

Shift in global demand and effects on employment, skills, and labour standards

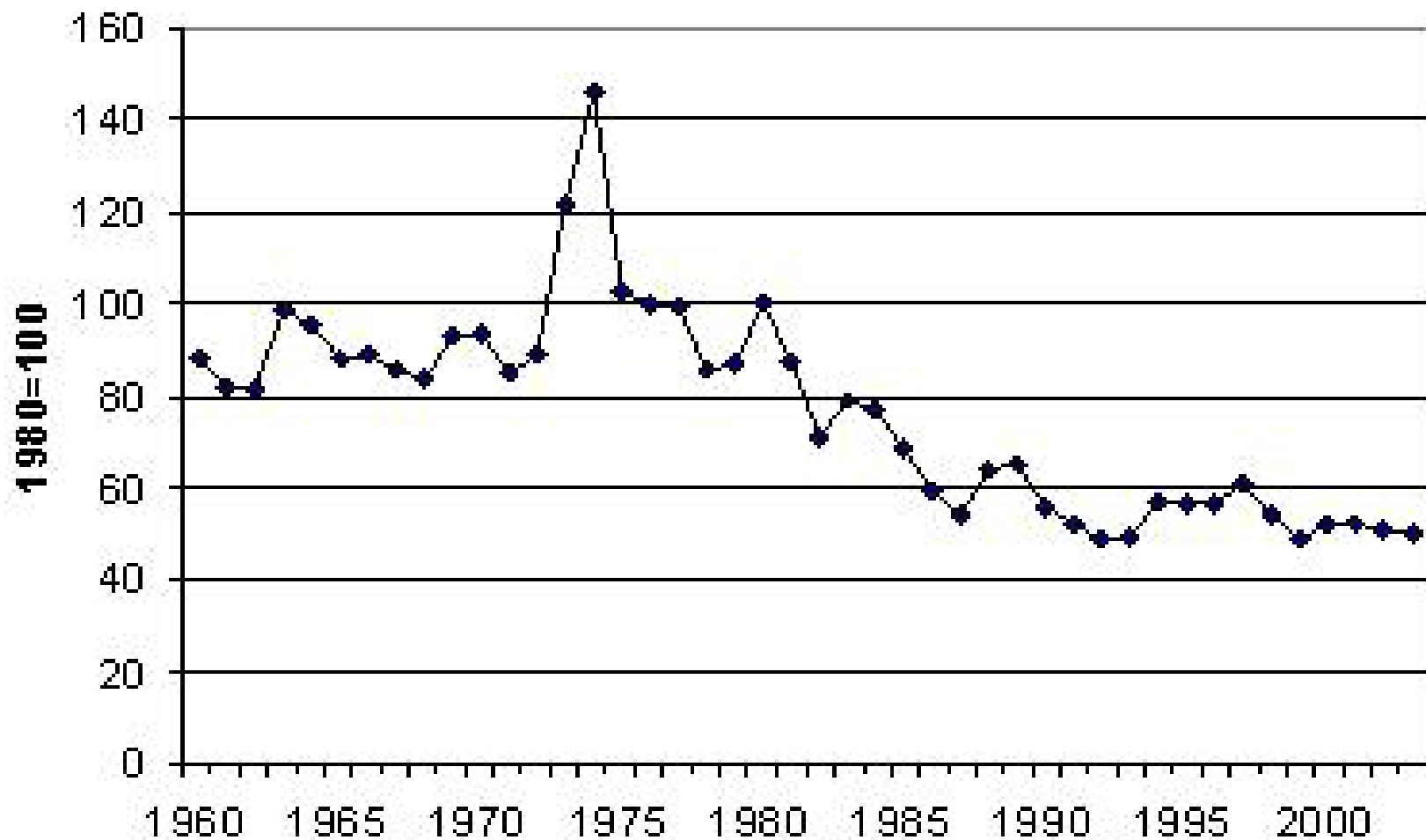


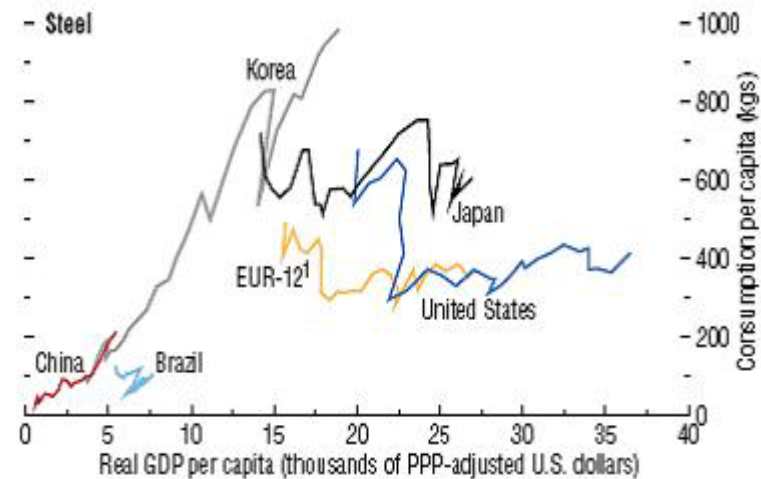
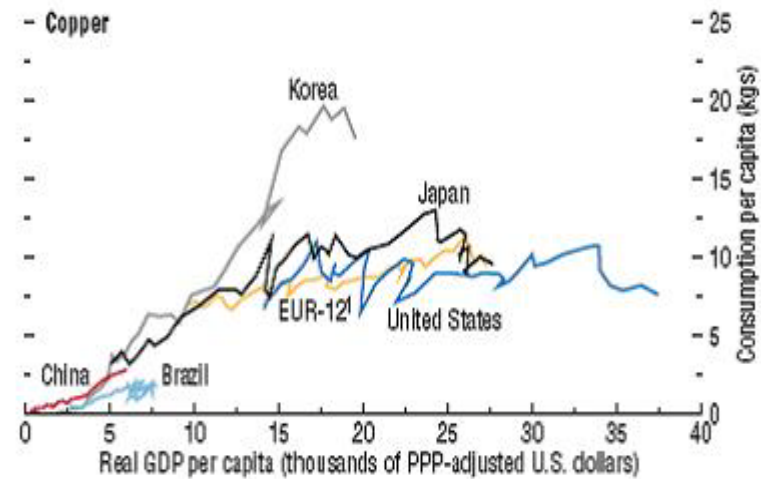
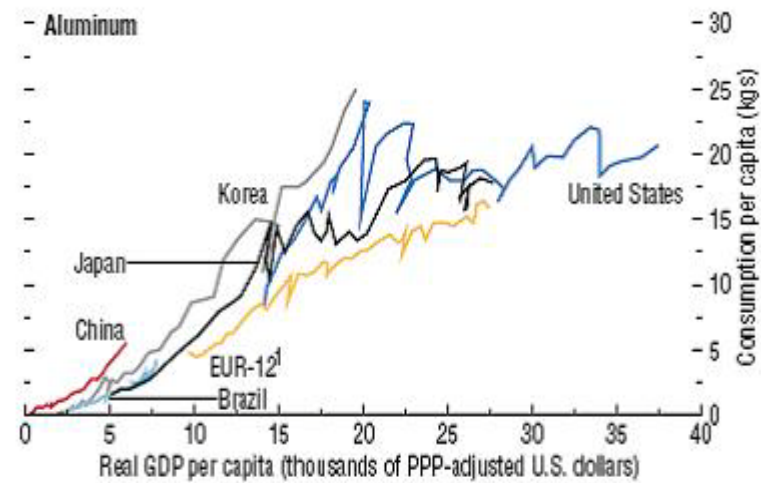
The Open University

Raphael Kaplinsky
Development Policy and Practice,
The Open University

Joint ILO-GTFA conference:
Globalization and Employment:
Global Shocks, Structural Change and Policy Response
Geneva, 21st June 2010

