IB scholars overlooking relevant work outside their own domain is provided by Buckley, Doh and Benischke (2017: 1050): 'For example, the research by Gereffi and colleagues on upgrading in global value chains (e.g., Barrientos, Gereffi & Rossi, 2011; Gereffi, 1999; Sturgeon, Van Biesebroeck & Gereffi, 2008) has rarely been acknowledged by IB scholars. Indeed, the work on offshoring/outsourcing and global value chains inside the IB domain has evolved almost independently from research on the very same phenomena in other disciplines.'

⁷This finding is supported and qualified by a citation analysis of leading economics and IB journals, in which top policy publications on international trade tended to rely far more heavily on IE than IB journals, although IB journals were more influential in the areas of investment and competitiveness policy (Van Assche, 2018: 118–119).

⁸There is a forthcoming point-counterpoint of Strange & Humphrey (2019) and Benito, Petersen & Welsh (2019) in *Journal of International Business Studies* on the GVC framework and internalization theory, and a recent article by Kano (2018) that offers a relational view of GVC governance. However, these studies focus mainly on the determinants of the governance structure itself and its relevance for firms, rather than on the development implications of governance.

⁹In the relatively sparse literature on policy entrepreneurs, the concept refers to individuals that have been a driving force for action, regardless of whether they work inside or outside of the organizations they are trying to influence (Mintrom and Norman, 2009: 651). In our GVC uptake analysis, policy entrepreneurs are viewed as individuals *inside IOs* that have access to the budgetary resources and organizational channels

needed to implement and scale up new ideas about development.

¹⁰There is a legitimacy and objectivity associated with academic research that is important for IOs. The notion of an idea entrepreneur, however, assumes some level of significant engagement with IOs beyond research citations. The varied modes of contact used to distinguish idea entrepreneurs from more traditional academics involve a continuum of activities, such as: attending IO conferences and workshops; co-authored publications with IO staff; working for IOs as an external consultant; and working in research projects funded by IOs. Occasionally, researchers may be hired by IOs as full-time staff members, and then return to academia or research centers, which blurs the boundary between these two roles.

¹¹Three lectures were given by Gary Gereffi at the University of the West Indies in Jamaica on 5–7 December 2005 (Gereffi, 2006). The third lecture on the demand for global governance, co-authored with Frederick Mayer, echoes concerns from the World Commission's *A Fair Globalization* report (2004) that the imbalances generated by GVCs led to governance deficits that threaten the stability of the global economy (Gereffi & Mayer, 2006).

¹²The ILS used these country workshops to foster the institutional and policy agenda of decent work with a wider group of local and international researchers and policy stakeholders. Key representatives from the GVC/GPN research community leading these workshops were Stephanie Barrientos and Gary Gereffi; they were accompanied by Anne Posthuma, who joined the ILS staff in 2006 with a PhD in development studies from IDS/Sussex, UK.

¹³This large project was co-organized by Barrientos and Gereffi, and primarily funded by UK's DFID and the Swiss Development Corporation. It involved 40 researchers from 20 institutions, and included four sectors (horticulture, apparel, mobile phones and tourism) focusing mainly on sub-Saharan Africa (see <http://www.capturingthegains.org/>).

¹⁴See Lamy's Foreword to *Global Value Chains and Development* (Gereffi, 2018a: xvii–xviii).

¹⁵This discussion relies on Mayer & Gereffi (2019).

¹⁶Her dissertation advisor, William Milberg, was an economist critical of neoliberalism and intrigued by the emerging literature on GVCs, particularly the observation that trade within them was less about the dynamics of competitive markets than about power relationships within value chains (Milberg, 2004; Milberg & Winkler, 2013).

¹⁷For a preview, see <http://www.worldbank.org/en/publication/wdr2020>.

¹⁸NGOs have played an important role in broadening the scope of GVC studies. For example, the Environmental Defense Fund (EDF), one of the earliest partners for Duke GVCC, commissioned a series of product-level case studies on 'clean technology and US jobs' to show how carbon-reducing technologies can be linked to the US manufacturing sector. The initial report 'Manufacturing Climate Solutions' was released on Nov. 1, 2008 with five case studies (see <https://gvcc.duke.edu/cggclisting/manufacturing-climate-solutions/>). In total, over a dozen environmental cases were carried out by Duke GVCC for EDF using the value-chain methodology (https://gvcc.duke.edu/search-our-work/?fwc_clients=environmental-defense-fund&fwc_topical_areas=manufacturing-climate-solutions).

