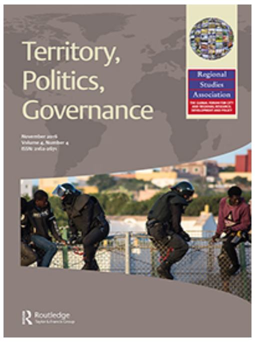

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Rory Horner

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A New Economic Geography of Trade and Development? Governing South–South Trade, Value Chains and Production Networks

RORY HORNER

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Abstract While South–South development cooperation has "win–-win" aims, it is unclear the extent to which its horizontal, mutually beneficial objectives translate into "South–South" trade and move beyond the asymmetrical nature of North–South trade. Global value chain and global production network research can make progress into an understanding of the dynamics of these emerging trade patterns. To date, however, such research has largely focused on the development prospects for firms and regions in the global South integrating into the production networks of lead firms from the global North. Evidence presented for the growth of South–South trade, including firms emerging from new home regions and the rise of new end markets in the global South, questions this focus. Emerging research suggests that the growth of South–South trade will be linked to a trade-off involving relatively easier access to Southern markets and potentially greater competition from competitors across the South. Avenues and questions for further research are identified here in terms of the governance, upgrading opportunities and territorial development outcomes associated with South–South chains and networks. Such research can move beyond win–win notions from development cooperation to highlight the commercial realities and very uneven geographies and development outcomes associated with expanding South–South trade.

Extracto Tandis que les buts de la coopération Sud-Sud en matière de développement sont "gagnant-gagnant", le point jusqu'auquel ses objectifs horizontaux et mutuellement avantageux se traduisent en commerce "Sud-Sud" et vont au-delà des caractéristiques asymétriques du commerce Nord-Sud est incertain. Les recherches sur les chaînes de valeur mondiales et les réseaux de production mondiaux peuvent faire des progrès pour mieux comprendre la dynamique de cette structure naissante du commerce. Cependant, jusqu'à maintenant de telles recherches ont mis l'accent dans une large mesure sur les perspectives de développement des entreprises et des régions du Sud de s'intégrer pleinement dans les réseaux de production des entreprises pilotes du Nord. Des résultats présentés à propos de la croissance du commerce Sud-Sud, y compris les entreprises champignons des nouvelles régions d'origine et l'essor des nouveaux marchés finaux dans le Sud, remettent en question cet objectif. Des nouvelles avenues de recherche suggèrent que la croissance des échanges commerciaux Sud-Sud sera liée a un compromis impliquant un accès relativement plus facile aux marchés méridionaux et une concurrence de la part des concurrents à travers le Sud qui risque d'être plus acharnée. Ce présent article identifie les avenues et les questions pour les recherches futures en termes de la gouvernance, des possibilités de perfectionnement et des résultats de l'aménagement du territoire liés aux chaînes et aux réseaux

Author details: Rory Horner, Institute for Development Policy and Management, School of Environment, Education and Development, University of Manchester, Oxford Road, Manchester M13 9PL, UK. Email: rory.horner@manchester.ac.uk

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Sud-Sud. De telles recherches peuvent aller au-delà des notions gagnant-gagnant de la coopération en matière de développement pour mettre l'accent sur les réalités commerciales et les géographies et les résultats de développement très déséquilibrés liés à l'accroissement des échanges commerciaux Sud-Sud.

摘要： 虽然南南发展合作旨在追求"双赢"，但其水平、互惠的目标，能够转换至"南南"贸易、并超越南—北贸易的不对等本质之程度却不明确。全球价值链（GVC）和全球生产网络（GPN）研究，则可促进对于这些浮现中的贸易模式动态之理解。但直至今日，此般研究却仍大半聚焦全球南方的企业及区域，整编至全球北方的领航企业生产网络所获得的发展前景。南南贸易成长的证据，包含从新的原生区域展露头角的企业，以及全球南方的新兴终端市场，则质疑了上述的研究焦点。浮现中的研究显示，南南贸易的成长，将关係到南方市场相对容易的进入管道、以及来自南方竞争者的潜在更大竞争两者间的权衡交换。本文将指认有关南南商品链与网络的治理、向上升级之机会、以及领土发展结果方面的进一步研究方向及问题。此般研究，能够超越发展合作的"双赢"概念，转而强调与扩张的南南贸易有关的商业现实，以及极为不均之地理与发展结果。

Resume Mientras que la cooperación de desarrollo sur-sur tiene objetivos ganadores, queda poco claro en qué medida sus objetivos horizontales y mutuamente beneficiosos se traducen en un comercio "sur-sur" y traspasan la naturaleza asimétrica del mercado norte-sur. Los estudios sobre la cadena global de valores (CGV) y la red de producción global (RPG) pueden realizar progresos al entender las dinámicas de estos patrones de comercio emergentes. Sin embargo, hasta la fecha estos estudios se han centrado principalmente en las perspectivas de desarrollo para las empresas y regiones en los países del hemisferio sur que se integran en las redes de producción de empresas líderes del hemisferio norte. Las evidencias presentadas para el crecimiento del mercado sur-sur, incluyendo las empresas que nacen de nuevas regiones de origen y el aumento de nuevos mercados finales en los países del sur, cuestionan este planteamiento. Los nuevos estudios indican que el crecimiento del mercado sur-sur estará vinculado a un compromiso entre un acceso relativamente más fácil a los mercados del sur y una competencia potencialmente mayor por parte de los competidores del sur. Aquí se identifican posibilidades e interrogantes para otros estudios en lo que respecta a la gobernanza, las oportunidades de mejora y los resultados del desarrollo territorial asociados a las cadenas y las redes sur-sur. Este tipo de estudios pueden avanzar las nociones ganadoras de la cooperación de desarrollo para poner de relieve las realidades comerciales así como las geografías y los resultados de desarrollo tan desequilibrados relacionados con la expansión del mercado sur-sur.