Commodities-Manufactures Terms of Trade



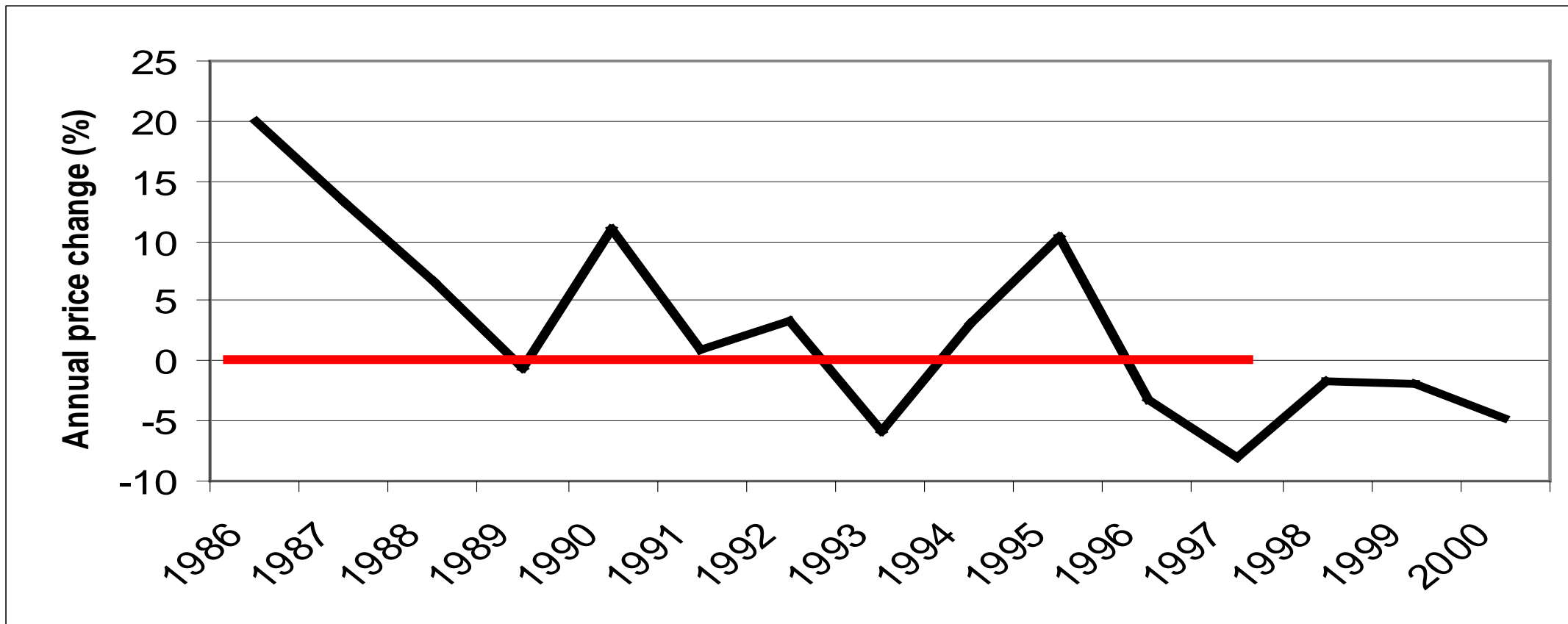


China's demand for agricultural commodities



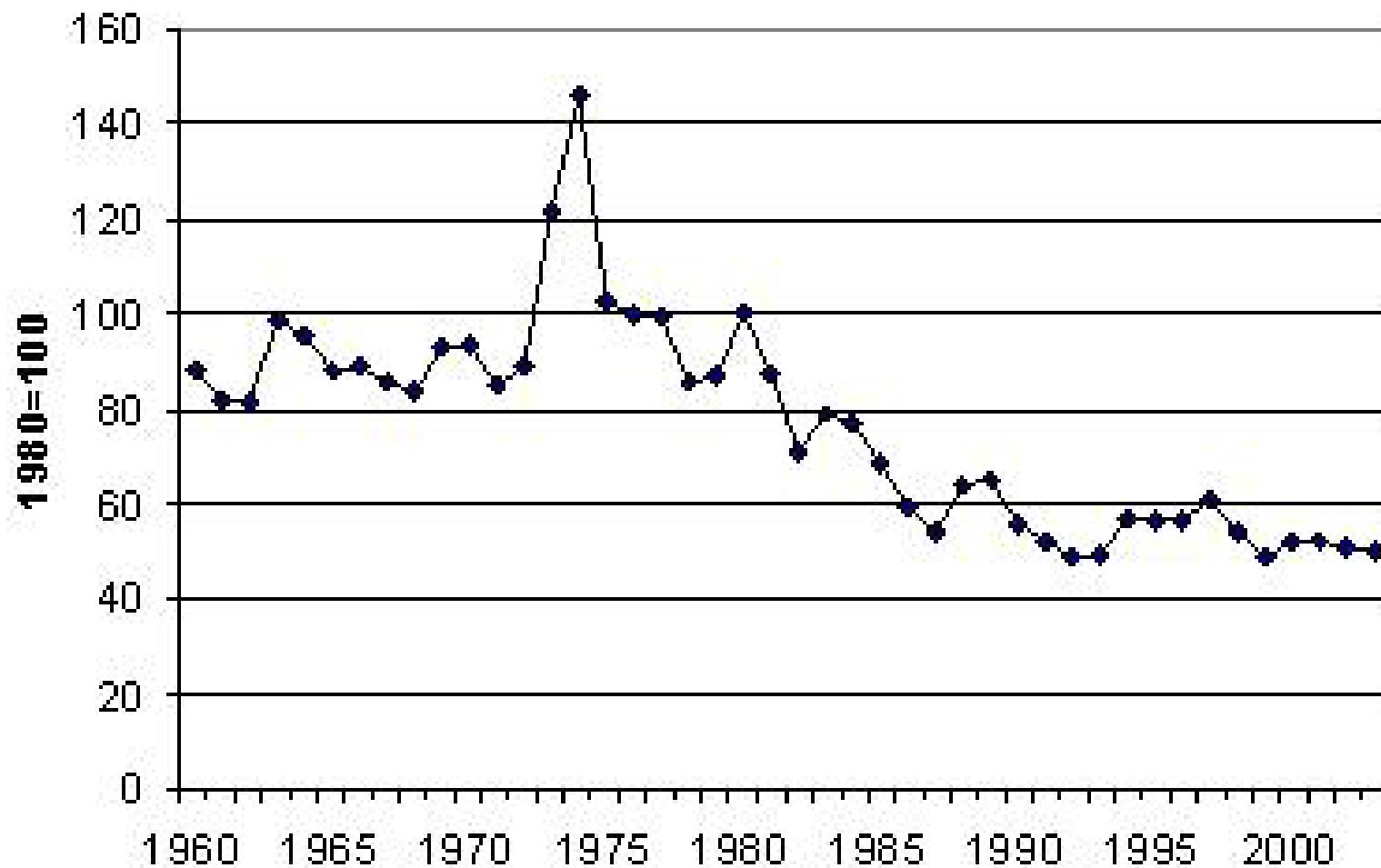
- 20% world population, 7% arable land
- Biofuels
- Industrial inputs
- 22% global rubber consumption (2006)
- Imports 27mt cotton vs 7mt domestic production(2008)
- Pork, other meat and animal feeds
- Switch domestically from grains to fruit and vegetables

