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Global value chains, systemic competitiveness and territorial endogeneity - methodological notes and relevance to economic policy

In this article I briefly discuss the powerful methodological foundation provided by the global value chain, systemic competitiveness and territorial endogeneity approaches. The intention is to clarify a number of differences between the respective approaches and in particular their strengths when it comes to creating territorial development



strategies, policies and instruments. After more than a decade of predominance of macro economic analysis of “structural change” and other concepts held by the International Monetary Fund and the World Bank from the 1970s onwards, the discussion on GVC launched by Gary Gereffi and Miguel Korzeniewicz in the 1990s led to significant multidisciplinary and methodological enrichment. Social scientists, lawyers and engineers, among many others, have since participated in a growing group that has analysed GVCs, which has made it possible to throw off the straitjacket imposed in certain macro economic circles. Comparative GVC analyses in and between localities, regions, countries, groups of countries and at the global level substantially enriched the pool of knowledge of the operation of the companies themselves and the territories that made up the respective GVCs. Although initially GVCs dominated according to their relevance in international trade, since then the GVC methodological approach has encompassed dozens of countries, chains and legal and labour-related aspects, as well as those linked to migration, climate change and the environment. The GVC concept is part of the discourse of these and

many other global and regional institutions and has influenced international institutions such as the OECD, the World Bank, ECLAC, UNCTAD and the ILO.

From this perspective, GVCs are the result of industrial segments and organisations with different characteristics. In specific chains the research and development segments can acquire added value that is far superior to that of the segment specialising in the assembly of parts and components. This issue is critically important for policy analysis and proposals related to their integration into the outside world: the 10-digit US Harmonized Tariff Schedule includes about 17 000 products that are registered as foreign trade – from pineapples and semiconductors to socks and beverages, for example – and whose characteristics differ substantially in terms of the companies themselves, their size, the technology used, financing, jobs and their quality, training





requirements, learning and promotion opportunities, commercial conditions, etc. In contrast to macro economic determinism, for example the real exchange rate as the main variable for understanding export performance, the GVC approach is used to study companies and groups of companies – intra and inter-firm relations, and the social, economic and political conditions in their respective territories (global, national, regional, etc.).

Almost in parallel, in the early 1990s authors such as Esser, Hillebrand, Meyer-Stamer and Messner began work on another methodological approach based on the concept of “systemic competitiveness”. Openly critical of both Michael Porter and the view of competitiveness proposed by the OECD, these authors have highlighted the importance of integrating the micro economic, meso economic, macro economic and meta economic levels of competitiveness. In other words, unlike a perspective that prioritises the macro as well as the micro economic aspects, this school of thought stresses that competitiveness must methodologically include the four levels of analysis.

Exclusive emphasis on one of these analytical levels leads to an understanding and policy proposals that are insufficient and simplistic in the sense that they do not recognise the complexity of socio-economic processes in time and space. Several of these authors, particularly Meyer-Stamer, have stressed the importance of the meso economic or institutional and inter-firm level. Mesopartner’s work for more than a decade has sought to explicitly integrate the meso economic analytical level into territorial capacity building, also under the concepts of “local and regional development” and “territorial economic development”. Finally, taking into consideration the different schools of development of endogenous growth with the emphasis on territorial perspective, authors such as Dussel Peters stress that, although the GVC and systemic competitiveness approaches are significant in the context of exclusively micro economic or macro economic approaches to competitiveness, they suffer from an explicit perspective. The starting point for the space or territory is territorial endogeneity, that is to say, it is related to the specific way in which the territories are integrated into global commodity chains



and into the specific form of systemic competitiveness they achieve. It is not the companies but rather the territories that are the socio-economic starting point for “glocal” analysis. From this perspective, it is important to explicitly incorporate both the systemic aspects of competitiveness, which must reach far beyond a primitive perspective of microeconomics and macroeconomics, and “territorial endogeneity”. One must start from the respective territories and their potential collective efficiency in territorial terms when analysing specific processes and products in global value chain segments.

These methodological approaches are significant from several perspectives. On the one hand, they reflect the impracticability of one of the analytical levels proposed by the authors of systemic competitiveness. On the other hand, they demonstrate the need for detailed knowledge of time-and-space-specific processes and products with GVCs and territorial endogeneity, which also enable concrete dialogue with other social actors and classes, including public officials, entrepreneurs, business organisations, etc., based on the specific knowledge created. Third, these methodological

approaches also require effective multi-disciplinarity founded on concrete knowledge of time-and-space-specific processes and products. The apparent greater capacity for insight on the part of economists or others into these processes and products is part of a discussion with other social scientists that helps to enrich the analysis and specific proposals. There is no justification for over-determinism and mono causalities in these interactions.

Lastly and most importantly, these methodological schemas also enable extensive and in-depth dialogue with business and public sector counterparts in specific territories. The methodological framework establishes a meta, macro, meso, micro and territorial analysis of processes and products from value chain segments in the short, medium and long term. Strategies, policies and instruments thus require enormous spatial and temporal specificity: products and processes require detailed knowledge and close collaboration with the meso level institutions established in the respective territories. From this perspective, cookie-cutter macro economic formulas are insufficient and, in most cases, irrelevant. Moreover, the “glocal” perspective of these processes and products in GVC segments also prevents us from going to the other extreme of only considering local conditions, although they are the space in which specific policies are implemented.

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