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Labour-Value Commodity Chains

— The Hidden Abode of Global Production

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So all these big developed countries, they have their own protection measures to face globalisation. But a country like us, we are so naive, so innocent, so young. We are a developing country. We don't have expertise in making this kind of regulation. Indonesia in the end becomes the target market. We have to open [our market], people come in. Some investments come in because our labour is very cheap. But in the end of the day, what happens? They're selling their products here, mostly, and we don't have any protections.

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The quotation above is taken from one of the interviews I conducted with top managers at two companies in Indonesia. Interestingly, the opinion expressed by this interviewee, a representative of capital from the global South, is predicated on the persistence of the hierarchical world economy, a phenomenon that is recognised by all classes in the South, but which has recently been the subject of a renewed debate among Western scholars, including those on the left.

The debate itself largely centres on the question of whether imperialism is still relevant in today's world economy, characterised by a new international division of labour linked to global commodity chains or global value chains. Some argue that the globalisation of production has done wonders to decrease inequalities among nations, since the incorporation of the countries of the global South into the world economy has promoted their development. The recent success stories of some Asian countries, especially China and India, are seen as validating this argument. Numerous figures, even on the left, see the complexities of global commodity chains, along with the rise of "emerging economies," such as China, Russia, Brazil, India, South Africa, and Indonesia, among others, as supposed evidence that what we have now is no longer an imperialist world economy, but merely "shifting hegemonies."[1] Economists, sociologists, and geographers, mainstream and radical alike, often focus on the decentralised characteristics of such chains.[2]

In a panel held at the New School's Center for Public Scholarship in New York City on May 1, 2017, titled "Imperialism: Is It Still a Relevant Concept?," Marxist geographer David Harvey—repeating some of the arguments expressed in his "Commentary" in Utsa Patnaik and Prabhat Patnaik's A Theory of Imperialism—emphasised his rejection of what he referred to as "the straitjacket of imperialism." Explicitly following Giovanni Arrighi in his 1983 edition of The Geometry of Imperialism, Harvey claimed that he did not find the category of imperialism "compelling" or useful in examining today's world economy, viewing it as a conception of a "fixed structural constraint" that needs to be abandoned by those on the left, rather than a spatially dynamic configuration. Harvey's comments in the book by the Patnaiks and in his presentation in New York in May 2017 have engendered an ongoing debate, starting with a critique of his arguments by Marxist political economist John Smith, originally published on the Monthly Review website but then continued in the Review of African Political Economy blog. In addition to Harvey and Smith, others joined the debate, with notable posts by Patrick Bond, Walter Daum, Andy Higginbottom, Adam Mayer, and Lee Wengraf.[3]

This disagreement on the left is not new. Many socialist thinkers in Europe and the United States have long rejected any notion that there is an "economic taproot" to imperialism, to utilise John Hobson's famous phrase, and have argued that imperialism is either nonexistent or a product of the state and not the economy, and thus political or geopolitical (and not economic) in nature, unrelated to the functioning of capitalism as a mode of production.[4] But what engendered the most recent debate was Harvey's statement that he not only largely rejected the theory of imperialism, but also suggested that *the historical draining of wealth from East to West for more than two centuries has…been largely reversed over the last thirty years* (emphasis added).[5]

At the heart of this controversy is the question of whether the changing context of today's global power relations—or what Harvey refers to, in his reply to Smith's critique, as *complex spatial, inter-territorial and space-specific forms of production, realisation and distribution*—could lead to the conclusion that the drain from the global South/East to the

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[1] David Harvey, "Imperialism: Is It Still a Relevant Concept?," (paper presented at Center for Public Scholarship, New School for Social Research, New York, May 1, 2017); David Harvey, "A Commentary on A Theory of Imperialism," in A Theory of Imperialism, Utsa Patnaik and Prabhat Patnaik (New York: Columbia University Press, 2017), 154–72. Harvey indicates that he adopted the notion that the concept of imperialism should be replaced with that of shifting hegemonies after reading Giovanni Arrighi's The Geometryof Imperialism: The Limits of Hobson's Paradigm (London: Verso, 1983), 173.

[2] Gary Gereffi, "The Organization of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks," in Commodity Chains and Global Capitalism, ed. Gary Gereffi and Miguel Korzeniewicz (Westport: Praeger, 1994), 95–122; Gary Gereffi, "Global Production Systems and Third World Development," in Global Change, Regional Response, ed. Barbara Stallings (Cambridge: Cambridge University Press, 1995), 100–142; Gary Gereffi, "The New Offshoring of Jobs and Global Development," ILO Lecture Series (Geneva: International Labour Organization, 2005); William Milberg and Deborah Winkler, Outsourcing Economics: Global Value Chains in Capitalist Development (Cambridge: Cambridge University Press, 2013).