World Manufacturing Export Price, 1986-2000



IMF, World Economic Outlook Database

Commodities-Manufactures Terms of Trade



The 2nd Industrial Divide – from Fordism to post-Fordism



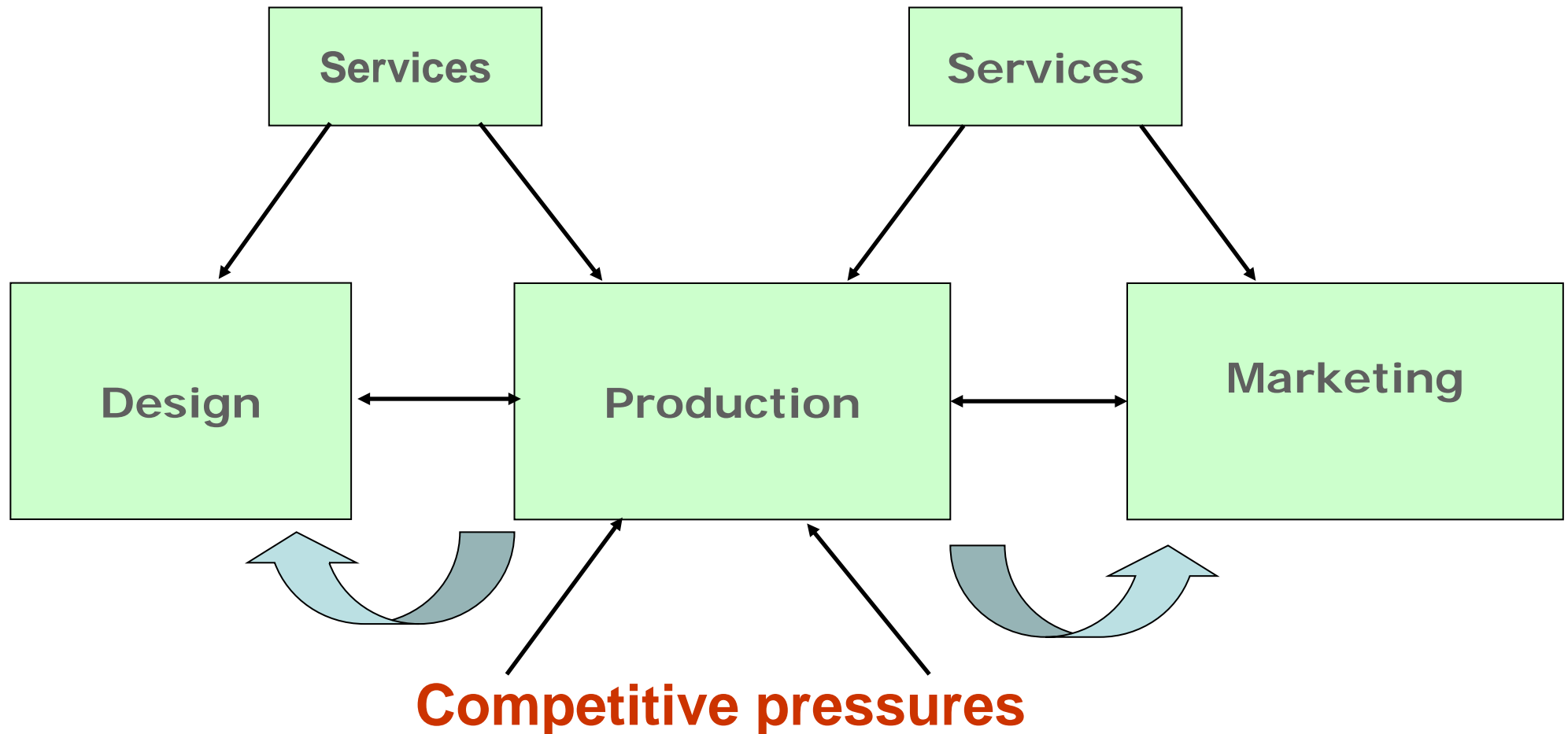
- **From supply-push to demand pull**
- Critical success factor in supply-push
 - Price
 - Volume
 - Price
- Critical success factor in demand pull
 - Quality
 - Differentiation
 - Price



The centrality of standards in Global Value Chains

- **Private sector standards – QCD**
 - Quality – as in parts per million
 - Cost – price reductions by suppliers
 - Delivery – more frequent, smaller and on-time deliveries
- **Govt standards**
 - Health and safety in work
 - Product safety
- **Civil society**
 - Labour standards
 - Organic standards

The increasing globalisation of VCs



U

V

?





“Is this a V recovery or a W?
I think it’s the latter...”

(CEO HSBC Bank, Financial Times, 5th Oct 09)

、

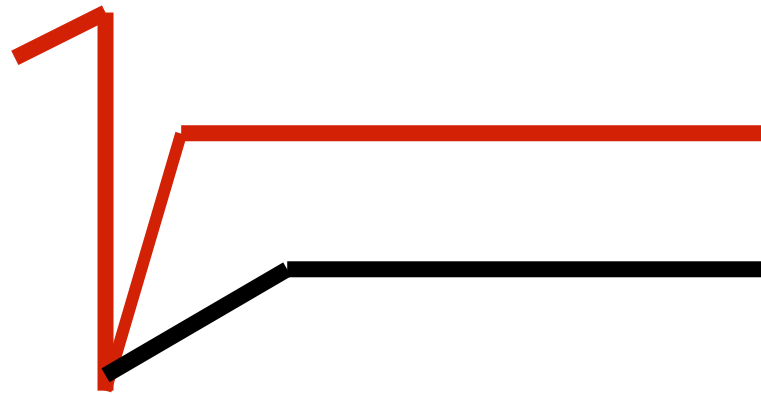


Perhaps its an

L

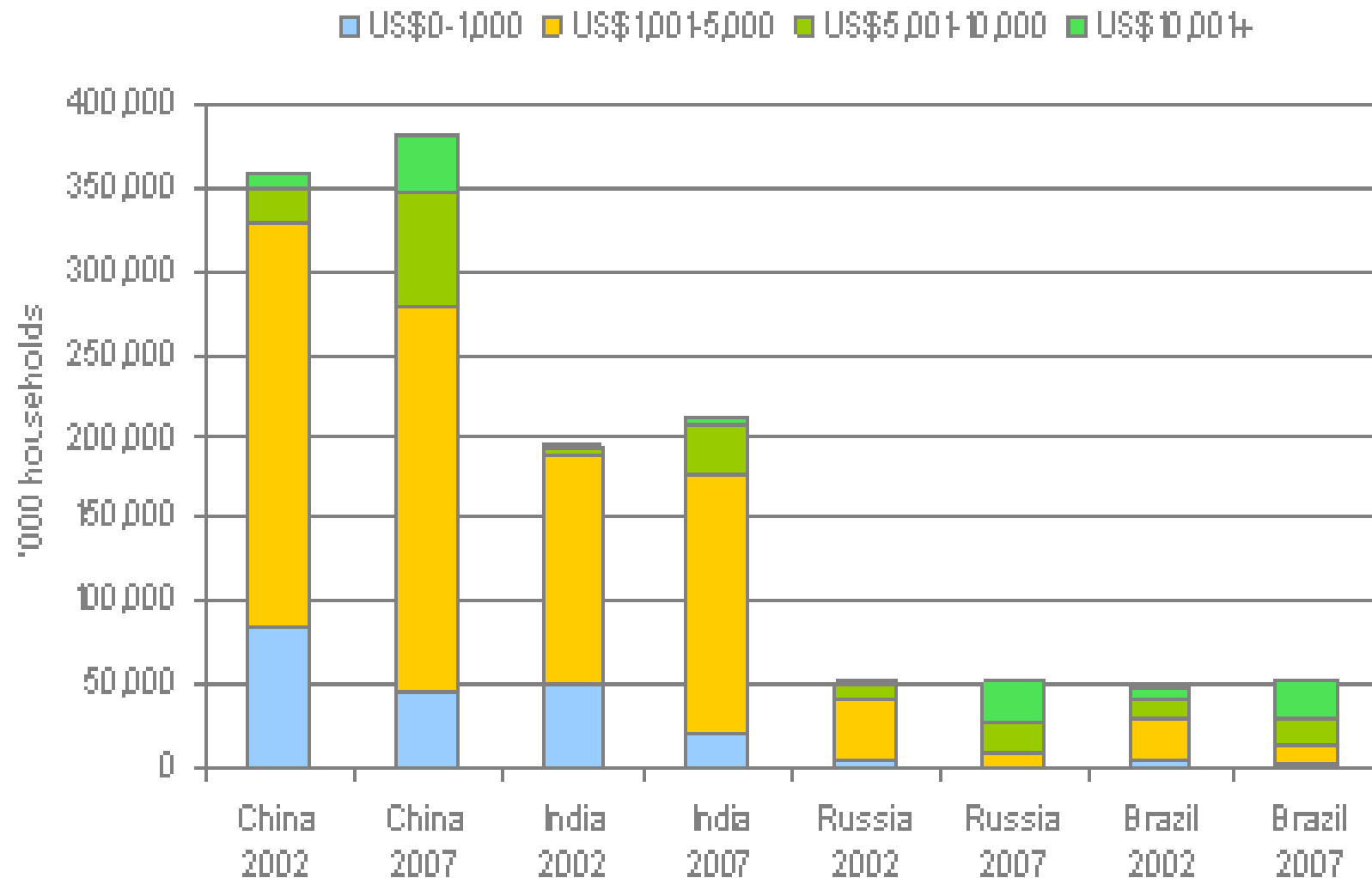


OR, MAYBE





Households according to disposable income bracket in BRIC countries: 2002/2007 '000 households



