

COMMODITY CHAINS
AND
GLOBAL CAPITALISM

EDITED BY
Gary Gereffi and
Miguel Korzeniewicz

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Introduction: Global Commodity Chains

*Gary Gereffi, Miguel Korzeniewicz,
and Roberto P. Korzeniewicz*

Industrialization on a world scale has undergone significant shifts during the past two decades. The capacity to produce and export manufactured goods is being dispersed to an ever expanding network of peripheral and core nations alike. Economic globalization has been accompanied by flexible specialization, or the appearance of new, technologically dynamic forms of organization that usually are characterized by low equipment dedication, high product differentiation, and short production runs. In today's global factory, the production of a single commodity often spans many countries, with each nation performing tasks in which it has a cost advantage. The components of the Ford Escort, for example, are made and assembled in fifteen countries across three continents. Capitalism today thus entails the detailed disaggregation of stages of production and consumption across national boundaries, under the organizational structure of densely networked firms or enterprises (see Dicken, 1992; Porter, 1990; Reich, 1991). Crucial concepts in comparative sociology, such as national development and industrialization, are increasingly perceived as problematic in facilitating an understanding of these emerging patterns of social and economic organization.

But how novel are these emerging phenomena and world-economic patterns? Do they indeed signal the emergence of a new international division of labor? In order to successfully address these questions, we must find a theoretical approach that is analytically sensitive to historical change in order to evaluate and distinguish cyclical patterns from new trends. This framework must capture both the spatial features of these transformations across the world-economy, and the relationships that link these processes together. To contribute to such a theory,

and as a means of understanding the changing spatial organization of production and consumption in the contemporary world-economy, the articles in this book critically explore and elaborate the global commodity chains (GCCs) approach, which reformulates the basic conceptual categories needed to analyze new patterns of global organization and change.

A commodity chain has been defined by Hopkins and Wallerstein (1986: 159) as “a network of labor and production processes whose end result is a finished commodity.” A GCC consists of sets of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy. These networks are situationally specific, socially constructed, and locally integrated, underscoring the social embeddedness of economic organization. As indicated by Hopkins and Wallerstein (chapter 2 in this volume), “the greatest virtue of a commodity chain is its emphasis on process” (p.50).

Specific processes or segments within a commodity chain can be represented as boxes or nodes, linked together in networks. Each successive node within a commodity chain involves the acquisition and/or organization of inputs (e.g., raw materials or semifinished products), labor power (and its provisioning), transportation, distribution (via markets or transfers), and consumption. The analysis of a commodity chain shows how production, distribution, and consumption are shaped by the social relations (including organizations) that characterize the sequential stages of input acquisition, manufacturing, distribution, marketing, and consumption.

The GCCs approach promotes a nuanced analysis of world-economic spatial inequalities in terms of differential access to markets and resources. Our GCC framework allows us to pose questions about contemporary development issues that are not easily handled by previous paradigms, and permits us to more adequately forge the macro-micro links between processes that are generally assumed to be discretely contained within global, national, and local units of analysis. The paradigm that GCCs embody is a network-centered and historical approach that probes above and below the level of the nation-state to better analyze structure and change in the world-economy.

COMPETITION, INNOVATION AND COMMODITY CHAINS

Bringing a new focus to world-systems theory, the articles in this book share an emphasis on competition and innovation as crucial world-economic components of historical shifts in the organization of global commodity chains. For example, Hopkins and Wallerstein (chapter 2) tell us that monopoly and competition are key to understanding the distribution of wealth among the nodes in a commodity chain. Within a commodity chain, a relatively greater share of wealth generally accrues to core-like nodes than to peripheral ones. This is because competitive pressures are less pronounced in core-like nodes than in peripheral ones. Enterprises and states in the core, according to this argument,

gain a competitive edge through innovations that transfer competitive pressures to peripheral areas of the world-economy.

To provide historical evidence for these propositions, Özveren and Pelizzon contribute to chapter 2 by analyzing (respectively) the organization of shipbuilding and wheat production. In shipbuilding, the type of networks linking labor, enterprises, and states were crucial in shaping competition. Dutch shipyards initially gained a competitive edge by exploiting lower costs (e.g., in raw materials and labor). Likewise, in the semiperipheral colonies of North America the availability of land acted as a magnet for labor, enhancing the competitive position of shipbuilders. Spain underwent an economic decline, but England remained an important competitor, partly because of navy orders. Later, the Dutch shipyards lost ground to their rivals in the Thames and colonial America. For the English shipyards, access to colonial raw materials lowered costs, while the growing importance of oceanic trade for the country increased demand. For the American shipyards, easy access to raw materials (timber) allowed them to overcome the constraint of higher labor costs. As a result of effective competition, shipbuilders in the core constantly faced the peripheralization of certain production processes, and responded by generating innovations designed to provide a new competitive edge (e.g., the introduction of steamships in the nineteenth century).