[3] Harvey, "Imperialism: Is It Still a Relevant Concept?"; John Smith, "A Critique of David Harvey's Analysis of Imperialism," MR Online, August 26, 2017. For the threads on the Review of African Political Economy (ROAPE) blog, http://roape.net, see: John Smith, "David Harvey Denies Imperialism," January 10, 2018; David Harvey, "Realities on the Ground: David Harvey Replies to John Smith," February 5, 2018; John Smith, "Imperialist Realities vs. The Myths of David Harvey," March 19, 2018; Adam Mayer, "Dissolving Empire: David Harvey,John Smith, and the Migrant," April 10, 2018; Patrick Bond, "Towards a Broader Theory of Imperialism," April 18, 2018; Walter Daum, "Is Imperialism Still Imperialist? A Response to Patrick Bond," May 16, 2018; Andy Higginbottom, "A Self-Enriching Path: Imperialism and the Global South," June 19, 2018; Lee Wengraf, "U.S.-China Inter-Imperial Rivalry in Africa," November 16, 2018.

[4] John A. Hobson, Imperialism: A Study (New York: James Pott & Company, 1902), 76–99. Western socialists have evinced wide variations in criticisms of the classic concept of imperialism in the broad sense, previously made famous by thinkers such as V. I. Lenin, Rosa Luxemburg, Paul Baran, Harry Magdoff, and Samir Amin. These include arguments that (1) imperialism is beneficial in promoting development in poor countries, as in Bill Warren, Imperialism: Pioneer of Capitalism (London: Verso, 1980); (2) the view that rates of exploitation (but not profits) are higher in the center than in the periphery, as in: Charles Bettelheim, "Theoretical Comments," in Unequal Exchange, Arghiri Emmanuel (New York: Monthly Review Press, 1972), 302–4; Claudio Katz, "Revisiting the Theory of Super-Exploitation," Links International Journal of Socialist Renewal, July 5, 2018; and Alex Callinicos, Imperialism and the Global Political Economy (Cambridge: Polity, 2009), 181; (3) the notion that imperialism has been replaced by an amorphous Empire, as in Michael Hardt and Antonio Negri, Empire (Cambridge, MA: Harvard University Press, 2000); (4) the idea that imperialism in the classical sense has been replaced by a transnational capitalism displacing nation-states and national economies—as in William I. Robinson, Into the Tempest: Essays on the New Global Capitalism (Chicago: Haymarket, 2019)—and the view that imperialism is no longer primarily economic but political and geopolitical in nature, and largely synonymous today with U.S. hegemony, as in Leo Panitch and Sam Gindin, The Making of Global Capitalism (London: Verso, 2012); and (5) the view of Arrighi and Harvey, discussed above, in which imperialism can be replaced by a concept of shifting hegemonies. Naturally, social democratic and liberal thinkers have generally rejected any connection between capitalism and economic imperialism, as in Mark Blaug, "Economic Imperialism Revisited," in Economic Imperialism, ed. Kenneth E. Boulding and Tapan Mukerjee (Ann Arbor, MI: University of Michigan Press, 1972), 142–55.

[5] Harvey, "A Commentary on A Theory of Imperialism," 169.

The analysis of global commodity chains creates some crucial questions in relation to the points above: (1) whether decentralised global commodity chains can be seen as constituting a decentralization of power among the major actors within these chains, and (2) whether the complexities of these chains suggest that the hierarchical, imperialist characteristics of the world economy have been superseded. I argue that the answer to both of these questions is no.

global North/West does not exist anymore, or has been reversed, and that the concept of imperialism has become obsolete. Is it true that the notion of imperialism is nothing but, in the words of Bond, an *old-fashioned binary of oppressed and oppressor nations*? Is it reasonable to claim, as Wengraf explains, that the rise of emerging economies, which arguably leads to "sub-imperialism," signifies the end of imperialism itself, especially highlighting cases such as China's growing role in "tak[ing] advantage of the era of neoliberal assault in sub-Saharan Africa" that has helped secure its position as the United States' "dominant global rival"? Or is it, as Higginbottom says, that *sub-imperialism does not mean the end of imperialism* (a position also held by Daum) but a *mutation out of neo-colonial capitalism and continues to demonstrate many of its features*? Furthermore, given the abundance of facts offered by its proponents, is it true that, as Harvey alleges, those who argue that imperialism persists today merely engage in "rank idealism"? Or is it the opposite, as Mayer declares, that those like Harvey who *deny imperialism*—borrowing Smith's words—are the ones who are *thinking in an idealist way* by *entirely omitting the factor of time, history, and historical materialism* from the discussion, particularly *when mistaking money flows and production flows for imperial standing*?[6]

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Although production has shifted to the South, imperialist relations of exchange continue to prevail, precisely due to the fact that the difference in wages between the North and South is greater than the difference in productivity.

As in V. I. Lenin's conceptualisation, imperialism can be broadly defined as the *complex intermingling of economic and political interests, related to the efforts of large capital to control economic territory*.[7] Imperialism has several interrelated aspects: (1) geopolitical (including military) struggle by nation-states for positions within the international hierarchy of the system, encompassing the control of colonies or neo-colonies, (2) dispossession of petty producers outside of capitalist production, and (3) global exploitation (along with expropriation—or appropriation without an equivalent) of labour in capitalist production, particularly under the domination of multinational firms emanating primarily from the core of the system.[8] This work focuses almost entirely on the third aspect, without in any way denying the significance of the other two. At issue is the extraction (or drain) of surplus from the poor countries by the rich countries and/or their corporations. I argue that one way to understand the persistent imperialist characteristics of the world economy is through examining the exploitation that occurs in what Karl Marx calls *the hidden abode of production*—which, in the

[6] See the posts by Smith, Harvey, Mayer, Bond, Daum, Higginbottom, and Wengraf on the ROAPE blog, mentioned in endnote 3.