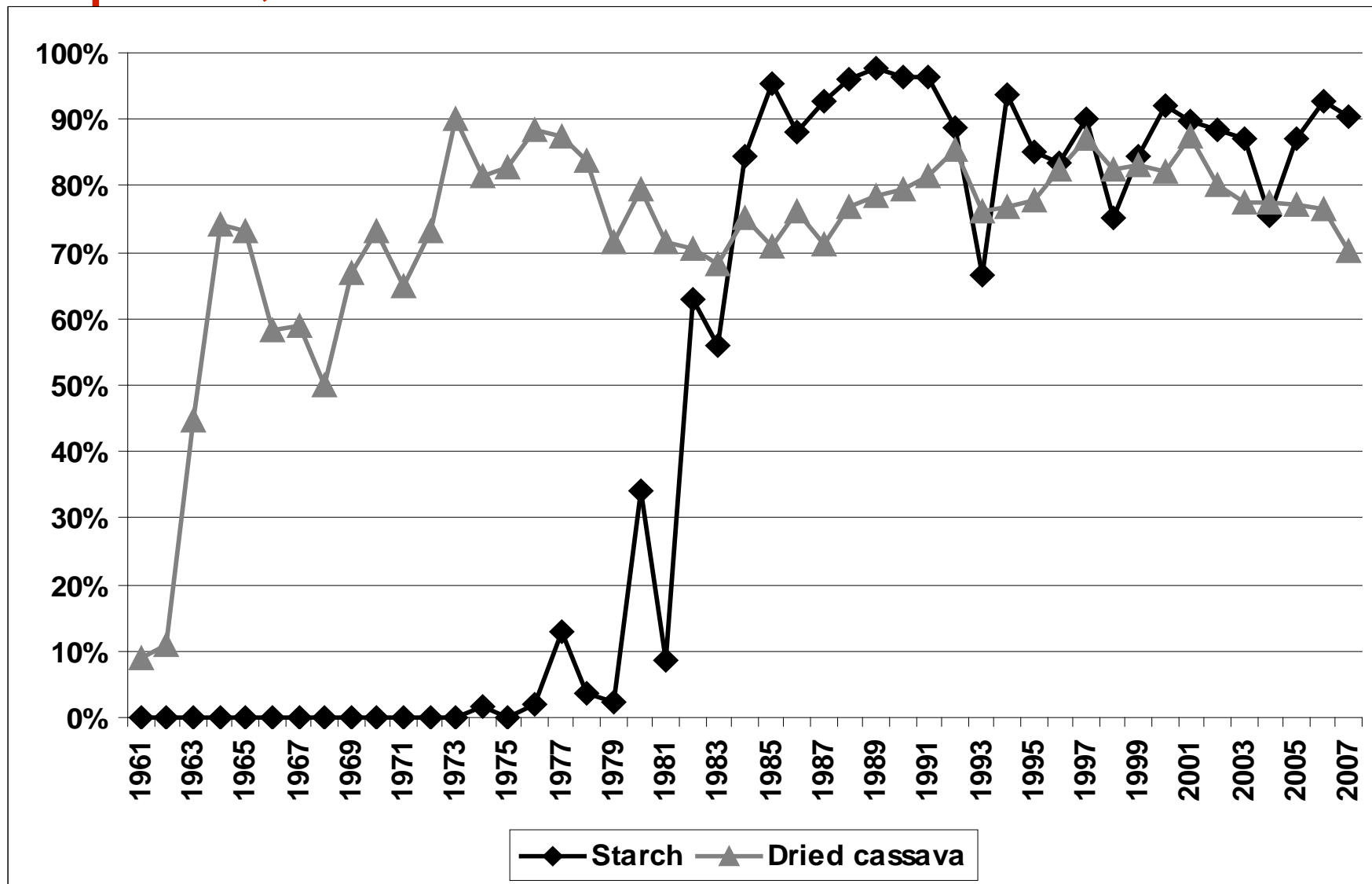


Two core impacts as markets shift to the south

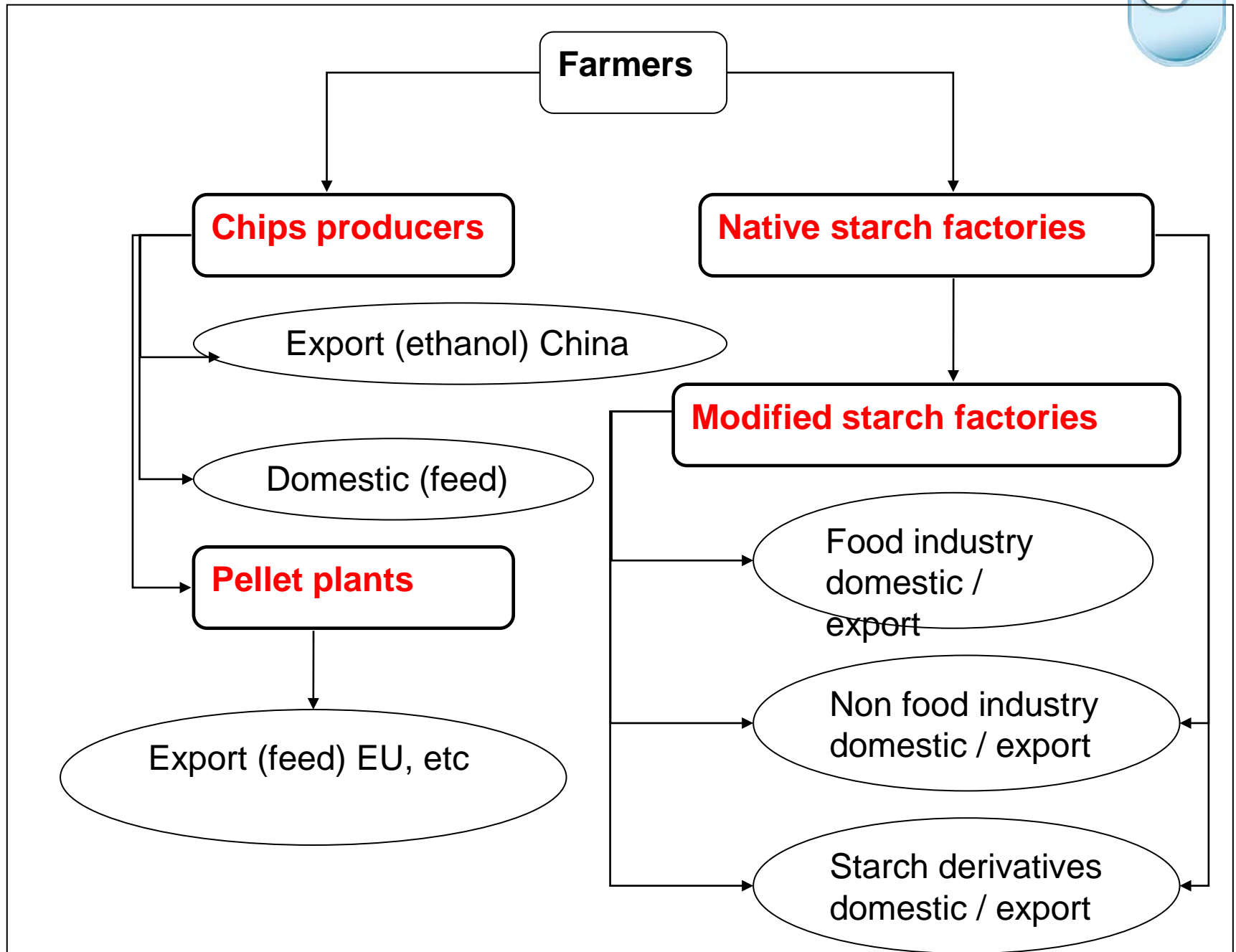
- What role will standards play in global value chains?
- What will the impact be on the inter-country division of labour in global value chains



