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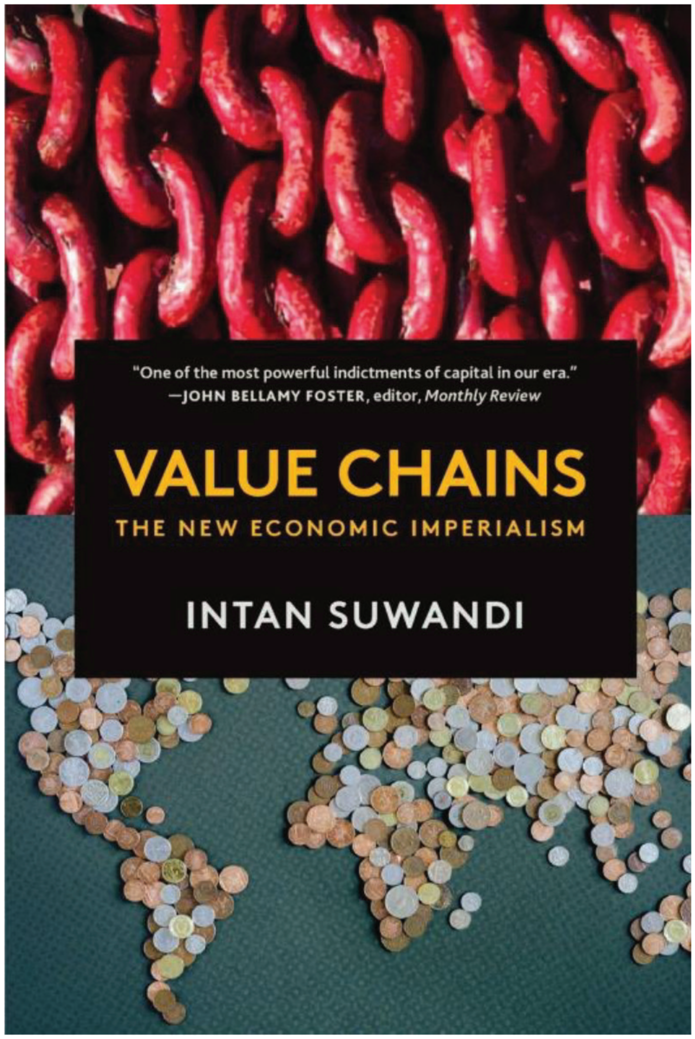
Book Review

Value Chains: The New Economic Imperialism



Value Chains: The New Economic Imperialism; by Intan Suwandi; Monthly Review Press, USA, 2019, paperback, ISBN: 9781583677810.

The book presents a proposition about the value chains as a form of economic drain, which is carefully constructed from the Marxian view of value added as essentially labour surplus. That seeks to reclaim the production function, tersely characterised as the interplay between capital and labour in the economics of technological change literature, as much as it seeks to liberate from it. The subjective narrative offered by the book explores how the division of labour appears as a form of social and economic exploitation of workers in low-wage countries by western multinationals. It posits the book in the lexicon of contemporary production relations i.e., foreign direct investment to emphasize the mobility of capital and the contingent compulsions of capital to reduce per-unit costs of labour and the increase of productivity. These two structural contingencies are used to characterise the essentialist formulation of imperialism i.e., one of generating surplus through the exploitation of resources in other countries to enhance their developmental goals. This to many others in the field of innovation systems is a matter of dynamic, evolution and path dependence and to many trade theorists, the explanation of the flawed nature of export-orientation of the economies of the south. As to why the productivity bias the book criticises is not relevant in our context, appears diffuse.

