

GLOBAL COMMODITY CHAIN-‘DRIVENNESS’ AND POSSIBILITIES OF LOCAL INTERVENTION

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Objective

The content of Global Commodity Chain (GCC) theory is elaborated in a number of other presentations at this workshop, including one by its most important author Gary Gereffi. The purpose of this brief note is:

- to focus on a couple of (the many) ‘loose ends’ within this otherwise extremely useful and thought-provoking theory,
- to reflect on their implications for looking at the economies of developing countries,
- to report some research on certain GCCs emanating from Tanzania (East Africa) in their light, and finally
- to suggest some additions to the policy agenda implicit (amongst other places) in Gereffi’s recent papers on industrial upgrading in the apparel chain.

‘Loose ends’ in GCC theory

A first ‘loose end’ I want to focus upon is the ambiguity of the categories ‘Buyer’ and ‘driven’ within the concept ‘Buyer-driven commodity chain’ (BDCC). The importance of these ambiguities is related to the importance of the concept itself, which offers a profound new entry-point to studying what is new in the global economy - if the age of Keynesian economic policy was one of the domination of producers’ organisations, that of liberal economic policy is surely that of the domination of ‘buyers’. But ‘buyers’ may be international traders, international trader-processors, importers acting as preferred suppliers for retail chains or brand merchandisers, depending on the commodity and context in question. Similarly, there are significant variations, not only in the forms in which these different agents typically ‘drive’ GCCs, but also in the *extent* to which particular GCCs are driven by a particular group of buyers (or producers come to that). Some GCCs may presumably simply be ‘steered’ or even roll along in neutral as it were, rather than being driven in a strong sense. Moreover, common sense seems to suggest that ‘sellers’ generally have a chance of a better deal in GCCs which are less strongly ‘driven’ than they do in ones which are more.

The other ‘loose end’ in question is that of the role of national regulative systems. As everyone knows, these are far less influential than they have been. But isn’t there still some scope for nation states, including nation states in the ‘south’, to influence the structure of GCCs through regulative interventions? I mention this point if only because, in some of Gary Gereffi’s latest work, ‘learning by doing’ (i.e., participating in GCCs with the intention to learn) is foregrounded as a method of industrial upgrading.

Implications for the study of the economies of developing countries

Exploring these loose ends further is of some importance, because recent empirical work on certain ‘value chains’ beginning in Africa and ending in Britain¹ suggests that where BDCCs are very strongly driven, opportunities for ‘learning by doing’ tend to be confined to a tiny handful of producers/sellers. As a result of the much more intensive driving by large UK retailers (and probably those of other northern countries) of the global fresh fruit and vegetable (FFV) industry, production has shifted from predominantly smallholder countries and producers to (countries with) large-scale ‘white settler’-type establishments. In other words, conditions for entry even to seller roles in these GCCs become ever more exacting and smallholders get excluded rather than presented with chances for learning. A roughly parallel process is noted in recent discussions of the global coffee chain², although this chain is apparently increasingly driven by processors and trader-processors rather than by retailers. In both cases, the pattern is one of power being exercised by the externalisation of low-profit functions in an upstream direction, which in turn ‘shakes out’ of the chain those upstream who can’t handle these functions.

These contributions may be read as suggesting that Gereffi’s ‘learning by doing’ approach to upgrading has only limited applicability. On the other hand, they may also be read as an incentive to closely examine a number of different GCCs emanating from less developed countries, with a view to establishing which of them are structured on a global scale in ways which offer wider general possibilities for ‘sellers’. At the same time, a second useful new point of departure might be to look at the different experiences of less developed country national state regulation of GCCs, and how these have created or failed to create better sorts of possibilities for ‘sellers’.

Recent empirical material on GCCs in Tanzania

Over the last decade I have been directly or indirectly (mainly directly) involved in research in Tanzania on developments there in the local segments of the GCCs for seafoods, cotton and gold. On a global scale, compared to the chains for apparel, FFV and coffee, those for this group of commodities are not clearly buyer- or (northern country) processor-driven. Either other functions play a leading role or the chains are segmented and no clear driving or coordinative role is evident. For example, in the gold chain (not a pun) there are distinct sets of official and unofficial supply sources and three qualitatively separate end markets. In a majority of the chains certain raw material producers still have an important role - most obviously in the cotton chain where the grading system initiated by US seed cotton producers is still the trade’s ‘quality convention’ (in opposition to merchandiser- or retailer-driven chains, where quality conventions are brand/label/trader reputation based). At least in cotton and gold, buyers represent a highly fragmented group and are even predominantly located in ‘southern’ countries.