[7] As addressed by Jayati Ghosh in "Globalization and the End of the Labour Aristocracy," Dollars & Sense: Real World Economics 329 (2017).

[8] For works that discuss these forms of imperialism, see John Bellamy Foster, Naked Imperialism (New York: Monthly Review Press, 2006); Utsa Patnaik and Prabhat Patnaik, A Theory of Imperialism; John Smith, Imperialism in the Twenty-First Century (New York: Monthly Review Press, 2016). For a more elaborate discussion regarding the concepts of exploitation and expropriation, see John Bellamy Foster and Brett Clark, "The Expropriation of Nature," Monthly Review 69, no. 10 (March 2018): 5.

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era of global commodity chains, is located in the global South. Although production has shifted to the South, imperialist relations of exchange continue to prevail, precisely due to the fact that the difference in wages between the North and South is greater than the difference in productivity. As Tony Norfield argues in The City, imperialism in *the present stage of capitalist development* has its primary basis in the inescapable reality that *a few major corporations from a small number of countries dominate the world market*, world finance, and the global structure of production.[9]

In the capitalist mode of production, the capital-labour relation is the central relation of exploitation. As Paul Sweezy

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argues, while *every class society is characterised by the necessary/surplus labour dichotomy, hence by an implicit rate of exploitation…only in capitalism does this take the value form, with the rate of exploitation expressing itself as a rate of surplus value*.[10] It is impossible to examine the capitalist economy and the class struggles central to it without focusing on the issue of exploitation, analysed through the labour theory of value. This remains equally true when examining the economy on a global level.

My analysis begins with a framework of global commodity chains that puts labour at the center of its formulation. The framework is called labour-value commodity chains, or labour-value chains for short. Unlike mainstream theories on this

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subject, this framework takes into account the questions of power, class, and control—questions that must be addressed if we want to bring the exploitation/expropriation that occurs in global commodity chains out into the open. It is crucial that the theoretical and methodological analysis of labour-value chains developed here incorporates a calculation of cross-national variation in unit labour costs in manufacturing. The measurement of unit labour costs—typically presented as the average cost of labour per unit of real output, or the ratio of total hourly compensation to output per hour worked—combines labour productivity with wage costs (the price of labour), in a manner closely related to Marx's theory of exploitation. Lower unit labour costs point to a higher rate of exploitation in production, and vice versa. The failure of some Marxist theorists, such as Charles Bettelheim (and, more recently, Claudio Katz) to understand this fundamental relation has caused enormous confusion, leading Bettelheim to conclude, independent of these empirical relations, that the rate of exploitation is always higher in the more developed country simply because it is more developed.[11]

In this sense, the labour-value chains framework is a means to embed global exploitation within the framework of the labour theory of value. The maximisation of gross profit margins through the reduction of unit costs is the goal of capitalists, and this *sets in motion a continuing search for new methods of production, new sources of labour, new ways of organising the labour process*. The reduction of unit costs, most importantly, depends on *the portion of total unit costs*

[9] Tony Norfield, The City: London and the Global Power of Finance (London: Verso, 2017), 5–6.

[10] Paul Sweezy, "Marxian Value Theory and Crises," in The Faltering Economy, ed. John Bellamy Foster and Henryk Szlajfer (New York: Monthly Review Press, 1984),238.

[11] Bettelheim, "Theoretical Comments," 302–4; Katz, "Revisiting the Theory of Super-Exploitation." See also Emmanuel's reply to Bettelheim in Emmanuel, Unequal Exchange, 380–83.

that derives from the labour input, i.e., the unit labour cost. This in turn depends on two factors integral to Marx's concept of exploitation: the price (wage) of labour power and labour productivity.[12] The concept of unit labour costs, in this sense, is an operationalisation of the rate of exploitation, which considers not only the question of wages but also the question of productivity.

The labour-value chains framework, empirically operationalised through the examination of unit labour costs, thus allows us to see that, behind the complexities of global commodity chains, exploitation persists. Global capital (that is, multinational corporations) engage in the search for low unit labour costs around the globe to accrue higher profit margins and overall profits. Data on unit labour costs show that countries with the highest participation in labour-value chains—the top three being China, India, and Indonesia—also have very low unit labour costs. This means that not only are wages low in these countries, but productivity is high. The global organisation of labour-value chains, then, is a means to extract surplus value through the exploitation of workers in the global South.

But how exactly does this extraction happen? It is difficult to find current analyses in the field that provide a more or less complete picture of how global commodity chains work. On the one hand, there are excellent works that utilise global commodity-chain or global value-chain (GCC/GVC) frameworks and examine firms and how value is added (read: captured) from suppliers in the global South. But most of them are not concerned with the question of labour exploitation—some of them even represent the view of capital, suggesting that corporations in the North grab the opportunity to extract the surplus value "offered" by the global South. On the other hand, there are also many excellent works in social sciences that provide detailed examinations of how workers are treated in the factories that assemble goods for multinational companies. But these works usually omit the connection between the control of the labour process and the intricate power relations that govern the commodity chains in a way that can bring out the specific mechanisms in which control is exerted through different actors within the chains.