Keywords South–South trade global value chains global production networks development

INTRODUCTION

> The centuries-old international trade geography, where the South served as hinterlands of resources and captive markets for finished goods of the North, is changing. (UNCTAD, 2004, p. 1)

Now more than a decade ago, UNCTAD declared that "a new geography of trade is emerging and reshaping the global economic landscape" (2004, p. 2), with a much more central role for the global South. In 2012, a milestone was passed with the value of trade between developing countries (South–South trade) overtaking developing country exports to the global North (The Economist, 2013b). The changing geography of economic strength has prompted The World Bank (2011) to refer to a "shift toward multipolarity". In particular, both as sources of demand and as sites of production, the large emerging economies of China, India and Brazil are playing key roles in driving South–South economic globalization. Termed "the 'next big thing' in globalization and international development" (Pieterse, 2011, p. 2), these countries are seen as significant "drivers of global change" owing to their distinctive nature and size, and their likely impact on the global economy (Kaplinsky and Messner, 2008). Along with new forms of international development cooperation (e.g. Mawdsley, 2012) and migration (e.g. Mohan and Kale, 2007), trade between countries in the global South is a crucial dimension of emerging 21st century globalization (Pieterse, 2012; Nadvi, 2014).

This changing global geography of development produces the exciting prospect of moving beyond the unequal North–South division to a potentially more evenly balanced world. Specifically, South–South trade has been heralded as "vital for development" (OECD, 2006) and such trade integration as "key to rebalancing the global economy" (UNCTAD, 2011a). However, the challenge persists as to whether, and how, the intended "win–win" notions of South–South development cooperation translate into the commercial realities of South–South trade. Some analysts have been more cautious regarding South–South integration, referring to new forms of inequalities and possibilities of neo-colonialism (Carmody, 2011; Saad-Filho, 2013). While it is clear that "new maps of development" are emerging (Sidaway, 2012), the precise development implications remain unclear.

By pointing to the various governance relationships between firms (e.g. Gereffi *et al.*, 2005; Ponte and Sturgeon, 2014) and to the influence of wider stakeholders (e.g. regional and national governments, industry association groups, international organizations, NGOs and labour unions) in shaping production arrangements (e.g. Henderson *et al.*, 2002; Coe *et al.*, 2004; Coe and Yeung, 2015), research on global value chains (GVCs) and global production networks (GPNs) has helped produce a better understanding of the possibilities for development under economic globalization. With a few emerging exceptions (e.g. Kaplinsky and Farooki, 2011; Kaplinsky *et al.*, 2011; Staritz *et al.*, 2011), this research focus has hitherto largely had a North–South orientation, focusing on those southern suppliers participating in chains and networks mostly governed by lead firms from the global North. However, these analytical frameworks can also provide crucial insights into the development implications of the emerging geography of trade, moving beyond what has been called "panoramic interest" (Mccann, 2010) in aspects of engagement between countries in the global South.

This paper seeks to synthesize some of the emerging evidence around South–South trade, value chains and production networks and to identify some key questions. Introducing the GVC and GPN work in relation to its North–South orientation, a variety of evidence is then presented to chart the changing patterns of global trade, all of which involve a much greater degree of South–South trade and underline the argument for GVC and GPN work to move beyond North–South. Emerging evidence on South–South GVCs is presented, before it is suggested that much more research is needed to probe the trading realities in the two key areas of governance and upgrading. While contributing to progress in understanding emerging aspects of South–South trade and new geographies of development, it is ultimately suggested new South–South research may also challenge some of the prevailing GVC and GPN conceptualization.

SOUTH–SOUTH OPTIMISM: FROM COOPERATION TO TRADE?

The premise of much of the current interest in "South–South" is arguably still based on an idealized, if imaginary, concept of horizontal, more equal, win–win interaction. South–South cooperation can be defined as the "exchange of resources, technology and knowledge between developing countries" (Maruri and Fraeters, 2010, p. 5) and has a long history. Originally promoted by the United Nations among the G-77, it attracted particular attention in the 1970s via the Non-Aligned Movement. Distinct from North–South "aid" or "cooperation", South–South is premised on notions of a more equal, mutually dependent relationship, constituted between countries of similar levels of development. This "South Space" is distinctive from what are seen as more exploitative North–South relations (Carmody, 2013, p. 10). In its idealized expression, South–South cooperation aims to represent a different moral geography based on goals of mutual benefit, rather than charity (Mawdsley, 2012).

Analyses of the new geography of trade produced by a variety of international policy organizations have been optimistic on the possibilities it offers for economic development. UNCTAD (2004) pointed to a number of benefits of South–South trade – both commercial (enhanced trade opportunities, diversification of the export base, creation of new complementarities, etc.) and through solidarity and equity among developing countries. The potential for specialization and gains in efficiency, if higher tariff barriers are lowered or can be otherwise overcome, has led the OECD (2006) to deem South–South trade as "vital for development". The United Nations Development Programme (UNDP) has also suggested that "burgeoning South–South trade and investment in particular can lay the basis for shifting manufacturing capacity to other less developed regions and countries" (2013, p. 8).

Given that North–South economic globalization has been characterized by high levels of inequality and by hierarchy, the implicit suggestion is that South–South may offer at least some better opportunities. Some see the potential in "South–South economic relations as more development friendly than their North–South counterparts" (Najam and Thrasher, 2012, p. 2). UNCTAD has also drawn a contrast with North–South trade:

> North–South economic relations are usually narrowly market-driven, and the ensuing economic asymmetries are reproduced by the power asymmetries between these states. In contrast, South–South economic relations are, generally, not purely or primarily market-driven, and relations between Southern states and firms hold out the potential for more constructive integration. (2011, 2)

However, many of these viewpoints on South–South trade are speculative. UNCTAD's cautionary note from a decade ago still holds true that "while the increase in South–South trade is a fact, this trend requires a careful assessment to avoid unrealistic expectations" (UNCTAD, 2005, p. 154). Still relatively little evidence exists of the economic realities of this aspect of the new geography of trade. In particular, it is questionable whether the "win–win" nature of development cooperation translates into trading realities. It has been argued that:

> while the rhetoric of solidarity and anti-imperialism may continue to accompany new South–South partnerships, this rhetoric is unlikely to affect the economic and business fundamentals of South–South transactions – the emerging economies seek markets and investment opportunities, and not merely altruistic ends. (Moore, 2012, p. 26)

At the same time, South–South cooperation and trade are not completely distinct either, with UNIDO (2006) seeking to encourage South–South cooperation in trade promotion and industrial capacity building, yet also being quite closely linked for many of the Chinese state-owned investments abroad (Kaplinsky and Morris, 2009). Southern traders are also making business opportunities relatively independently of state support, as has been identified for Indian companies in Kenya (Mccann, 2010, p. 470).