Chapter 1 outlines the capacity constraints that developing countries face, in terms of regulating in self-interest and the parallels it draws with the ironies of the open economy that the globalized world order presents. The author positions his argument as based on the hierarchical nature of the world economy to open up the debate to various perspectives. The basis of his argument is the opinion of an executive from Java Films, often touted as a poster boy of functional and inter-sectoral upgrading, which advances the "upgrading as development outcomes" style narrative. This is at once interesting, yet contradictory to the overall narrative of reclaiming labour generated surplus, as the sole repository, even in technological change. He primarily dwells on the relevance of imperialism in the modern-day world and superimposes it in the new international division of labour that global commodity chains present quoting scholarship ranging from David Harvey to Giovanni Arrighi to Prabhat Patnaik. While it is correct to say that the fact that developing countries of the South have been primarily engaged in production, on account of its capacity constraints in developing cutting edge innovation (narrowly understood), it can be argued that a lot of developed world innovation is more and more organisational in nature (Oslo Manual and the Innovation Paradox, IMF, 2018). It is nobody's case that the informal sector in the South, though structural to it, was a result of loss of organisational coherence, due to the breakdown of the trade-off between search for relational proximity and organisational coherence. That seems to be the meeting point in empirics and the overall point of departure that formalisation leads to the same quixotic situation, it intends to rectify. Exactly, it is only as correct to be triumphalist about the globalisation of production (as a panacea of developmental inequality), as it is to be about the gross domestic product, as the sole indicator of development. Although this proposition can expect a sharp correction, given the current world circumstance, the author's consistent attempt at underplaying the rise of emerging economies, as the "mere shifting of hegemonies" should be enough to undercut the imperialist argument. That is the sliding scale between the geopolitical and political economy scope of the argument being advanced. While he emphasises the current cross-disciplinary focus on the decentralised characteristics of value chains, he does not pick up exemplars that establish or bear out his propositions.

The author examines the imperialism debate giving space to the voices from the South and examines in greater depth, the conceptualisation of a wider constituency of research disciplines from geographers to economists of all ideological flavours to reject any straight jacketed notions of imperialism, in terms of its economic underpinnings. The critique of Wengraf's explanation of the rise of emerging economies as an offshoot of "sub-imperialism" ending imperialism refers to a rather interesting example of China taking advantage of the neoliberal assault in Sub-Saharan Africa. It is another matter that at one point in 1978, China had a GDP lower than it which is cited by authors studying regional development strategies (Oqubay and Lin, 2019) and that its policies were as much predicated on a pragmatic view of comparative advantage, while initially leveraging the same very labour-intensive activities under similar wage conditions, that is being criticised here. Of course, nobody not even in the post-COVID world attributes China's role as imperialist but that of a new "global hegemon", despite the temptation to ascribe motivations to its recent conduct. The fact that a majority of global value chains are sourced from China only undermines the validity of the inherently imperialist nature. The sub-imperialism as a "mutation of neoliberal capitalism" is therefore a bit of a phantom. Exactly who is dealing in rank idealism by omitting the role of time and history and historical materialism and who is conveniently omitting to incorporate the evolutionary aspects of context-specific factors related to innovation systems and indulging in self-pity, is of course another matter. The decentralisation thesis advanced by the book is that decentralisation of power has not resulted from the alteration of economic relations of unequal exchange bears testimony to the fact that the source of this power is no longer geopolitical, as was considered to be a feature of imperialism. With the rise of new independent states and sovereignty over natural resources, it is contradictory to argue that since a certain measure of dependence over exports has resulted, the use of natural resources is still predicated in the old relations of the economic drain as the primary goal of imperialism. The author, thus, cleverly omits the geopolitical aspects, including control of colonies and dispossession of petty producers outside of capitalist production as features of imperialism, solely focusing on extraction. That results in a resource curse-like situation in the developing South rather monolithically. The attempt in the book is to unflatten the power relations envisaged by the commodity chains concept to bring in the dialectical questions of class, power and control into the exploitation/expropriation theses. Exactly why unit labour costs and cross-national variation thereof is used, when several sectors of manufacturing activity did not have structured data sources combining labour productivity with wage costs, to attest Marx's theory of exploitation is a mixed prospect. The productivity of labour is somewhat presumed to be high in this and that wage costs forever static (p. 18). To say extraction of the description involved by way of exchange and contingent on profit refers to the capture of surplus and reification of exploitation, as the sole mainstay of imperialism is a conflation of sorts, both in the same breath. That labour other than capital is the only factor of production function in technological change somewhat results in discounting the power of technological change and the disruption they cause to a reductionist enterprise of undervaluing or replacing labour. The attempt to explore the connection between the control of labour objective and the intricate power relations in terms of specific mechanisms of control exerted through the different actors represents the buyer-driven chains. That may be true in value chains of captive or hierarchical forms of governance structure. It is another matter that the ownership structure underlying its operationalisation is not evident in the informal industry that often acts as suppliers to the western companies that assumes their ability to do so, which is often in question. The author uses different theoretical frameworks, namely rationalisation and flexible production by case studies in two Indonesian companies. The restructuring of the world economy driven by the imperatives of capital accumulation thus is neither new nor structurally different yet sustain a known formulation of imperialism. This is a conflation of one dimension to be of the essence to the phenomenon of imperialism. However, the more useful insights related to the unequal power relations between companies affecting the workers at the other end. The inseparability of capital accumulation processes from relations among nation-states points to a status quo that does not bear out in the current world economic system. The export of capital thus embodies the structural relationship of underdevelopment and the device for transfer of surplus generated abroad to the investing country. As to what alternative epistemology is constructed is not known. The author examines certain propositions, namely the new characteristics of global production processes, through the dramatic increase in foreign direct investment flows, increasing expansion of international portfolio flows, accelerating pace of offshoring or intra-firm trade. Such a conceptualisation, while referring to the activity does not address itself to the services component underlying it. Despite outlining declining trends in investment in advanced countries and the relative resilience of investments in transition economies, he admits to not outlining the offshoring narrative entirely. But justifying of discussion of market relationships i.e., arm's length contracting or non-equity modes of production rules out captive forms of governance structure has more to do with how the export statistics in countries is conceptualised from a product perspective. The increasing fragmentation of production into different activities and tasks by direct and indirect means by foreign direct investment or outsourcing practices by lead firms and by the purchase of production inputs from a domestic supplier loses sight of the organisational decomposition of activities observed, concerning innovation activities and the modular nature of knowledge-intensive business services (Schmitz and Strambach, 2008).