Hence, it is necessary to address both the macro aspects of labour-value chains and the mesolevel aspects, namely, the processes that occur at the firm level. The macro aspects help us understand how imperialistic relationships between the global North and the South are perpetuated through exploitation and expropriation of the latter by the former. At the mesolevel, these relationships involve the process in which multinationals exert control over their dependent suppliers, and how such unequal relationships among companies then affect the other end of the unequal power relations—that is, those between the employers and the workers at the firm. Relying on works on systemic rationalisation and flexible production, as well as empirical investigations at the point of production, it is possible to connect the labour-value chains framework to particular cases, as in my own research, where I conducted observations and interviews at two Indonesian suppliers. What this shows is how dominant companies (giant multinationals) within the chains extract surplus value through various mechanisms of control, both in terms of controlling the production processes of their dependent suppliers and in terms of controlling the labour process of workers employed by these suppliers. Their goal here is to make sure that unit labour costs are stably low, even in cases where wage costs are increasing—such as the increase in minimum wage issued through governmental policies.

Labour-value chains involve a form of unequal exchange based on a worldwide hierarchy of wages, in which global capital (firms headquartered in the global North) captures value from the South through the over- or super-exploitation of the labour of workers who manufacture the goods.

[12] Richard Edwards, "Social Relations of Production at the Point of Production," The Insurgent Sociologist 8, no. 2 & 3(1978): 110.

This means that, far from moving toward trans-nationalisation, the processes that occur in labour-value chains point to the fact that capital accumulation processes are inseparable from the unequal relations among nation-states. They therefore reflect the much higher rates of exploitation imposed on workers in the global South, with the state still serving as an instrument and locus of capital accumulation.

Control mechanisms are instituted to allow global capital to maintain a low unit labour cost by making sure that productivity can be increased.
In the end, these observations suggest that labour-value chains, as a part of the restructuring of the world economy driven by the imperative of capital accumulation, are imperialistic in their characteristics: the very reality captured by the concept of the global labour arbitrage within global finance. Labour-value chains involve a form of unequal exchange based on a worldwide hierarchy of wages, in which global capital (firms headquartered in the global North) captures value from the South through the over- or super-exploitation of the labour of workers who manufacture the goods. In essence, more labour is obtained for less. Giant oligopolistic multinationals take advantage of differential unit labour costs within an imperialist system of "world value"; they control much of the world market through their international operations, and the fact that capital can move much more freely than labour—its movement restricted by factors such as immigration policies—allows multinationals to take advantage of immense labour price differences on a global level. They thus possess more freedom to pursue higher profits through the substitution of higher-paid labour with low-paid labour globally.

This means that, far from moving toward trans-nationalisation, the processes that occur in labour-value chains point to the fact that capital accumulation processes are inseparable from the unequal relations among nation-states. They therefore reflect the much higher rates of exploitation imposed on workers in the global South, with the state still serving as an instrument and locus of capital accumulation. Indeed, the complexities of global commodity chains highlighted in the mainstream discussion of the subject often disguise the structural relationship of underdevelopment, whereby the export of capital, as Paul Baran and Sweezy observe, *far from being an outlet for domestically generated surplus, is a most efficient device for transferring surplus generated abroad to the investing country*.[13] The concept of labour-value chains, then, is a theoretical and empirical device with which to look at this issue from a global South perspective, that is, to reveal the exploitative relations that hide behind the veil of globalised production.

Global Commodity Chains and Multinational Corporations

Whether one is a critic or a cheerleader of capital, it would be difficult to disagree with the claim—along with the clear evidence that accompanies it—that the processes of global production have taken on new characteristics. Relatively distinctive patterns of the current wave of globalisation that started in the late 1970s can be seen in both the spheres of production and finance: the dramatic increase in trade and direct foreign investment flows, along with the massive expansion of international portfolio flows. But what is especially important to note is the accelerating pace of offshoring, particularly in the manufacturing sector, whether through arm's length contracts (offshore outsourcing) or within the confines of a single multinational corporation, or what is known as intra-firm trade.[14]

Until very recently, foreign direct investment (FDI), which is tied to intra-firm trade, rose "much faster than world income," with an increasing trend in FDI inward stock—from 7 percent of world gross domestic products (GDP) in 1980 to about 30 percent in 2009.[15] A big portion of global FDI goes to the global South, starting with the "slow and steady

[13] Paul A. Baran and Paul M. Sweezy, Monopoly Capital (New York: Monthly Review Press, 1966), 107–8.
[14] Milberg and Winkler, Outsourcing Economics, 33–35.
[15] John Bellamy Foster and Robert McChesney, The Endless Crisis (New York: Monthly Review Press, 2012), 105.

rise" of these countries' share of world FDI in the late 1980s. In 2010, "for the first time, more than half of all FDI went to third world and transition economies."[16] A 2003 World Bank report claims that FDI is the biggest source of external funding for developing countries.[17] Even when global FDI has fallen in the last few years (a 19 percent decrease in 2018), this decline is concentrated in "developed economies where FDI inflows fell by 40%," and is not reflected in the trends pertaining to developing economies. Not surprisingly, "FDI to developing economies remained resilient, with an increase of 3% [from 2017] to US$694 billion" in 2018. In addition, "the share of developing economies in global FDI reached 58%" that same year, with five out of the ten top host economies being developing ones, including China (which ranks second), Brazil, and India.[18]