A rapidly growing literature on the role of China in Africa (e.g. Alden, 2005; Large, 2008; Brautigam, 2009; Carmody, 2011; Henderson and Nadvi, 2011), and to a lesser extent of China in Latin America (e.g. Jenkins *et al.*, 2008) and India in Africa (e.g. Mawdsley and Mccann, 2011), suggests that while trading relationships may overlap with some of the intended aims of South–South cooperation, the associated impacts are not necessarily win–win. While China may provide a new source of investment, lacking political conditionality, its involvement in Africa is also characterized by its asymmetric nature (Alden, 2005). Indeed, new trading and investment relationships have the potential to reify or amplify existing divisions or conflicts (Mccann, 2010). UNCTAD (2010, p. 4) has noted as a cause for concern the extent to which African trade with other developing countries has been marked by the export of primary products and the import of manufacturing goods. The uneven and exploitative nature of some of this engagement has led to anti-Chinese sentiment, in Zambia for example (Negi, 2008), and to questions by scholars (e.g. Carmody, 2011) and media (e.g. BBC, 2012) of whether forms of neo-colonialism or a new-scramble for Africa are emerging. In Latin America, domestic manufacturing industry has suffered market share losses as a result of competition from China (Moreira, 2007). An insight, perhaps not-too-surprising, that emerges, but which differs from the "win–win" discourse of development cooperation, is that South–South economic relations can have negative, as well as positive, dimensions (see also Najam and Thrasher, 2012).

Given its potential significance, far more research continues to be warranted into the dynamics and development implications of South–South trade. Some of the literature on China and India in Africa has been in a geopolitical vein, which has been characterized in one observation as having "panoramic interest" (Mccann, 2010). A need exists to disaggregate "China" and "Africa" (Mohan and Power, 2008), a point which could clearly be extended to wider "South–South" engagements. An investigation of the roles of a variety of actors may show considerably variegated local outcomes in what is generalized as South–South trade (cf. Kaplinsky and Messner, 2008; Kaplinsky, 2013). GVC and GPN research can help highlight the roles of specific actors in global production, the relationships between them and the possibilities for greater value capture.

GVC AND GPN ANALYSIS: NORTH–SOUTH ORIGINS

Global commodity chain (GCC) analysis, the precursor to the GVC and GPN approaches, has had a North–South orientation arising out of its origins in world systems theory. The work of Hopkins and Wallerstein (1977; 1986) was designed to understand the division of labour and the integration of production between core and peripheral states. The framework was thus set towards the long-dominant pattern established during the colonial era (UNCTAD, 2005) of raw materials/commodities exports from the global South being exchanged for manufactured goods from the global North. Such an orientation was characteristic of many tropical commodity chains, with crops being produced in the South and consumed mainly in the global North (Talbot, 2009, p. 93).

The subsequent GCC and later GVC analyses inspired by Gary Gereffi and colleagues (Gereffi and Korzeniewicz, 1994) sought to chart the power of global buyers and the associated influence of retailers and designers in shaping supply chains which involved labour-intensive manufacturing in low-cost sites in Asia (Fröbel *et al.*, 1978). Global lead firms were identified as critical agents in shaping international supply arrangements and development prospects and were mostly understood, implicitly and at times explicitly, to be from the global North. For example, Gereffi acknowledged his focus "on the main companies that coordinate these economic networks: large U.S. retailers" (1994, p. 99) and referred to "a substantial consolidation of power in the hands of retailers and designers in the developed countries" (Gereffi, 1996, p. 429). The examples provided of the "manufacturers without factories" that "fit the buyer-driven mode" were almost exclusively from the global North, and included leading retailers like Wal-Mart, Sears and JC Penney, athletic footwear companies like Nike and Reebok, and such fashion-oriented apparel companies as Liz Claiborne, Gap and The Limited Inc. (GEREFFI and MEMEDOVIC, 2003, p. 8). A body of research emerged that was centred on these GVCs, as well as around the related production networks (e.g. HENDERSON *et al.*, 2002; COE *et al.*, 2004), "in which large lead firms, often located in developed economies, control to a significant extent the production of suppliers, who are typically smaller and likely to be located in developing countries" (MAYER and GEREFFI, 2010, p. 3/4).

Whereas the earlier work had emphasized how GCCs reproduce an unequal world system, GVC analysis shifted to explore the upgrading possibilities within these value chains (BAIR, 2005). Wider growth patterns in East Asia have been explained through the integration of Asian firms into the GVCs and GPNs coordinated by lead firms, based mainly in North America, Western Europe and Japan, who possessed significant corporate and market power (YEUNG, 2009). Gereffi's interpretation, based on the East Asian case, suggested that "it is advantageous to establish forward linkages to developed country markets, where the biggest profits are made in buyer-driven commodity chains" (1999, p. 55). When South–South trade was given attention, it was seen as still part of a production system ultimately geared towards serving northern end markets. US buyers would place their orders with manufacturers in newly industrializing economies (NIEs) who might then arrange a regional network of triangular manufacturing according to low-cost sites within East Asia (GEREFFI, 1999).