Thailand's Share in World Cassava Exports, 1961-2007

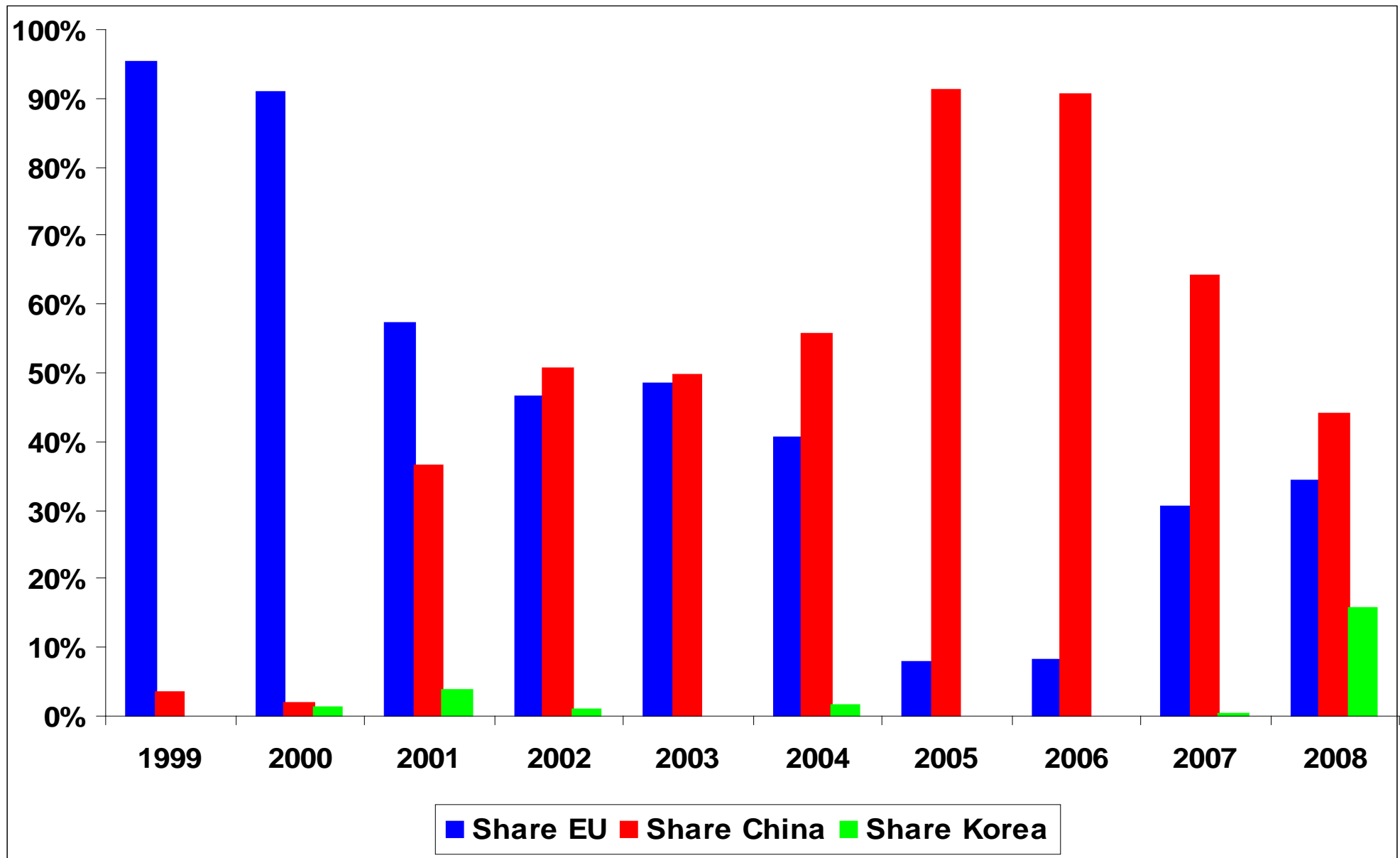


Low VA

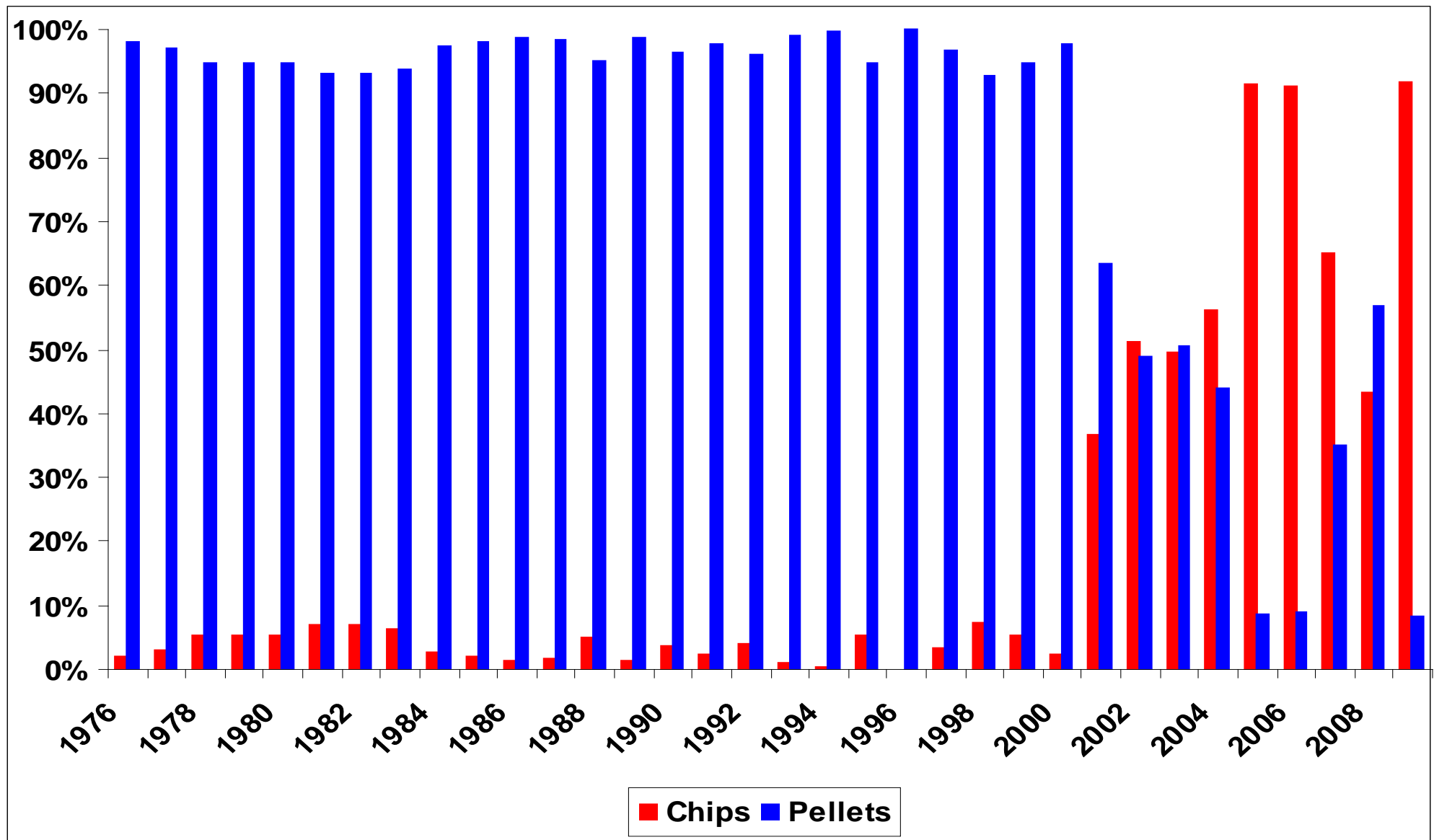


High VA

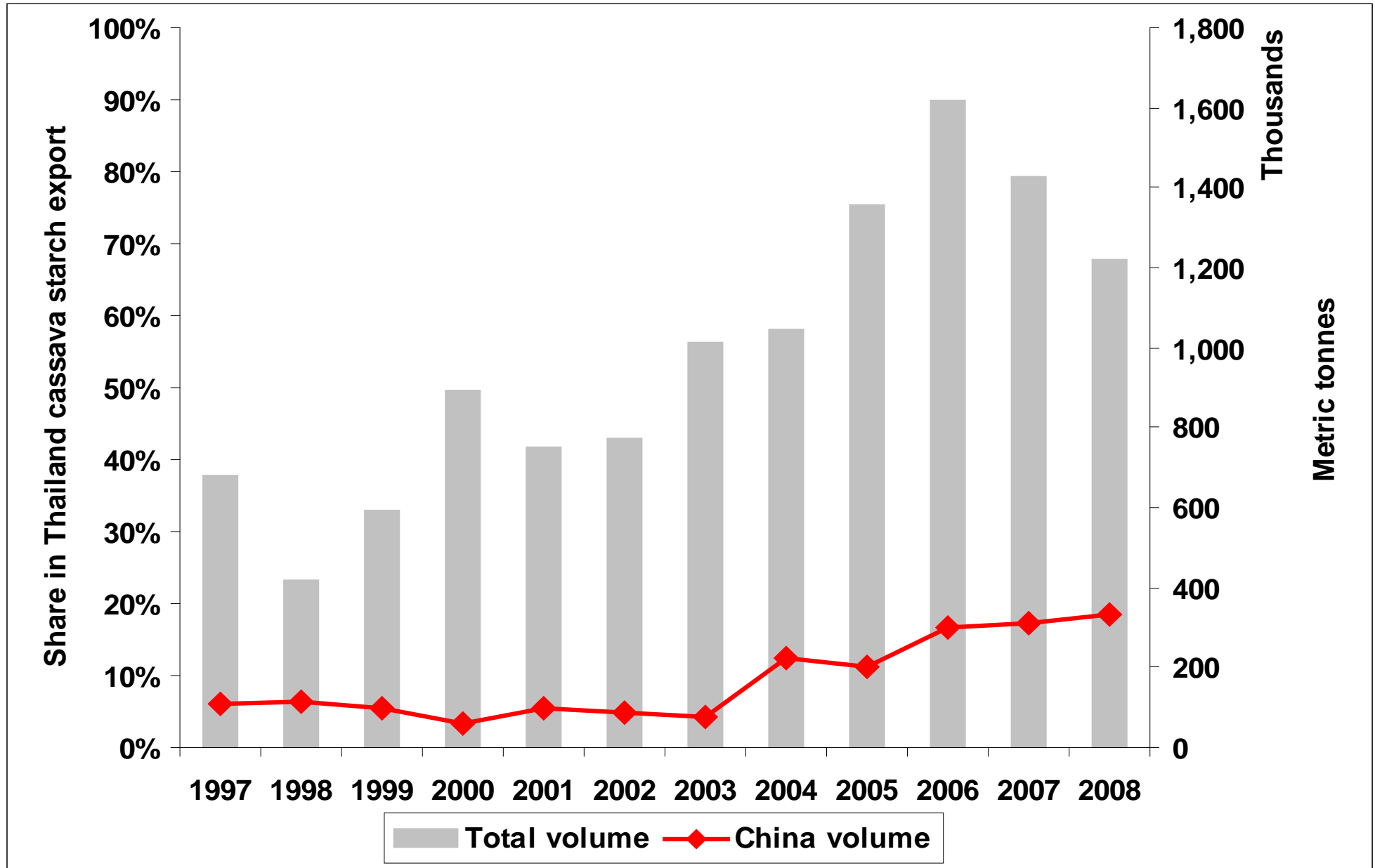