However, direct investments do not tell us the complete story of offshoring. Arm's length contracting (sometimes referred to as subcontracting or Non-Equity Modes of Production) is also an important part of the workings of our global economy. This is where multinationals engage in contractual relationships with partner firms without equity involvement, mostly in the global South, generating about $2 trillion in sales in 2010.[19] Through this process, firms can capture very high profit margins through their global operations and gain control over their supply lines. Even multinationals with high levels of FDI are also major international subcontractors.[20]

These trends were later echoed by a 2015 report by the International Labour Organization (ILO), which confirms that the world economy is now characterised by the "increasing fragmentation of production into different activities and tasks." These activities and tasks are linked by global commodity chains by both direct and indirect means, namely, by foreign direct investments or outsourcing practices by lead firms and by the purchase of production inputs from a domestic supplier.[21] The emphasis here is on the fact that both increases in intra-firm trade and contracting practices signify globalised production, associated with increased production in low-wage areas in the global South. This pattern has governed the relationship between capital and labour on the global level throughout the last three decades, with some distinctive characteristics.

One such characteristic is the booming of export-oriented industries in the global South, focused on the manufacturing sector.[22] These export-oriented industries are usually located in specific industrial complexes or export enclaves, in which companies operate factories that manufacture goods or other materials for foreign clients, including multinationals. Since the mid–1990s, scholars have made important claims about the search by multinational corporations for "cheap labour" in the global South. Edna Bonacich and her coeditors, for example, argue in their introductory chapter to Global Production that an *important feature of the new globalisation is that* [multinational corporations] *are searching the world for the cheapest available labour and are finding it in developing countries*.[23] And if we examine the period between the mid–1990s and mid–2010s, we can see that there has been a rapid increase in the number of jobs related to global commodity chains. The aforementioned 2015 ILO report claims that there has been an increase of 157 million such jobs within eighteen years, from 296 million workers in 1995 to 453 million in 2013—with much of this increase occurring before the 2007–09 economic crisis. Further, this growth in commodity-chain

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[16] Martin Hart-Landsberg, Capitalist Globalization: Consequences, Resistance, and Alternatives (New York: Monthly Review Press, 2013), 18.

[17] M. Scott Solomon, "Labour Migrations and the Global Political Economy," in the Oxford Research Encyclopaedia of International Studies, vol. 7, ed. Robert Denmark (Oxford: Wiley-Blackwell, 2010), 4767–86.

[18] United Nations Conference on Trade and Development (UNCTAD), "Global FDI Flows Continue Their Slide in 2018," Global Investment Trends Monitor 31(2019): 2–3.

[19] UNCTAD, World Investment Report: Non-Equity Modes of International Production and Development (Geneva: United Nations, 2011), 131.

[20] Foster and McChesney, The Endless Crisis, 111.

[21] International Labour Organization (ILO), World Employment Social Outlook: The Changing Nature of Jobs (Geneva: ILO, 2015), 131.

[22] See Teri Caraway, Assembling Women: The Feminisation of Global Manufacturing (Ithaca, NY: Cornell University Press, 2007).

[23] Edna Bonacich, Lucie Cheng, Norma Chinchilla, Nora Hamilton, and Paul Ong, "The Garment Industry in the Restructuring Global Economy," in Global Production: The Apparel Industry in the Pacific Rim (Philadelphia: Temple University Press, 1994), 16.

production is concentrated in so-called emerging economies where such job growth reached an estimated 116 million—here, export-oriented manufacturing serves as the predominant sector, with global North countries as the main export destination.[24]

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As a consequence, we have seen the formation of a global labour force concentrated in the global South, where there were 541 million global industrial workers in 2010, compared to the 145 million who lived in the global North.[25] Especially in East and Southeast Asia, manufacturers became central both in exports and in production processes.[26] Beginning in the 1970s and early 1980s, many developing countries, particularly in Southeast Asia, experienced an increase in their manufacturing output shares.[27] It is these new characteristics of globalised production that provide a background for the analysis of the current workings of the global commodity chains.

Such special characteristics discussed above have been considered a hot topic in social sciences. As a result, many theories and empirical studies about globalisation and globalised production in particular have been published in the last three decades or so. One popular approach includes several GCC/GVC frameworks and their derivatives. Coined by Immanuel Wallerstein and Terence Hopkins in the 1980s, the concept of commodity chain was part of the world-systems perspective.[28] Later developed by sociologists, economists, and geographers, these frameworks came to be integrated into the mainstream discourse on global supply chains and, according to their critics, in that context lost their original macrohistorical perspective and succumbed to an organisational analysis centred on firms and industries.[29] This diverted attention from global patterns of uneven development.[30]