The barriers faced by developing country producers in entering into, and subsequently upgrading within, South–North value chains include the high standards requirements largely determined by the end markets in the global North (NADVI, 2008). Whether as a result of pressure from consumer or other civil society organizations, lead firm or governments, criteria for quality, ethical and environmental standards of production are present in trade serving markets in the global North. Examples include Northern-initiated organic certification (RAYNOLDS, 2004) and corporate social responsibility approaches (BLOWFIELD and FRYNAS, 2005). As demonstrated by the struggle of African agri-food suppliers to meet demanding product and process standards and their consequent "trading down" in the global economy (GIBBON and PONTE, 2005), standards can be major barriers to market access. Standards requirements place importance on suppliers attaining economies of scale, and consequently may have the effect of keeping many smaller suppliers out of a market (ALTENBURG, 2006; NADVI, 2008; PIETROBELLI, 2008; Fold and LARSEN, 2011). More broadly, whereas process and product upgrading may take place in quasi-hierarchical chains oriented towards markets in the global North, functional upgrading has been found to be less likely in such circumstances (SCHMITZ and KNORRINGA, 2000).

Development policies and assistance programmes have often been targeted to support the meeting of standards in order to supply markets in the global North. For example, GlobalGap has been the focus of much capacity building in the agro-food industry in sub-Saharan Africa (BARRIENTOS *et al.*, forthcoming). However, as in the results of donor support for smallholder certification (BOLWIG *et al.*, 2013, p. 423), the benefits have at times been limited. Policies that consider promoting alternatives to the most demanding global markets and buyers, such as supplying domestic and regional markets in the global South have only rarely been suggested (e.g. HUMPHREY, 2006, p. 572).

Much of the GVC and GPN research has thus been in a North–South context, and has included going beyond nation state-centric accounts of trade to look at the roles played by specific actors, the governance relationships and the implications for upgrading producers' development prospects. However, the North–South focus on developing country suppliers serving developed markets may result in firms serving multiple types of value chains and production networks, including domestic and regional, being overlooked (GIULIANI *et al.*, 2005; BAIR and WERNER, 2011; NAVAS-ALEMÁN, 2011; YANG, 2014). The pressing need for understanding emerging global trade patterns beyond a Northern-centred system of trade (HENDERSON and NADVI, 2011) and in a South–South context (see also ECONOMIC GEOGRAPHY, 2011, p. 120) is highlighted by evidence of a new trade geography.

THE NEW GEOGRAPHY OF TRADE

Developing countries have become more export-oriented over the last few decades, while also contributing an increasing share of world trade. Influenced by trends towards trade liberalization, the average export share of GDP has increased from 16.7% in 1981 to 29.5% in 2012 (Table 1). The South's share of world exports which was 30% in 1948–50, declined to just below 20% in 1970–72. Although it rose above 25% into the early 1980s, it then declined with falling oil prices. However, since the later 1980s the share has again been on the increase and had reached 44% by 2012 (Table 1, UNCTAD stat.org).

Table 1. Summary indicators of the shifting geography of income and trade in the world economy.

	Then	2012
South % of global GDP[a]	21.7 (1980)	35.8
Export as % of GDP for Southern countries[b]	16.7 (1981)	29.5
South % of world exports[c]	29.6 (1980)	44.7
South–South % of global trade[d]	11.7 (1995)	25.5
North–North % of global trade[d]	51.2 (1995)	33.9

Note: All groupings of global South are based on UNCTAD's classification of developing economies (Available from: http://unctadstat.unctad.org/EN/Classifications/UnctadStat.DimCountries.DevelopmentStatus.Hierarchy.pdf, last accessed 7 December 2014) with the exception of export share of GDP for South, which is based on the World Bank's classification of low- and middle-income countries (which includes most developing countries – following MILBERG and WINKLER, 2010, p. 4).
Sources:
[a]Constructed based on UNCTADstat.org, nominal and real GDP (US$ at current prices and current exchange rates).
[b]Data: World Bank World Development Indicators. South is understood here as low- and middle-income countries (which includes most developing countries), as per the World Bank World Development Indicators and following MILBERG and WINKLER (2010, p. 4).
[c]Calculated from UNCTADstat.org.
[d]UNCTAD Handbook of Statistics (2013). North refers to developed countries and South refers to developing countries, according to the classification in the UNCTAD Handbook of Statistics, i.e. excluding transition economies – following OECD (2010, p. 71).

Concomitant with this rising share, more of the exports from developing countries now go to other developing countries. South–South trade rose by 677% between 1995 and 2012, whereas Southern exports to the rest of the world grew by 312% (author's analysis of UNCTAD, 2013). As a result, the South–South share of global trade has increased significantly, from just 11.7% in 1995 to 25.5% by 2012, whereas the North–North share fell from 51.2% in 1995 to 33.9% by 2012 (Table 1). Along with these trade trends, more of the global total of foreign direct investment now goes to developing countries (52% of global flows in 2012) than to developed countries (UNCTAD, 2013, p. ix).

The global South now also has a growing share of global GDP, leading to a shift in the geography of demand. The G7 countries' share of world GDP was at peak levels between 1988 and 2000 at 63–67%, whereas by 2012 it was down to 47.7% (calculated from UNCTADstat.org). In contrast, developing countries' share of world GDP has grown from 21.7% in 1980 to 35.8% in 2012 (Table 1). One estimate suggests that by 2020, the combined output of Brazil, India and China will exceed that of the USA, Germany, UK, France, Italy and Canada (UNDP, 2013, p. iv). An "Africa Rising" thesis has also emerged over the last decade in reference to the continent containing six of the ten fastest growing economies in the world for 2001–10 (THE ECONOMIST, 2013a; BBC, 2013). Such trends have prompted the UNDP's recent "Rise of the South" report to point to a "transformational development experience" (2013, p. 4) in many countries and to claim that "never in history have the living conditions and prospects of so many people changed so dramatically and so fast" (UNDP, 2013, p. 11). Continuing these broad trends, global growth in GDP is projected to be higher in developing than developed countries for the next two decades (FONTAGNÉ *et al.*, 2014).