The distinctive characteristics of globalised production associated with increased production in low-wage areas in the global south like export-oriented industries, in specific industrial complexes, in which companies, act as suppliers to foreign clients are discussed. The number of jobs attributed to global commodity chains is used to justify this phenomenon, which again shows huge variations across sectors and nations, a fact that gets discounted in this indicator. Further, if domestic systems fail to generate employment under Keynesian conditions, then blaming the foreign client for substituting internal exploitation of this reserve army is a paradoxical statement on implementing relations of production, capabilities and ultimately dependencies that need to be generated, as well as enabling trust in transactions. A similar argument is advanced with high-quality technologically educated migrants and their contribution to foreign systems after their education is provided here. But is it enough to be triumphalist that we have a scientific community, whose educational credentials express better outside their home countries? It is Hobson's choice for those not so similarly enabled, as is the case with the entrepreneurial community, which does not uptake technological opportunities of learning automatically, as the structural nature of the economic activity is different in such countries. The priorities of capital are decided based on opportunity costs in such systems as is evident from the flexibility discussed later in the book, where implementing changes in specifications of orders from foreign clients leads to difficulties of an operational nature that impose severe costs constraints added with the pressures of competition from rival companies. Entrenching the shift in labour to these emerging companies in East and Southeast Asia rendered manufacturing a central role in exports and production processes. It is well-known that it is equally important to have a good manufacturing base in any economy. Current trends worldwide only reinforce this trend when indicators of industrial production are showing a downward trend. The characteristics of manufacturing output shares are discussed in social sciences. The author traces the commodity chain perspective from the world-systems perspective and its evolution by sociologists, economists, and geographers and subsequent association with a mainstream discourse of global supply chains to demonstrate how the loss of a macro-historical perspective and faulty pre-eminence centred on firms and industries diverted attention from global patterns of uneven development. The critique offered that transnational corporations were not adequately accounted for in the structure of the world economy rings true. The use of the firm level of analysis at the cost of the structure of the capitalist world economy has not been adequately discussed regarding the pitch of his theoretical deduction of the exploitation of labour (p. 24). The studies that deal with exchange value offer institutionalist criticisms of abstract value-added conceptions in neoclassical economics that do not envisage new forms of exploitation. One would imagine the transfer of labour surplus is neither new nor materially different in terms of the conditions of capitalism than those offered by scholars like Marx, etc. who dealt with labour theory of value. It is partially correct to argue that the global commodity chain and global value chain perspective lack a radical apparatus necessary to analyse power and class relations within global production processes. But it is equally true that Schwartzian and other theories of value suffer from similar drawbacks (p.25). The resultant ideological flattening of power relations, despite the understanding of governance dynamics they offer, renders their explanatory power of limited nature. Economic geographers who developed global production networks (Ernst, 2007) have criticised the industry or commodity-oriented approach as doing insufficient justice to the multi-actor and geographically complex contemporary global economy and not adequately explaining global patterns of uneven development. This coupled with a failure to comprehend the nature of capitalist exploitation and indecent work and the perpetuation of a top-bottom perspective on labour is a key drawback of global value chain analysis. The author carefully considers the counterfactuals on these lines.

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