The differences between mainstream GCC/GVC theories and world-systems commodity-chain analysis has deeper roots in historical perspectives. As Jennifer Bair and Marion Werner explain, the mainstream GCC/GVC frameworks *have shifted from the long-range, macrohistorical perspective of world-systems theory to a more industry-centred and firm-centred model of organisational analysis*, with a focus on firms as mesolevel actors.[31] Gary Gereffi claims that "transnational corporations" are *the chief economic organising agent in global capitalism*—and that the GCC framework is distinguished from previous theories (such as dependency theory) precisely because those theories *did not have a good way to tie the activities of TNCs [transnational corporations] into the structure of the world economy*.[32] Yet, GCC/GVC analysis increasingly suffers from the opposite shortcoming of hypostatising the firm level of analysis and losing sight of the structure of the capitalist world economy as a whole. There is no doubt that GCC and GVC scholars have made important contributions, especially in the detailed studies of commodities and firms. Studies of global commodity chains that deal directly with exchange value, such as those that examine the production of the iPod and iPhone, have provided sophisticated institutionalist criticisms of abstract value-added conceptions in neoclassical economics that fail

24 ILO, World Employment Social Outlook, 132

25 Smith, Imperialism in the Twenty-First Century, 101.

26 Gereffi, "Global Production Systems and Third World Development," 107.

27 Jesus Felipe and Gemma Estrada, "Benchmarking Developing Asia's Manufacturing Sector," International Journal of Development Issues 7, no. 2 (2008).

28 Terence Hopkins and Immanuel Wallerstein, "Commodity Chains in the World Economy Prior to 1800," Review 10, no. 1 (1986): 157–70.

29 See Jennifer Bair and Marion Werner, "Commodity Chains and the Uneven Geographies of Global Capitalism: A Disarticulations Perspective," Environment and Planning A 43, no. 5 (2011): 988–97.

30 Henry Wai-Chung Yeung and Neil Coe, "Toward a Dynamic Theory of GlobalProduction Networks," Economic Geography 91, no. 1 (2014): 29–58.

31 Bair and Werner, "Commodity Chains and the Uneven Geographies," 988.

32 Gereffi, "Global Production Systems and Third World Development," 103.

to see the new forms of exploitation of labour.[33] However, as we will see, both GCC and GVC frameworks lack the radical apparatus necessary to analyse power and class relations within global production processes. This remains true despite several seemingly critical claims by their proponents, who argue that "power relations" among economic actors and institutions involved in the value chains are *determinants of the direction and volume of trade*.[34]

Indeed, some scholars have argued that GCC/GVC analysis has led directly away from conditions of power. Paraphrasing Peter Dicken and Anders Malmberg, Bair and Werner claim that the GCC/GVC theories' focus on firms, despite their ability to give *insights into the governance dynamics internal to production networks*, has translated into an ideological *flattening of power relations*.[35] Economic geographers, who have developed their own analysis of global commodity chains called Global Production Network (GPN), have similarly claimed that the GCC/GVC framework, due to its proponents' "industry- or commodity-oriented" approach, is unable to give *justice to the multi-actor and geographically complex contemporary global economy*. It is thus ill-equipped to explain the global patterns of uneven development.[36] Critics charge that GCC/GVC analysis is ridden with weaknesses, both analytical and political, especially due to its failure to "comprehend the nature of capitalist exploitation and indecent work" and to engage in a "bottom-up" perspective on labour.[37]

To be sure, GCC/GVC theories have not always downplayed (or ignored) the unequal power relations that are integral to the maintenance of the chains at the global level. The world-systems approach to commodity chains, despite its relative lack of empirical development, does not suffer from such a problem, since it is concerned with issues of core-periphery, unequal exchange, and inequality of labour. GPN proponents—who often criticise the world-systems approach due to its *highly problematic conception of places and regions as relatively stable and enduring territorialised ensembles*—have to admit that the world-systems theory *provides a powerful reminder of the fundamental capitalist imperatives at work… leading to highly uneven developmental outcomes*.[38]

Although both mainstream GCC/GVC frameworks and the more critical political-economic approaches to the same issue take into account, to some extent, the international division of labour that characterises capitalist production, critical political-economic approaches see commodity chains differently than the mainstream GCC/GVC approach. One may argue that the commodity chains discourse had a radical inception before it became "powerless" in later developments, at which point mainstream approaches took over.

First, unlike the GCC/GVC proponents, critical political-economic theorists, including world-systems analysts, deal with a holistic and macro approach to commodity chains, leading to a consideration of *how commodity chains structure and reproduce a stratified and hierarchical world-system*.[39] For Wallerstein, the *commodification of everything* is key to the

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[33] Greg Linden, Kenneth Kraemer, and Jason Dedrick, "Who Captures Value in a Global Innovation System? The Case of Apple's iPod," Communications of the ACM 52, no. 3: 140–44; Yuqing Xing and Neal Detert, "How the iPhone Widens the U.S. Trade Deficit with the People's Republic of China," Asian Development Bank Institute Working Paper Series, No. 257, December 2010. Linden, Kraemer, and Dedrick offer a valuable critique of value added, along with their suggestion that value is actually captured (not added). After showing that U.S. companies such as Apple benefit the most (because even though production itself is located in China, it captures high value), they conclude: "U.S. companies need to work with international partners to bring new products to the market. These companies will capture profits commensurate with the extra value they bring to the table. This is simply the nature of business in the 21st century, and the fact that many U.S. companies are successful in this environment brings significant benefits to the U.S. economy." Xing and Detert, after suggesting that Apple will still have a 50 percent profit margin even if production is located in the United States, conclude that "in a market economy, there is nothing wrong with a firm pursuing profit maximisation. Governments should not restrict such behaviour in any way." They then go on to suggest that Corporate Social Responsibility is sufficient as an "effective policy option," with a focus on creating jobs for low skilled workers, "such as using US workers to assemble iPhones."