Thai Dried Cassava: The shift in export destination



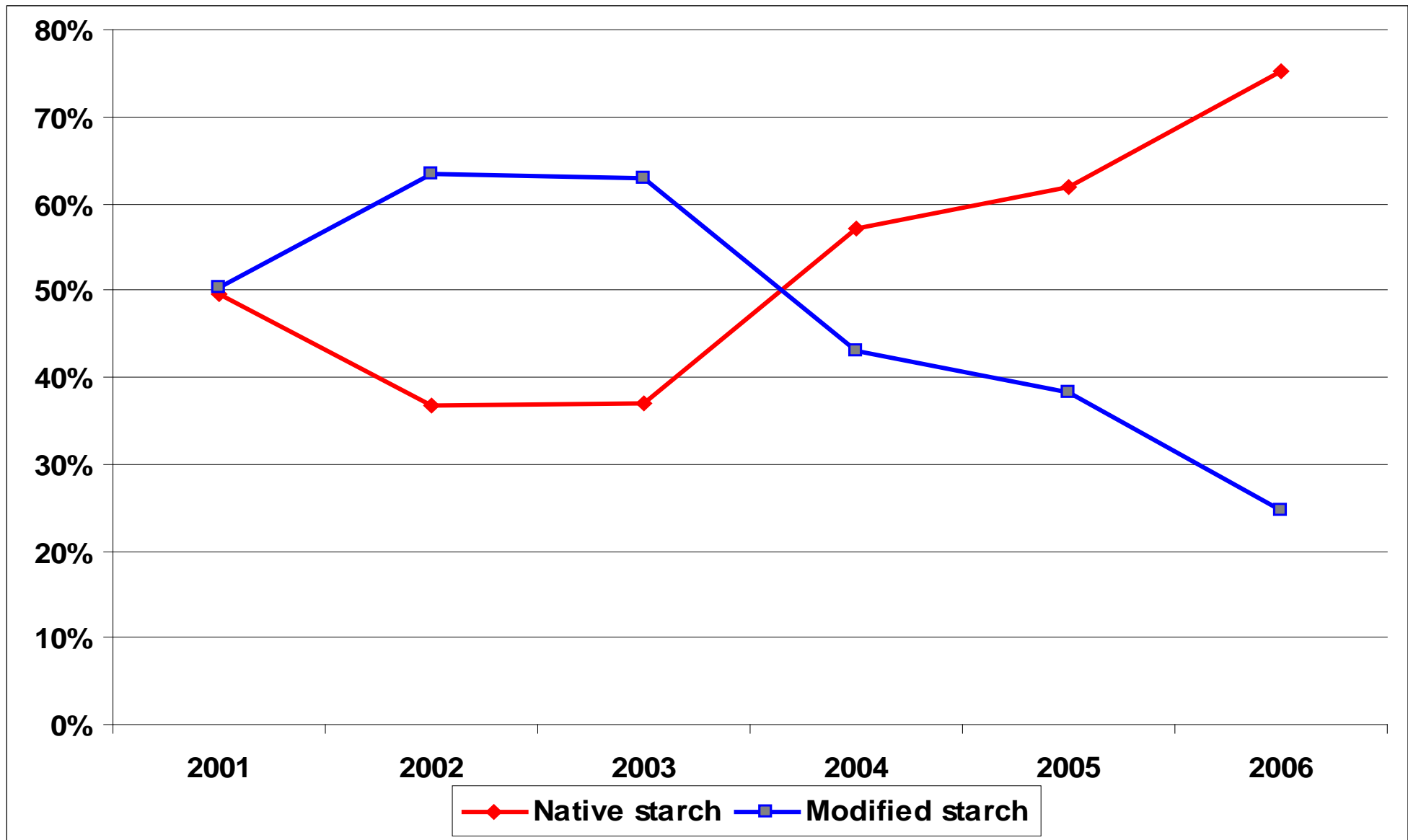
Thai Dried Cassava Export: The shift in product composition