Such shifts in income translate into changing patterns of demand. From 2000 to 2013, import demand from developing economies increased by 316%, compared with 119% for developed economies, including the USA (84.9%), Euro area (130%) and the UK (88.7%). It was the BICS countries – Brazil (327%), India (804.5%), China (766.6%) and South Africa (325.5%) – which were leaders in the developing economies' increased import demand (Figure 1).

As the global South's share of the world's middle-class population has increased from 26% in 1990 to 58% in 2010, and is expected to increase to 80% by 2030 (UNDP, 2013, p. 14), consulting companies are heralding the growing consumption levels amongst developing and emerging economies. McKinsey, for example, has suggested an increase

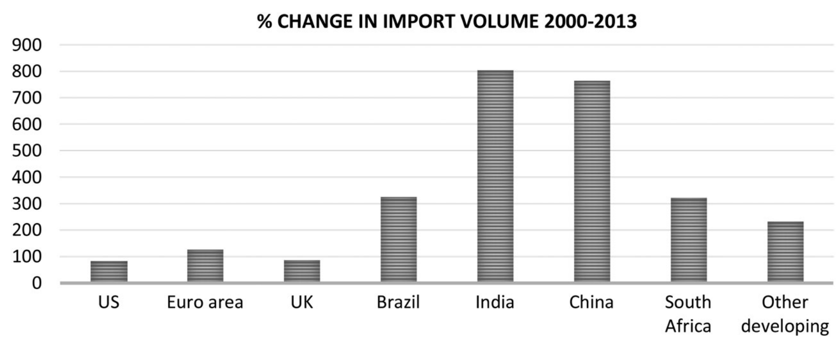

Fig. 1. Source: Constructed from UNCTADStat data on value of merchandise imports. Other developing economies refers to all countries within UNCTAD's classification of developing economies, with the exception of Brazil, India, China and South Africa.

in annual consumption in emerging markets from $12 trillion in 2010 (32% of the world total) to $30 trillion by 2025 (nearly 50%) (2012, p. 4) and Accenture (2014) has pointed to growth opportunities from the "dynamic African consumer" arising out of economic growth (double the predicted global average for the decade to 2020), population growth and urbanization.

Such shifts in GDP and global demand have arguably been compounded by the global crisis of 2008–09 (Gereffi, 2014). It has even been suggested that "while growth has headed south, debt has headed north" (Mawdsley, 2012, p. 18). The combination of Southern growth, and relatively stagnant prospects in Europe, has been predicted by the World Economic Forum to "drive value chain reorientation and relocation, potentially in unpredictable ways" (2012, p. 5). Two decades ago, Gereffi (1996, p. 429) could refer to how "on the demand side, there has been a substantial consolidation of power in the hands of retailers and designers in the developed countries". Now a change in the pattern of demand, as well as of power, is very evident in references to a shifting "geography of global demand and consumption" (Staritz *et al.*, 2011, p. 2), and to "a changing geography of trade and investment for the South" (Malhotra, 2012, p. 7).

As demand has shifted, the geography of major firms in the world has shifted away from North America, Western Europe and Japan (see Table 2). The G7 share of firms in the Fortune Global 500 has decreased from 84% in 2000 to 58.2% in 2014, with each of the seven countries having a fall in their individual representation as well. In contrast, the number of Chinese firms has increased dramatically – from just 10 in 2000 to 95 in 2014. The number of Brazilian and Indian firms has also increased, albeit at smaller levels. Analysis by McKinsey (2013) has predicted that the share of the world's largest firms coming from outside developed countries will increase significantly further by 2025.

Although these trends appear quite dramatic, a cautionary note is also warranted at this stage. Much South–South trade is characterized by a heavy proportion of intra-regional trade in intermediate products within developing Asia (UNIDO 2006, p. 8; Milberg and Winkler, 2010, p. 28). In East Asia, considerable regionalization of apparel commodity chains has been crucial to the growth of the region through a process known as triangle manufacturing, whereby Asian sub-contractors have organized their own regional production networks (Gereffi, 1999, p. 51). For example, for many of the IPhones supplied to Northern markets, the network involves Chinese assembly of parts made in Japan, South Korea and Taiwan (Dedrick *et al.*, 2010). South–South trade may thus continue to have connections with the North, and may still involve northern concerns and end markets (ADB, 2011, p. x). In contrast, inter-regional South–South

Table 2. Changing lead firms: companies on the Fortune Global 500 list.

	No. 2000	No. 2014	% share 2000	% share 2014
G7	420	291	84	58.2
China	10	95	2	19
Brazil	3	7	0.6	1.4
India	1	8	0.2	1.6
Others	66	99	13.2	19.8

Source: Author's construction based on data from Fortune (http://fortune.com/global500/). Last accessed 12 December 2014.

trade has yet to emerge to a comparable extent (Bernhardt, 2014), being constrained by such factors as trade barriers, transport and logistics costs (IADB, 2012).

It is clear that some noteworthy shifts are taking place in global patterns of trade, FDI and income. The global South, or at least parts of it, is now more central to these dynamics. The objective in the next sections of this paper is to explore how GVC and GPN analysis can help reveal key aspects of these new geographies of trade and development. The nascent empirical evidence has charted the opportunities for firms from new and growing end markets, but also emerging challenges – notably greater South–South competition.

The South–South trade-off: easier entry vs. new competition?

More "accessible" and growing southern markets. Reasons why South–South GVCs and GPNs have proven attractive for producers include the opportunities for the 'volume upgrading' of existing products that come with the growth of income and import demand in the global South (Fold and Larsen, 2011, p. 62). Demand can also be created for different products, such as for more commodities (source of food and inputs into infrastructure, e.g. metals and energy) (Kaplinsky and Farooki, 2011).