[34] Milberg and Winkler, Outsourcing Economics, 17.

[35] Bair and Werner, "Commodity Chains and the Uneven Geographies," 989.

[36] See Yeung and Coe, "Toward a Dynamic Theory of Global Production Networks," 32.

[37] Benjamin Selwyn, "Social Upgrading and Labour in Global Production Networks: A Critique and an Alternative Conception," Competition and Change 17, no. 1 (2013): 76.

[38] Neil M. Coe, Peter Dicken, Martin Hess, and Henry Wai-Chung Yeung, "Making Connections: Global Production Networks and World City Networks," Global Networks 10, no. 1 (2010): 140–42.

[39] Jennifer Bair, "Global Capitalism and Commodity Chains: Looking Back, Going Forward," Competition and Change 9 (2005): 156.

historical development of capitalism itself—including how production processes are *linked to one another in complex commodity chains*.[40] In their subsequent works, world-systems theorists continue to examine how the unequal distributions of rewards and the persistent *hierarchy of wealth of the capitalist world economy* are related to the international division of labour.[41] In contrast, the imperialist nature of the commodity-chain system, related to international exploitation, is largely lost sight of or discounted in mainstream analyses.

Giovanni Arrighi and Jessica Drangel argue in their study of the semiperiphery that to understand this hierarchy of wealth, we need to examine the economic activities (or nodes) of the commodity chain.[42] Adopting this approach, they find that industrialisation, which is taken as a sign of national success by many GCC and GVC proponents, does not necessarily reflect widespread development and "catching-up" success stories. As Arrighi explains elsewhere: *In fact, the focus on industrialisation is another source of developmentalist illusions.… From this perspective, the spread of industrialisation appears not as development of the semi-periphery but as peripheralisation of industrial activities*.[43]

Labour was claimed to be integral to the world-systems discourse of commodity chains. Building on early formulations of commodity chains by Hopkins and Wallerstein, Bair writes of how the world-systems tradition emphasises that *labour power is a critical input into every commodity chain and thus seeks to identify the various modes of labour control and reproduction that one can find along a chain, or even within a single box*.[44] Such critical political economists see commodity chains *as webs connecting [the transformation of raw materials into final goods] with the social reproduction of human labour power as a critical input into this process*.[45]

Other critics nonetheless believe that even the original form of commodity chains theory needs some work—the most important being the incorporation of labour and an analysis of capitalism, along with its global class relations, into the theory.[46] Benjamin Selwyn argues that the world-systems theory is still unable to incorporate *satisfactorily the study and conceptualisation of labour into its analysis of differentiated development*, ostensibly as a result of its *limited understanding of capitalism*.[47] Thus, considering the weaknesses of the GCC/GVC frameworks and the world-systems approach, scholars have argued that the task for the next generation of commodity- or value-chain research is to reboot the world-systems commodity-chain approach to take into account more contemporary conditions and frameworks of analysis. To do this, Bair suggests that we need to *expand the scope of analysis to encompass the regulatory mechanisms, market institutions and structural properties of contemporary capitalism that affect the configuration and operation of these chains as well as the developmental outcomes associated with them* and pay attention to how workers can benefit from their participation in the chains.[48] Further, Bair and Werner claim that we need *closer analytical attention to the relationship between inclusion and exclusion as ongoing processes that are*

the crucial issue from a Marxist perspective is how to integrate a labour-value analysis of commodity chains with a wider analysis of capitalist development in the twenty-first century, so as to account for new developments with respect to offshoring and the global labour arbitrage.

[40] Immanuel Wallerstein, Historical Capitalism (London: Verso, 1983), 16.

[41] Giovanni Arrighi, "The Developmentalist Illusion: A Reconceptualisation of the Semiperiphery," in Semiperipheral States in the World-Economy, ed. William G. Martin (New York: Greenwood, 1990), 22.

[42] Giovanni Arrighi and Jessica Drangel, "The Stratification of the World-Economy," Review 10, no. 1 (1986): 16.

[43] Arrighi, "The Developmentalist Illusion," 24.

[44] Jennifer Bair, "Global Commodity Chains: Genealogy and Review," in Frontiers of Commodity Chain Research (Stanford: Stanford University Press, 2009), 15.

[45] Bair, "Global Capitalism and Commodity Chains," 155–56.

[46] Benjamin Selwyn, "Beyond Firm-Centrism: Reintegrating Labour and Capitalism into Global Commodity Chain Analysis," Journal of Economic Geography 12 (2012): 205–26; Benjamin Selwyn, "Commodity Chains, Creative Destruction and Global Inequality: A Class Analysis," Journal of Economic Geography 15, no. 2 (2015), 253–74.

[47] Selwyn, "Beyond Firm-Centrism," 213–15.