Thailand's Cassava Starch Exports



Thai Starch Export Composition to China

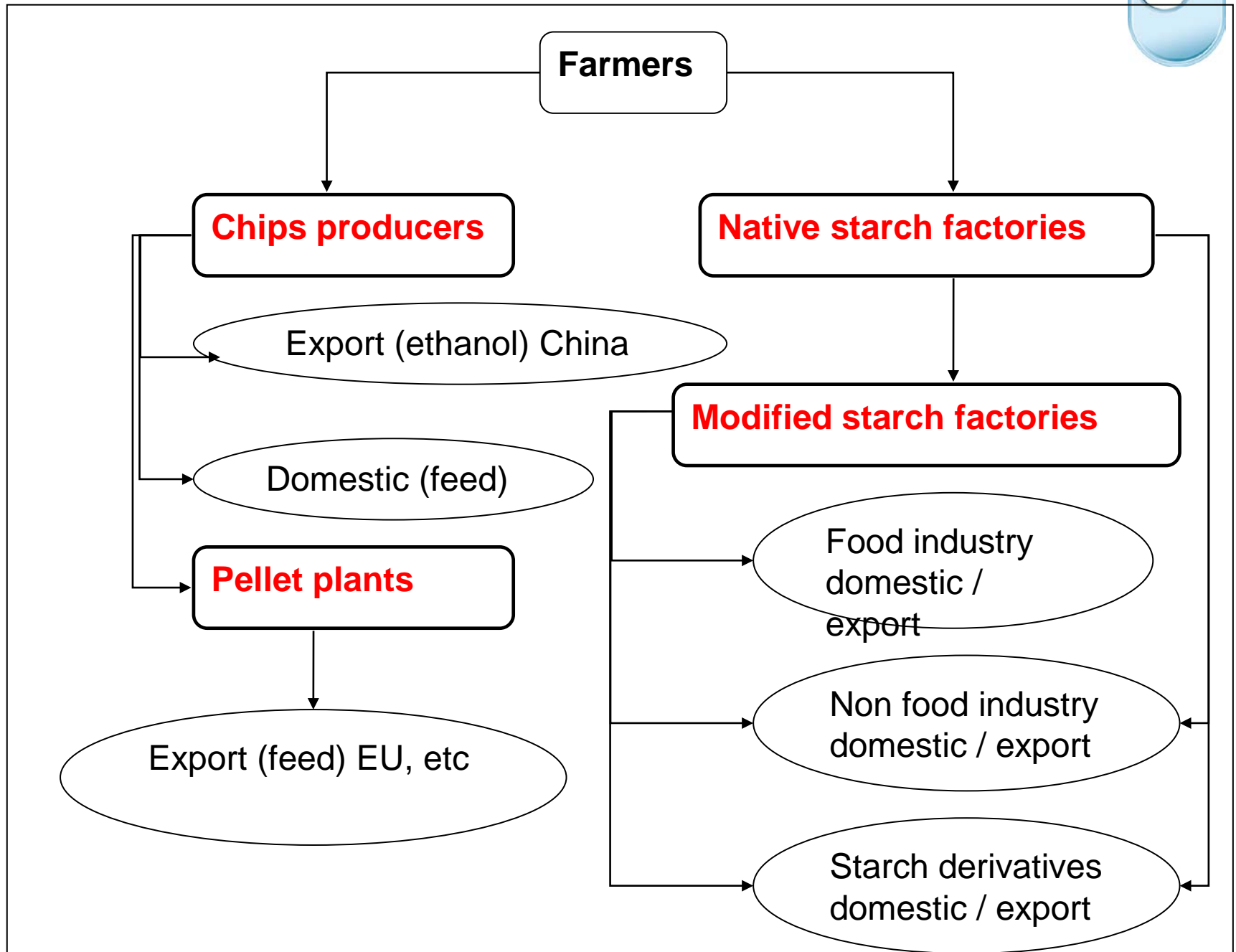


Standards in the Cassava Value Chain



- Into EU
 - HACCP ("Hazard Analysis Critical Control Point") as cassava pellets part of the animal feed-food chain.
 - GMP ("Good Manufacturing Practice") sanitary and processing
- China
 - None other than starch content

Low VA



High VA

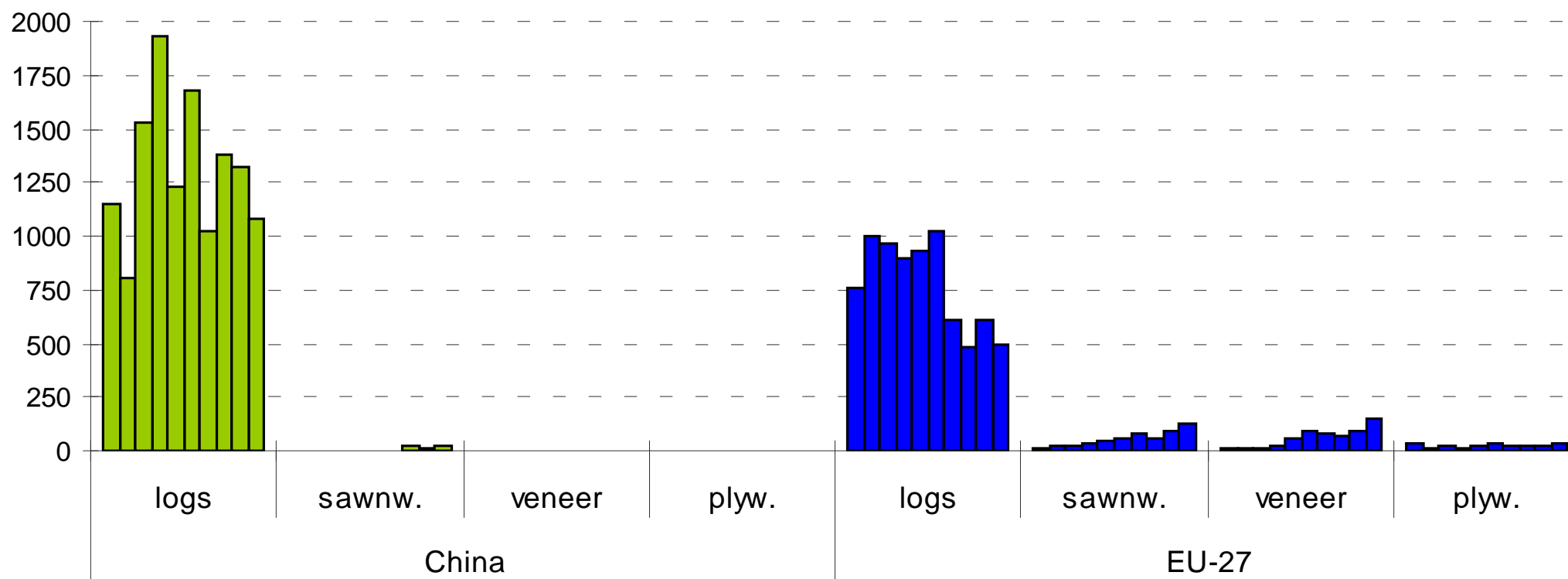
Timber in Gabon



- Untapped minerals
- Tropical timber
 - 13th largest producer
 - 3rd largest exporter (16% market share)



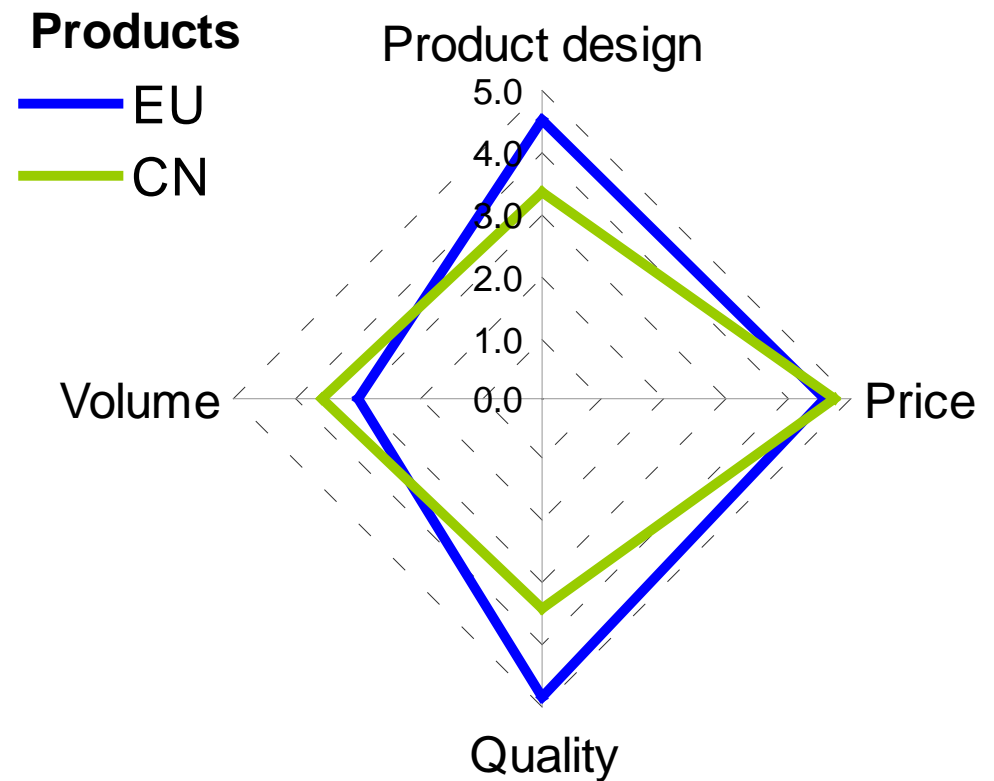
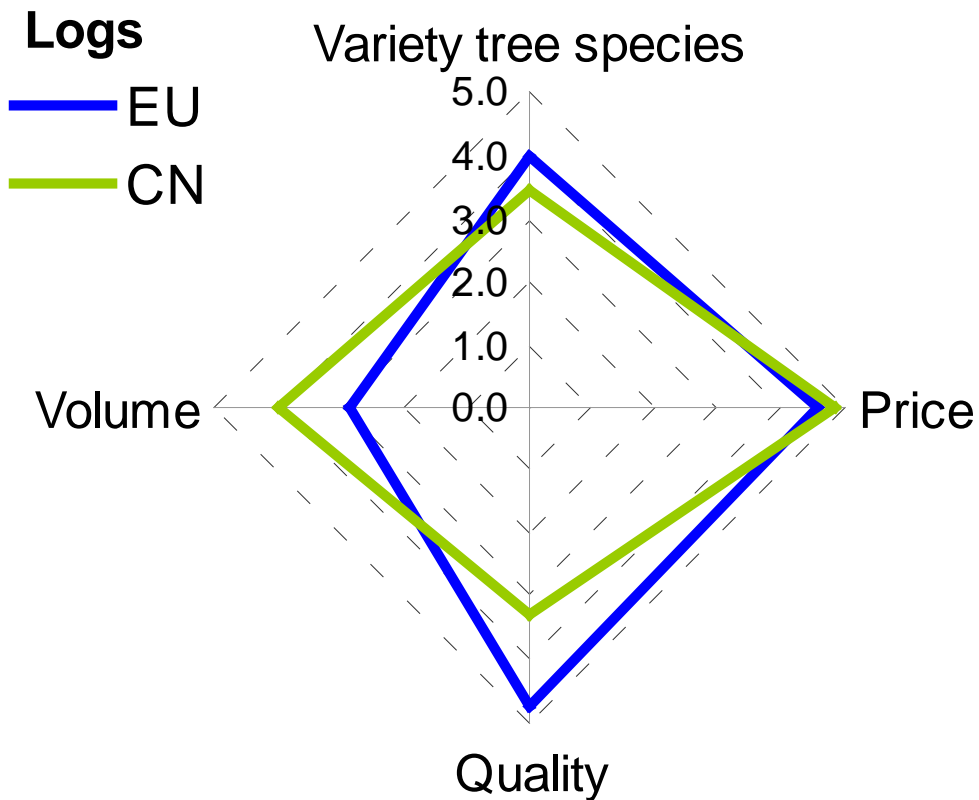
Gabon: Exports to China and EU-27