Entry requirements to South–South GVCs and GPNs may be less than in trade serving Northern end markets, owing to the lower or even non-existent standards specifications (Kaplinsky *et al.*, 2011). Examples include the Indian pharmaceutical industry, where a number of firms who could not meet the quality requirements for North American or European markets have found exporting opportunities to other countries in the global South (Horner, 2014), and in Bangladeshi aquaculture, where producers have been finding new and less-quality demanding markets in Russia and the Middle East (Ponte *et al.*, 2014). Elsewhere, many local producers have found East African supermarket standards (involving few food safety, labour compliance or environmental requirements) to be more attainable for many local producers than Global GAP (a worldwide standard for good agricultural practice), thus providing greater opportunity for incremental improvement for smallholder producers (Barrientos *et al.*, forthcoming).

Participation in South–South oriented GVCs and GPNs may also produce learning opportunities, for example through apprenticeship from other firms in the global South, as well as through knowledge spillovers arising from the use of imported goods (Amsden, 1986; Klinger, 2009). In the Ugandan pharmaceutical industry, some domestic firms have learnt through importing from India and have functionally upgraded to some final stage formulation production (Haakonsson, 2009). For African agricultural smallholders, emerging markets in Russia, Eastern Europe and possibly in the Middle East have been seen as a "field of learning", facilitating entry to more accessible markets and generating capabilities for producing to higher quality (Fold and Larsen, 2011).

In contrast with limited opportunities in chains serving northern end markets (e.g. Schmitz and Knorringa, 2000), domestic and regional value chains within the global South have been noted to offer functional upgrading opportunities, for moving into new activities such as design, marketing and branding (Pietrobelli, 2008; Navas-Alemán, 2011). For example, growth in the apparel industry in China and other parts of Asia has been facilitated by supplying emerging Asian economies through a regionally integrated production network. In contrast, Mexican and Central American apparel have been found to be dependent on US exports and have struggled to functionally upgrade into production, design and branding (Frederick and Gereffi, 2011). Available evidence on GVCs and GPNs has yet to produce evidence of South–South sectoral upgrading. However, it has been suggested that South–South trade, being on occasion characterized by more sophisticated product categories than South–North, may fuel some structural transformation – leading to diversification in low-tech industries such as agro-industry and textiles (Klinger, 2009; Amighini and Sanfilippo, 2014).

Dependence on particular markets may also be reduced and end-market risk diversified through participation in South–South trade. For example, Chinese and Vietnamese strategies in aquaculture have included supplying emerging end markets (e.g. Russia and the Middle East) in addition to high-end markets, leading to increased volume and "a more cautious distribution of end-market risk" (Ponte *et al.*, 2014, p. 63). In another instance, Russia and Eastern Europe are providing new markets for cut flowers globally and thus reducing dependence on European buyers (Evers *et al.*, 2014). Such strategies fit with a broader trend in trade of developing countries' greater independence from the North (Saad-Filho, 2013, p. 17).

As a result of factors including the various considerations outlined above, many analysts have taken quite an optimistic viewpoint about the opportunities arising from South–South GVCs and GPNs. For example, the UNDP has suggested that domestic and regional value chains in South–South trade can offer new development opportunities to leverage foreign markets (2013, p. 8). However, an alternative perspective on the emerging South–South GVCs and GPNs, suggests substantial competition and potentially limited gains from South–South trade, as outlined below.

Competition and unevenness within the global South. Competition can be particularly intense within the global South as a result of the lower entry barriers to South–South value chains and production networks. Along with the presence of many competitors, lower income markets can be linked to lower prices, slim margins and less value captured per product (Kaplinsky and Farooki, 2011; Gereffi and Lee, 2012, p. 29). Developing countries can have similar production structures and cost-capability ratios (Yeung and Coe, 2015), such as labour costs and technological capabilities (Kaplinsky and Farooki, 2011), with a resulting potential for "win–lose" outcomes to emerge in trading between southern firms (Kaplinsky *et al.*, 2011, pp. 1178/9). With Southern buyers likely to primarily look for unprocessed commodities, similarities in markets may suggest that the prospects of functional upgrading, such as into processing activities of agricultural commodities, are actually quite limited. Such considerations prompt Kaplinsky and Farooki (2011) to refer to "ambiguous outcomes" from participation in South–South value chains.

In circumstances of intense competition, firms and farms within the global South are likely to be unevenly positioned to capture the benefits of South–South GVCs and GPNs. Larger entities and those with stronger connections to particular markets are better positioned to gain (Lee *et al.*, 2012; Morris and Staritz, 2014; Zhu and Pickles, 2015). For example, East Asian intermediary contractors with key ties to foreign buyers have dominated China's light industries, while constraining the upgrading of their suppliers (Dallas, 2014). Elsewhere, although domestic and regional value chains have offered an opportunity for horticultural producers in East Africa to engage in "strategic diversification" and upgrade, many smallholders have struggled through lack of capabilities (Barrientos *et al.*, forthcoming). Competition from the large emerging economies, in particular, can be strong in South–South GVCs and GPNs, and China is a major competitor for smallholder African horticultural producers (Fold and Larsen, 2011).

Table 3. Emerging evidence on South–South value chains and production networks.

	Pros: more accessible markets	Cons: greater competition
Volume/ price	Greater volumes	Lower prices, more competitors
Standards	Lower requirements	Lower requirements may be short-lived
Upgrading	Learning and functional upgrading opportunity	Uneven capabilities among firms to benefit
Dependency	Diversification of end-market risk	Potential new dependency

Source: Author's construction.

Entry barriers in Southern markets may also arise from dominant Southern firms and from increased standards requirements. As China, India, Brazil and other emerging economies grow, expectations around standards (labour, environment, health and safety) are likely to increase (Nadvi, 2014), with pressure for higher standards coming from both citizens and those Northern firms such as Nike and The Gap who desire regulations that will force change on some of their competitors (Mayer and Gereffi, 2010, p. 16). In agro-food chains, the expansion of supermarkets is expected to raise private standards in many developing countries (Lee *et al.*, 2012, p. 12327). In relation to consumer expectations, growing middle-class consumers in rising powers will engage in more discretionary spending, some of which may be directed towards responsible consumption such as social commitment or environmental issues (Guarín and Knorringa, 2014). Such considerations may call into question the attractiveness of supplying southern economies and may indicate that exiting Northern-oriented GVCs and supplying the domestic market or participating in other (e.g. South–South) value chains could only bring short-lived gains (Kaplinsky and Farooki, 2011; Lee *et al.*, 2012).