¹⁹Rockefeller also provided supplemental funding for 2006–2008.

²⁰About 1,100 publications and nearly 800 researchers appear on the Global Value Chains Initiative website (<https://globalvaluechains.org/>) as of June 10, 2019. The actual numbers are likely far higher because efforts to maintain an updated list have been discontinued in recent years.

²¹A growing number of universities have created specialized GVC research programs or held GVC-related workshops or conferences leading to publications, such as the University of Manchester (UK), Padova University (Italy), Venice International University (Italy), the University of Singapore, the University of International Business and Economics (Beijing, China), and Duke Kunshan University (Kunshan, China).

²²See <http://www.capturingthegains.org/summit>.

²³These include a special feature on 'Decent work in global production networks' in *International Labour Review* (Barrientos et al., 2011); a theme issue on 'Trade policy and regionalisms in global clothing production networks' in *Cambridge Journal of Regions, Economy & Society* (Pickles et al., 2015); and a theme issue on 'New dynamics of upgrading in global value chains: Shifting terrain for suppliers and workers in the global south' in *Environment and Planning A* (Barrientos, Gereffi and Pickles, 2016).

²⁴Social upgrading includes ensuring that worker rights and other labor protections accompany efforts to connect to global chains and/or move to higher value-added segments of chains, and that profits generated in the chain were more equitably distributed.

²⁵The ILO maintained its involvement with the GVC agenda by organizing its International Labour

Conference in June 2016 around the issue of 'Decent work in global supply chains' (Thomas & Turnbull, 2018).

²⁶A good example is the OECD-WTO's Trade-in-Value-Added (TIVA) publicly available database, as well as a variety of other GVC-relevant statistics on business functions and trade in 'specified' intermediate goods and services linked to particular industries (see Sturgeon, 2019).

²⁷There can be important variations, though, within subunits of these IOs. Similarly, the main bilateral donor agencies like USAID and DFID may fluctuate between the neoliberal and partnership models, depending on the political orientation of the administration in power.

²⁸Specific UN agencies, like the UN Centre on Transnational Corporations, mirror this shift. UNCTC was created in New York in 1974 amidst rampant criticism in the wake of the 1972 revelations that the International Telephone and Telegraph Company

plotted with the US Central Intelligence Agency in 1970 to block the presidential election of Salvador Allende in Chile. For nearly two decades, from 1975 to 1992, the UNCTC struggled to fashion a code of conduct to govern MNE activities and it ultimately failed to achieve consensus (Moran, 2009: 92–93; Bair, 2015). UNCTC was dismantled, and in 1993 the UN's work on MNEs was shifted to UNCTAD's Investment and Enterprise Division in Geneva, which was assigned responsibility for producing UNCTAD's flagship publication, *The World Investment Report*. Thus, at various stages of its existence, UNCTC had multiple and potentially conflicting objectives: to regulate MNEs; to analyze MNEs in global industries, such as pharmaceuticals (Gereffi, 2018b: 9–10); and in its reincorporation within UNCTAD, MNEs are a key contributor to the evolving trade-investment nexus within GVCs (UNCTAD, 2013, 2017a).

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ABOUT THE AUTHOR

Gary Gereffi is an Emeritus Professor at Duke University and the founding Director of the Duke Global Value Chains Center. During his time as a Professor of Sociology, he taught courses on economic sociology, globalization and comparative development, and international competitiveness. He received his B.A. degree from the University of Notre Dame and his M.Phil. and Ph.D. degrees from Yale University. Gereffi has published numerous books and articles on globalization, industrial upgrading, and social and economic development in various parts of the world. His books include: *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia* (Princeton University Press, 1990); *Commodity Chains and Global Capitalism* (Praeger, 1994); *Free Trade and Uneven Development: The North American Apparel Industry after NAFTA* (Temple University Press, 2002); *The New Offshoring of Jobs and Global Development* (International Institute of Labor Studies, 2006); *Global Value Chains in a Postcrisis World: A Development Perspective* (The World Bank, 2010); and *Global Value Chains and Development: Redefining the Contours of 21st Century Capitalism* (Cambridge University Press, 2018). Gereffi’s research interests deal with the competitive strategies of global firms, the governance of global value chains, economic and social upgrading, and the emerging global knowledge economy.

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