Gabon: Buyers' Standards



- Critical Success Factors (1=not important, 5=very important)



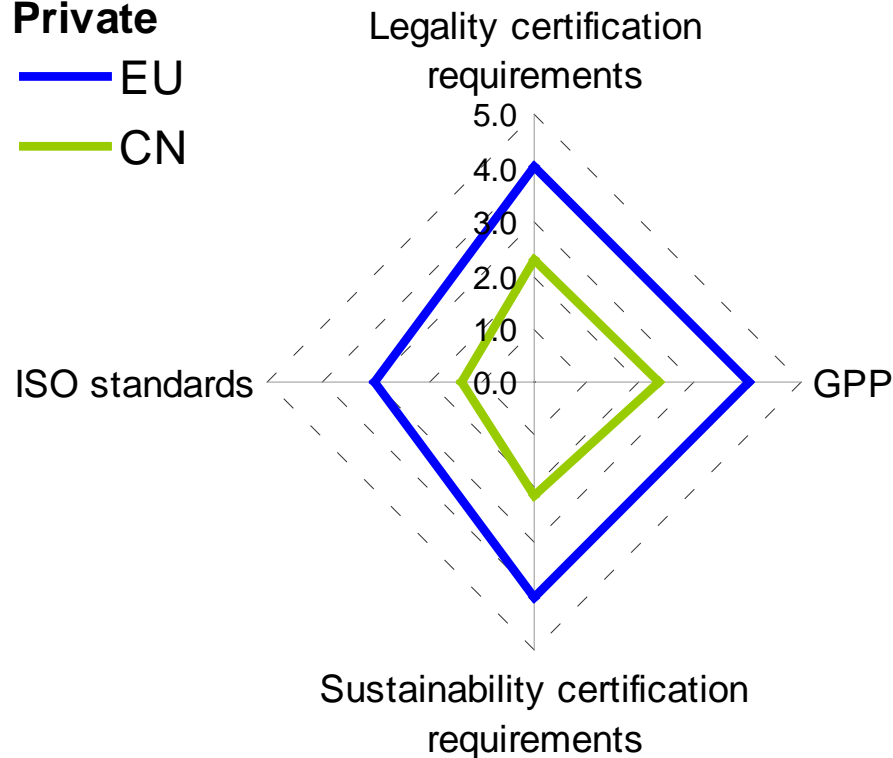
Gabon: Buyers' Standards



- International regulations and private standards
(1=not important, 5=very important)

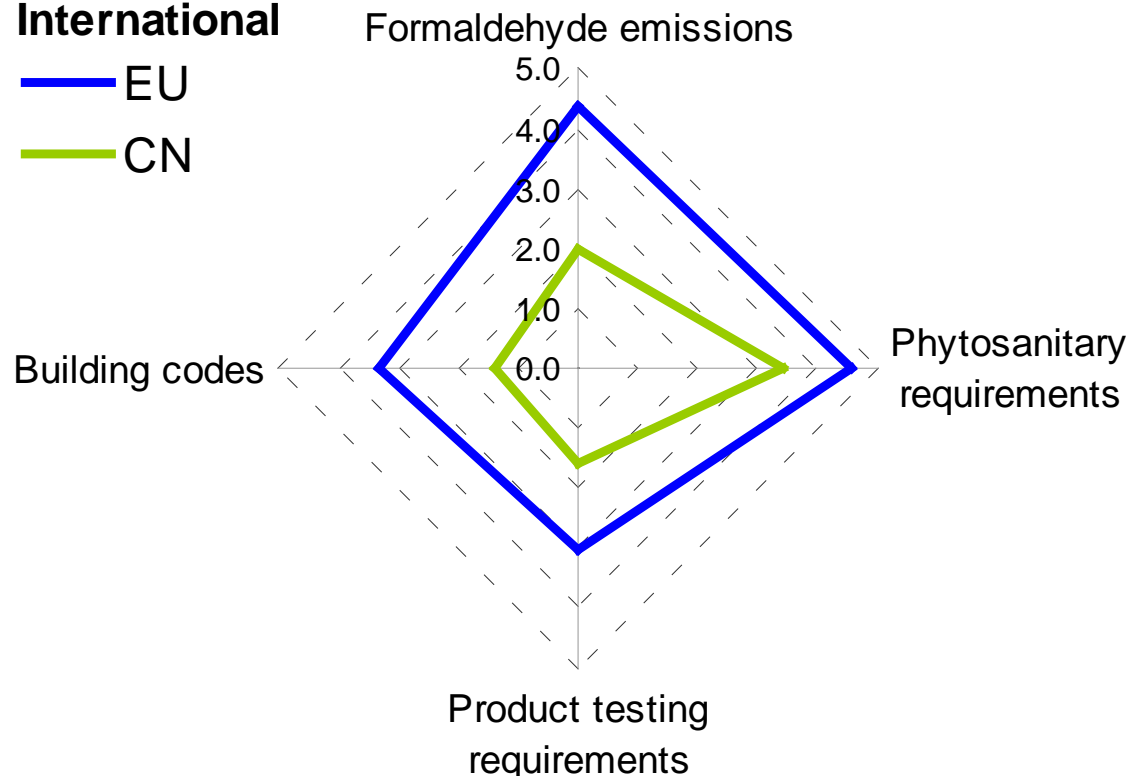
Private

— EU
— CN



International

— EU
— CN





**Figure 7: High and Low-Income Commodity Importing Economies –
Complementarity and Competition with Low-Income Commodity Exporting
Economies**

| | Highincome importing economy | Low-income importing economy |
|----------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------|
| Pollution and energy intensity | High preference to outsource to exporting economy | Indifferent to location |
| Complementary or competitive industrial structures | Complementary –focus on technologies with high barriers to entry | Competitive – importers also have low technology industrial structures |
| Labor costs | High wages militate against labor intensive processing | Low wages facilitate labor-intensive processing |
| Labor standards | Working conditions are effectively protected by enforce legislation | Weak protective environment of working conditions |



Some questions

- How generalisable across sectors?
- Is this a moving frontier –
 - Northern markets will reappear?
 - China becomes a quasi-northern market?
- What about India and other emerging economies?
- Distributional implications?
- Static or dynamic comparative advantage?
- South-South – win-win or win-loose....?