Thus the emerging empirical evidence on South–South GVCs and GPNs highlights a number of pros and cons, as outlined in Table 3.

KEY ISSUES ON AN EMERGING GVC AND GPN SOUTH–SOUTH AGENDA: GOVERNANCE AND UPGRADING

In the emerging agenda on South–South GVCs and GPNs, the governance of South–South trade and the upgrading opportunities involved represent two key issues which deserve particular attention. Together, these issues move the agenda beyond the "homogenized imaginary" of "South–South Space" (Carmody, 2013), to highlight inequalities of power and opportunity and to bring more nuanced understandings of South–South interactions.

Governance dynamics: new private and public governance?

South–South GVCs and GPNs are likely to involve new lead firms and, potentially, new forms of private governance. The coordinating role of Southern firms has been explored in very few studies (Sinkovics *et al.*, 2014; Yamin and Sinkovics, 2015), among them those focusing on South African retailers (Morris *et al.*, 2011) and supermarkets in Sub-Saharan Africa (Barrientos *et al.*, forthcoming). Yet, as indicated in Table 2, an array of major global firms with distinct Southern origins are emerging. Chinese lead companies have particular prominence in the global economy and in South–South trade, with many state-owned (Forbes, 2013) and prominent in energy, mining and construction (Henderson and Nadvi, 2011, p. 287). Zambia, for example, is integrated into GPNs centred on Chinese state-owned companies (Carmody *et al*., 2012). Large transnational sub-contractors from Asia, such as Foxconn in electronics and Li & Fung in retail, are now playing major roles within the governance of global production, in particular by acting as "co-leads" or "strategic and pivotal firms" in the coordination of GVCs (Azmeh and Nadvi, 2014). Moreover, Northern firms may also play key roles in governing South–South trade, yet have been subject to relatively less attention in this context.

After identifying key lead firms and the role of large contract manufacturers (cf. Azmeh and Nadvi, 2014) within South–South trade, it is necessary to understand their business strategies (e.g. Lall, 1983; Yeung, 1994; Sinkovics *et al*., 2014; Yamin and Sinkovics, 2015), the forms of power and control they exercise and their influence on standards (Nadvi, 2014) in a South–South context. A key question concerns whether distinctions emerge from those forms of governance (Gereffi *et al*., 2005) found in a North–South context. Given South–South development cooperation is premised on being more horizontal and "win–win" than North–South relations, research can help explore to what extent such aspirations translate into the governance of South–South GVCs and GPNs.

Private governance tends to be much focused on for studies of GVCs (and to a lesser extent GPNs), but a range of studies in international political economy have demonstrated that the state is of continued relevance in development policy intervention under globalization (Mosley, 2005; Weiss, 2005; Carmody *et al*., 2012). Yet whereas state use of industrial policy has again become prominent since the 2008–09 global financial crisis (Evans, 2010; Lauridsen, 2010; Wade, 2010; Gereffi and Sturgeon, 2013; Gereffi, 2014), research on industrial policy within GVCs and GPNs remains only at a fledgling stage (e.g. Singh-Bhatia, 2013; Gereffi and Sturgeon, 2013) and has yet to be explored in a South–South context. Among the larger emerging economies, attention has been given to Brazil for its industrial policy initiatives in soybeans and consumer electronics (Gereffi and Sturgeon, 2013, p. 345), while South Africa has been considered for its objective of more processing of minerals shipped to China (Gereffi and Sturgeon, 2013, p. 338).

A number of issues are pressing in relation to the public governance of South–South GVCs and GPNs. More needs to be known about the agency of state policy-makers to shape South–South GVCs and GPNs and how that varies between countries and in different domains (e.g. industrial policy, labour standards and environmental regulations). For example, emerging evidence points to Brazil's transition into a "standard maker" (Peña 2014). Huge differences are almost certainly likely to exist between some of the rising powers and other countries within the South in the capacity of state and public governance to shape GVCs and GPNs. Attention might also be given to the influence of trade agreements, particularly the prospects for inter-regional South–South trade cooperation which are still uncertain. Restrictions can currently be high in terms of import duties on goods traded between developing countries (ADB, 2011). Such inter-governmental barriers raise broader questions of the extent South–South cooperation interfaces with South–South trade and the geopolitics (Glassman, 2011) of GVCs and GPNs.

South–South upgrading opportunities and territorial development

Much more research is needed into the circumstances under which upgrading and associated territorial development can occur in South–South GVCs and GPNs. Strategies for sustaining market development (Yeung and Coe, 2015) and relational practices for internationalization, such as the creation, establishment and reorganization of networks, may vary according to the end market in question (e.g. MURPHY, 2012). Moreover, the factors shaping firms joining new GVCs and GPNs have significance as they relate to the degree of dependency or lock-in of firms to particular market segments. In the case of clothing producers in Mauritius supplying both the USA and European market, very little likelihood exists for those supplying the latter switching their focus to the US market despite greater market incentives (exchange rate, African Growth and Opportunity Act). Distinctions in cultural conventions of industrial organization, quality, and ownership (Mauritian-owned firms supplying Europe, ethnic Chinese for the USA) have been crucial to market segmentation (GIBBON, 2008). Standards are likely to be influential too, with the possibility that production oriented towards supplying northern end markets and associated higher standards requirements may be too costly to be competitive in a southern end market where prices are lower. More broadly, issues of "strategic decoupling" (HORNER, 2014), participation in multiple value chains and the possibilities of deliberately downgrading have implications for the extent that diversification can be used as an upgrading, or even a risk mitigation, strategy. Such issues are arguably also given new impetus by the greater prominence of South–South trade.