Structurally, this means that the position of producers/‘sellers’ within these chains is less

¹ H. Barrett et al (1997) ‘Prospects for horticultural exports under trade liberalisation in adjusting African economies’ (Report to Dfid (ESCOR)); Harris-Pascal, C., J. Humphrey and C. Dolan (1998) ‘Value chains and upgrading: the impact of UK retailers on the fresh fruit and vegetable industry in Africa’ (IDS Sussex, mimeo)

² e.g., van Dijk, J. et al (1998) *The World Coffee Market* (Rabobank, Utrecht)

overdetermined than it is in the chains frequently referred to in the literature as paradigms of industrial producer-driven and BDCCs respectively. This in turn means that even relatively weak nation states in Africa have a chance to make policy interventions which can influence the position of local producers/‘sellers’ within the global chain (and thereby the share of total value generated along the chain which is retained locally), and which also can still shape the forms in which local production takes place (and thereby the resulting local distribution of benefits).

Against the general background of the gradual implementation of an essentially orthodox structural adjustment programme in Tanzania (1984/5 to present), the Tanzanian government took decisions concerning cotton, gold and seafood which bore decisively on both these points. Briefly, cotton was liberalised in manner which led to a downgrading of the position of local producers/‘sellers’ on the world market and which partly devalorised the forms in which some local production took place³. A simple intervention in relation to local small-scale gold production was undertaken in the late 1980s, namely the buying of gold at near-world market prices by government banks in the mining areas, which led to a major expansion of the sector and to substantial accumulation by indigenous producers and claim-holders. (Official purchases ceased in 1993, apparently under pressure from the IMF, and a policy was then followed of opening up for large scale international mining operations. Some of the main claims they have subsequently occupied are those formerly occupied by small-scale producers).

In relation to the local segment of the chain for Nile Perch, two interventions of an equivalent level of simplicity to the first gold policy were made in the early 1990s. Their effects were also similar. Firstly, a ban was introduced on the export of whole and semi-processed fish from the country, which had the consequence of obliging exporters to open local processing plants. Secondly, a ban on trawling in the Tanzanian part of Lake Victoria was introduced, obliging factory owners to contract artisanal fishermen. This led to a major local Nile Perch boom, with both the capture of a higher local share of value-added and a much more even distribution of its benefits than would have otherwise occurred. This virtuous cycle of changes has subsequently been interrupted by successive EU bans on imports of Nile Perch fillets, allegedly on health grounds but probably involving a form of (Atlantic cod producer-inspired) disguised protection.

Some suggested additions to the policy agenda for less developed countries

Here I will just list a few suggestions which I think follow from the above discussion:

-- *avoid new involvement in agricultural chains which are clearly buyer-driven.* Getting involved in FFV and similar commodities such as cut-flowers may lead to an increase in national export revenues, but only on the basis of enclave-type forms of local production.

-- *ensure the attainment of quality premia in markets where GCCs are driven/steered/coordinated by agents other than buyers.* Chains not under buyer control may supply greater opportunities for upgrading by small-scale producers, and hence for more broad-based economic development.

However, a feature of these chains/markets tends to be the overwhelming importance of price. A precondition for upgrading, and for avoiding busts and re-marginalisation, is to specialise in higher

³ For details see Gibbon, P. (1999) ‘Free competition without sustainable development: Tanzanian cotton sector liberalisation 1994/5 to 1997/8’, *Journal of Development Studies* Vol. 36 No. 1

quality varieties of the commodity. The premia attached to these is far more resilient than other (e.g., market window) premia under conditions of increasing global market saturation.

-- *ensure a link between input and output chains.* Quality can only be underwritten in the longer-term by engineering an incentive- or regulation-based reintegration of local input and output markets (with liberalisation local input markets for export crops have generally failed).

-- *broaden the scope of local processing industry by reserving certain crops, minerals or other products for local and/or artisanal producers.* The measures described above for gold and Nile Perch met with surprising little local opposition and were easy and cheap to implement. Such regulations could be extended to other export commodities:- for example, prawn, timber, gemstones, tobacco. The natural resource depletion consequences would also be broadly positive.