

Niechoj, Torsten

Book Review

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Book review

Teipen, Christina, Dünhaupt, Petra, Herr, Hansjörg and Mehl, Fabian (2022): *Economic and Social Upgrading in Global Value Chains. Comparative Analyses, Macroeconomic Effects, the Role of Institutions and Strategies for the Global South*, Cham, Switzerland (600 pages, Palgrave Macmillan, hardcover 978-3-030-87319-6, softcover 978-3-030-87322-6, ebook 978-3-030-87320-2)

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This collective volume combines a macroeconomic perspective with an industrial relations view on global value chains to overcome some shortcomings of the existing literature on global value chains. The literature focuses on inter-firm relations and highlights power relations between lead firms (in Western countries), organising and structuring global value chains, and firms in the periphery that supply components or assemble products according to the requirements of the lead firms. Of particular interest for *EJEEP*, as a journal devoted to macroeconomic issues in particular, is how the volume places the role of industrial relations in value chains and insights from case studies into a macroeconomic context. In terms of content, the volume revolves around the research question of whether the existing structure of global value chains promotes an economic catch-up process of suppliers through the use of better technologies and through an increase in skills resulting in higher productivity and more value creation ('economic upgrading'); and whether this process then also triggers a rise in incomes and an improvement in employment and working conditions in the periphery ('social upgrading').

After an introduction to the topic, the first part of the book comprises theoretical perspectives on global value chains. The majority of these contributions discuss power relations and social upgrading from an International Political Economy perspective. The contribution by *Dünhaupt* and *Herr*, on the other hand, aims at a macroeconomic foundation of possible economic development through global value chains. After an instructive overview on phases of economic development policies in periphery countries, they use stylised facts to show that despite off-shoring to the periphery and foreign direct investment in these countries, high-value tasks are still concentrated in Western countries, while the periphery countries are not able to go beyond low-value-added production. As the main reason, the authors identify oligopolies of the lead firms vis-à-vis their customers and a monopsony vis-à-vis their suppliers. Therefore, the lead firms are able to extract rent from both customers and suppliers. Thus it is not surprising that empirically no correlation can be found between participation in global value chains and an increase in labour productivity on the part of the suppliers. Consequently, the leeway for social upgrading is quite small. The other contributions to this theoretical part offer explanations for the existence of rent extraction. From a Marxist perspective, *Jha* and *Yeros* point to the long and persistent history of imperialist domination by the countries of the North. *Teipen* and *Mehl* emphasise that social upgrading is hindered when labour associations are weak

and the governments do not support unions. *Scherrer* adds, from a neo-Gramscian perspective, that the power asymmetry between lead firms and suppliers not only depends on market structures, but that these structures are embedded in institutions dominated by the countries of the North, such as international treaties and trade agreements or financial institutions and markets. Finally, *Sproll* points out that there are also a variety of power asymmetries and inequalities within the South that further limit social upgrading and enable rent extraction: gendered division of labour, reproduction work done mainly by women, informal work and subcontracting.

Parts II and III of the volume contain a variety of case studies and contributions aimed at developing strategies to promote economic and social upgrading. The case studies are dominated by analyses of the automotive industry and the garment industry, both industries with well-established global value chains. The countries studied are India, South Africa, Brazil, Vietnam and China. The empirical evidence is mixed. For example, the contributions by *Noronha* and *D'Cruz* and by *Jha* and *Kumar* show both positive and negative developments regarding economic and social upgrading for Indian industries. *Mashilo* argues that South Africa has fared relatively better than the Indian automotive industry because of its ability to organise workers effectively. The contribution by *Lüthje* on the Chinese automotive industry and the massive state support for technologies for and production of electric cars demonstrates the possibility of economic upgrading, even if it is not necessarily accompanied by social upgrading. Whether Chinese industrial policies can serve as a role model for other countries is discussed by *Holzmann* and *Zenglein* in their chapter. Other authors of the volume analyse the impact of labour regulation and international agreements.

The last two chapters of the book sum up, conclude and provide an outlook. In the last chapter, the editors also address possible consequences of the COVID-19 pandemic for the future of global value chains. As they point out, the pandemic led to trade restrictions and bottlenecks that not only directly harmed producers in the South but also triggered an ongoing debate about decoupling and renationalisation strategies which could harm these countries in the future, too. For it is clear that while suppliers in the periphery and their workers gain little from global value chains, they also lose out when production is relocated and trade volume declines.

Obviously, the traditional liberal promise of economic growth and prosperity for all through international division of labour can all too often not be kept. This volume identifies weak industrial relations and rent extraction as the main obstacles to economic and social upgrading and recommends better labour regulation and industrial policies as remedies. The macroeconomic framework used in this book focuses on market structure and power asymmetries in markets. It might be worth combining the insights from this book with more model-based, Kaleckian-style approaches, such as Schröder (2018) and recently Woodgate (2023). Moreover, even though the role of financialisation is mentioned throughout the book, it is not systematically integrated in this rent-seeking/market structure perspective, although the post-Keynesian literature would have a lot to offer here.

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