Innovation was not limited to manufacturing processes. Pelizzon (chapter 2) analyzes the characteristics of the wheat commodity chain to show that marketing emerged as a distinct set of activities only in core areas. In the periphery, landlords and merchants tended to be the same individuals. Core and peripheral areas were also distinct in their infrastructure, with the core being characterized by faster and more effective transportation. Finally, consumption showed distinct patterns in core and peripheral areas: wheat bread, for example, tended to be consumed only by the wealthy in core zones and the highest magnates of the periphery, while the poor in core zones and the well-off in the periphery consumed rye bread.

Differences between nodes located in core and peripheral areas also are explored by Appelbaum, Smith, and Christerson (chapter 9), who argue that the crucial distinction between poor and rich countries is in the relative value of the commodities produced in each area—rather than a simple expression of varying degrees of processing (for a similar point, see chapter 4 by R. P. Korzeniewicz and Martin; chapter 7 by Reynolds; and chapter 15 by Wilson and Zambrano). The authors examine whether high-value products (e.g., wool suits) tend to be characterized by greater spatial concentration than low-value goods (e.g., synthetic blouses). Their results show that high-value commodities indeed exhibit a greater degree of clustering in fewer nations. This research suggests that the growth of manufacturing in peripheral and semiperipheral areas has been fueled not only by high labor costs in the core, but as part of an entrepreneurial strategy designed to enhance industrial flexibility and overcome protectionist barriers preventing the free flow of commodities. Access to GCCs, the timing and place

of entry, and upgrading are sources of power for firms that hope to be internationally competitive. Constant upgrading becomes a driving objective in the organizational strategy of enterprises.

Patterns of competition and innovation are crucial to understanding the organization and transformation of GCCs. The relative distribution of wealth within a commodity chain often has been portrayed in the social sciences as reflective of levels in a hierarchy of production. Within this hierarchy, less wealth was assumed to accrue to nodes involving the production of raw materials, and to increase proportionally as movement proceeded to manufacturing, distribution, and so forth. But traditional “extractive” activities such as agriculture and mining are giving rise to new export-oriented and technology-intensive forms of production with considerable industrial value-added at the local level (see Reynolds, chapter 7; Wilson and Zambrano, chapter 15). Similarly, many of today’s most profitable “service” industries are intimately tied to manufacturing activities that demolish the myth of a postindustrial society (Cohen and Zysman, 1987). In many developing nations, relatively labor-intensive services (like software programming, bank and airline data processing, and inexpensive medical services) may become a more important growth area than manufacturing. These cross-sectoral linkages can best be seen and appreciated using a GCC framework that does not limit itself to conventional “industry” boundaries. In fact, Hopkins and Wallerstein (chapter 2) indicate that the concept of GCCs ultimately challenges the hierarchical distinction between raw material production, industry, and services. All activities transform, all involve “human skilled judgment.” Within a commodity chain, profitability shifts from node to node according to competitive pressures, and “industry” is not always a motor of development. The GCCs approach explains the distribution of wealth within a chain as an outcome of the relative intensity of competition within different nodes.

This emphasis on the important role of competition and innovation in shaping the distribution of wealth within global commodity chains brings a new focus to world-systems theory. To some extent, this is part of an interdisciplinary phenomenon in the social sciences. Recent changes in world markets and political structures have made international competitiveness a fashionable buzzword as well as a burgeoning topic in comparative research. But within world-systems theory, this new concern does not merely follow intellectual fashion: it is a consequence of ongoing debates about the role of entrepreneurial strategies, Schumpeterian innovations, and patterns of competition in shaping the global division of labor.¹

COMMODITY CHAINS AS COMPETITION EMBEDDED IN TIME AND SPACE

Is the world-economy characterized by a new division of labor? Focusing primarily on the twentieth century, Schoenberger (chapter 3) tends to answer yes. Her contribution tells us that competition, time, and space are closely