With the heterogeneity of the South increasingly prominent, attention might also focus on how different regions, countries and supra-national regions are likely to be differentially placed in relation to the prospects for upgrading and securing improved territorial development outcomes. Although a tendency exists to focus on the large emerging economies of Brazil, India and most of all China, not all developing countries are experiencing comparable growth (SAAD-FILHO, 2013), with least developed countries in particular having marginal growth shares (UNCTAD, 2011b). In work on South–South GVCs and GPNs, it is desirable to avoid a "developmentalist" focus that concentrates solely on the most economically dominant parts of the South (MURPHY, 2008). Developing country participation in South–South trade is quite uneven, with East Asia particularly dominant (SAAD-FILHO, 2013, p. 11). As warnings for the case of Africa have indicated (MCCANN, 2010; MOHAN, 2013), the local agency beyond the rising powers of the global South deserves to be explored. Geopolitical warnings of the possibilities of new hierarchies and new dependencies cannot be ignored. Indeed, while commodity chain analysis originated in its world systems version with as an aid to understanding patterns of inequality between North and South, contemporary GVC and GPN work could arguably now explore similar patterns within the South.

While upgrading merits consideration, the possibility of only short-term gains (KAPLINSKY and FAROOKI, 2011; LEE *et al.*, 2012), or even downgrading, in South–South GVCs and GPNs should not be overlooked. Lower quality standards, while making entry more accessible, could potentially be perilous in some industries, for example pharmaceuticals, which directly affects the heath of consumers. In the context of South–South FDI, but also relevant to trade, some scholars have questioned the comparative lack of corporate social responsibility labour and environmental standards initiatives among Southern companies (AYKUT and GOLDSTEIN, 2007, p. 100). Attention might also be given to the possibilities for negative environmental impacts, for example to the major flows of e-waste between developing countries (LEPAWSKY, 2014). Social upgrading – the possibilities for improvements for workers – is another key consideration. More than a decade ago, warnings were issued about the potential for a race to the bottom in labour conditions arising out of South–South competition (ROSS and CHAN, 2002). With South–South trade growing, what happens in these GVCs and GPNs will be crucial for the possibilities of promoting decent work conditions (BARRIENTOS *et al.*, 2011).

Given that the outcomes may be negative as well as positive, scholars and policy-makers have argued that policy action is needed to take advantage of Southern growth and to promote effective linkages for more inclusive growth (Kaplinsky, 2013). UNCTAD has emphasized a focus on accumulation of capital, technological progress and structural transformation, and has asserted "the need for policies at the national level to ensure that Africa–South cooperation does not replicate the current pattern of economic relations with the rest of the world, in which Africa exports commodities and imports manufactures" (2010, p. 1). For Latin America, it has been suggested that the region's ability to compete with China will necessitate a policy agenda to diversify its exports, exploiting proximity to the US market and boosting productivity growth (Moreira, 2007, p. 373). With the criticisms noted earlier that policies (of governments, donors, multilateral organizations) can be biased towards initiatives aimed at facilitating participation and upgrading within GVCs serving end markets in the global North, suggestions have been made to recognize opportunities in low-income markets (Fold and Larsen, 2011; Staritz *et al.*, 2011). Recommendations include information and motivation events, exchange schemes, supplier fairs and exhibitions to support value chain diversification (Altenburg, 2006). More needs to be known about how these and other initiatives are employed by policy-makers and others within the South to promote and benefit from South–South trade.

CONCLUSION

A shift in the geography of global trade is emerging, with South–South trade having greater prominence in the world economy and markets in the global South constituting a growing share of final demand. To date, much of the debate among policy-makers and scholars about South–South trade has been characterized by a mix of optimism drawn from win–win notions of South–South cooperation and forebodings about the potential for new inequalities and forms of colonialism. The analytical focus of GVC and GPN research is now beginning to move beyond its former North–South orientation to explore these new shifts in the geography of the global economy and the emergence of increased heterogeneity within the South. Valuable insights into the South–South trade debate can be obtained by moving beyond more macro-scale generalizations to take an actor-specific investigation of this increasingly prominent dimension to trade and its variegated development outcomes.

This paper has suggested that emerging research on South–South GVCs and GPNs is characterized by two broad emphases, one positive and one negative. On the one hand, and in contrast with North–South GVCs and GPNs, it has been suggested that South–South GVCs and GPNs are more accessible as a result of lower (and at times even non-existent) quality, social and environmental standards. Benefits associated with participation in South–South trade include the potential for volume expansion, opportunities for functional upgrading, diversification of end-market risk, and learning from more suitable partners. On the other hand, given that entry barriers may be less, and that some countries within the South may have similar cost–capability ratios, firms and farms may face a significant degree of competition within South–South trade. Lower prices are likely to be present in these GVCs and GPNs, while firms may have very uneven capabilities to benefit and new forms of dependency may arise.

As avenues for making further progress into understanding South–South trade, two areas of GVC and GPN research are identified. First, renewed attention to the governance of GVCs is required with specific reference to South–South trade. This includes consideration of the emergence of new lead firms from the global South, and also of aspects of public governance. Second, attention needs to be given to upgrading opportunities and territorial development outcomes – including such matters as the conditions under which functional upgrading can occur, the agency of local business people for upgrading, the barriers to upgrading, the possibilities for switching GVC or GPN, the possibilities for downgrading and the scope of policy-makers to facilitate and maximize benefits from South–South trade. Many of these foci could arguably be drawn from South–South GVC and GPN studies to inform conceptual work on a broader scale, to "theorize back" (Yeung and Lin, 2003) to the current North–South understanding of GVCs and GPNs. Moreover, further empirical research is ultimately vital to move beyond the win–win notions often drawn from an earlier era of South–South cooperation to unveil the commercial realities, variegated outcomes and very uneven geographies of expanding South–South trade.

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