[48] Bair, "Global Capitalism and Commodity Chains," 171.

constitutive of commodity chains.[49] But the most succinct suggestion is given by Selwyn, who urges that the crucial task is to reintegrate labour and a solid analysis of capitalism, along with its global class relations, into the studies of global commodity or value chains.[50]

Thus, the crucial issue from a Marxist perspective is how to integrate a labour-value analysis of commodity chains with a wider analysis of capitalist development in the twenty-first century, so as to account for new developments with respect to offshoring and the global labour arbitrage. The GCC/GVC frameworks' attention to firms is considered a strength by its proponents, but a weakness by its critics. On the one hand, the firm-level analysis is regarded as a valuable contribution by these frameworks, especially when compared to the inability of the world-systems approach to do so. The examination of inter-firm networks is seen as a "methodological advance," a means to provide *a grounded way to study and operationalise the global-local nexus*.[51] But others see this as a narrow, reductionist approach, a sign of the absence of recognition of the skewed power relations that characterise commodity chains.[52]

> *more realistic thinkers have rejected [the idea that transnational corporations are no longer connected to a particular state], insisting on the role of the state and the continuation of imperial relations between the core and periphery—thereby bringing the state back into global political economy.*

One difficulty is the historic distinction between transnational and multinational corporations. Traditionally, multinational corporations had been seen as corporations that were headquartered in one country but operated in many. This was distinguished from the idea of transnational corporations, in which corporations were seen as truly transnational or global, and thus no longer connected to a particular state.[53] Recently, both mainstream and radical theorists, particularly in Europe, have adopted the conception of transnational corporations and evoked a widespread process of trans-nationalisation, whereby corporations with global reach are no longer seen as necessarily headquartered in the centre of the world economy or connected to particular core states. This has then encouraged a shift toward an extreme firm-level analysis of trans-nationalisation, where nation-states are seen increasingly as nonactors (or displaced actors) within a globalised economy.[54] However, other more realistic thinkers have rejected such notions, insisting on the role of the state and the continuation of imperial relations between the core and periphery—thereby bringing the state back into global political economy.

Thus, economist Ernesto Screpanti debunks the myth of the trans-nationalisation of big firms in the globalisation of production, reminding us that multinational corporations are still pretty much national in their governance structure, especially if we consider that the center of management and advanced technological research of multinationals is still concentrated in the developed global North. Through processes such as direct investments, Screpanti argues, innovations are transferred to the global South, *where they produced a derivative form of technological research*.[55]

> *But why are multinationals able to maintain and even increase their ability to control "the world" even as production shifts to the periphery?*

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49 Bair and Werner, "Commodity Chains and the Uneven Geographies," 992.

50 Selwyn, "Beyond Firm-Centrism"; Selwyn, "Commodity Chains, Creative Destruction and Global Inequality."

51 Bair, "Global Capitalism and Commodity Chains," 158–59.

52 Selwyn, "Social Upgrading and Labour in Global Production Networks," 76; Bair and Werner, "Commodity Chains and the Uneven Geographies," 988–89.

53 Peter F. Drucker, "Multinationals and Developing Countries: Myths and Realities," Foreign Affairs 53, no. 1 (1974): 121–34; Peter F. Drucker, "The Global Economy and the Nation State," Foreign Affairs 76, no. 5 (1997): 159–71.

54 William Robinson, A Theory of Global Capital (Baltimore: John Hopkins University Press, 2004); William Robinson, Global Capitalism and the Crisis of Humanity (Cambridge: Cambridge University Press, 2014); Leslie Sklair, The Transnational Capitalist Class (Oxford: Blackwell, 2001).

55 Ernesto Screpanti, Global Imperialism and the Great Crisis (New York: Monthly Review Press, 2014), 18–19.

But why are multinationals able to maintain and even increase their ability to control "the world" even as production shifts to the periphery? The answer, I suggest, is to be found in the history and development of the giant corporations, which then became global in their operations. More than half a century ago, Baran and Sweezy contended that capitalism can no longer be examined using a freely competitive model of market relations, but must be seen in monopolistic terms. One of the main reasons is the dominant position held by giant multinational corporations, whose defining power is the ability to protect their profit margins from ruinous competition. Under monopoly capital (the most recent phase of which is monopoly-finance capital), corporations *can and do choose what prices to charge for their products*, as the system bans the practice of "price cutting" under the assumption that it would lead to "economic warfare" among oligopolies.[56] This ability was nonexistent in the traditional freely competitive system. As a result, though price cutting—when it would seriously endanger profit margins—rarely happens, *price increases by firms generally occur in tandem, most commonly under the price leadership of the largest corporation in the industry*.[57]

Through their ability to exert considerable control over output and prices, and to protect their profit margins while dominating all sectors of production, multinationals (mostly based in mature capitalist economies) are able to exert monopolistic power on an increasingly global scale, with a small number of them playing a predominant role in world production. As the size and global reach of multinationals have grown, their strength and ability to accumulate capital have also been enhanced. This has demanded a new structure of management intrinsic to their evolution as multinationals. This new management structure, as pointed out by economist Stephen Hymer, who based his argument on industrial organisation theory, enables corporations to rationalise production and incorporate the advances of science into economic activity "on a systematic basis." In line with this, multinationals are able to implement a vertical system of control in their decision-making capabilities, with the head office located in global North countries at the top of the hierarchy. According to Hymer, this allows the organisation to become conscious of itself and gain *a certain measure of control over its own evolution and development*.[58]

Such patterns of power and authority can be clearly seen in one of the main processes involved in offshoring: FDI.

Such patterns of power and authority can be clearly seen in one of the main processes involved in offshoring: FDI. Displacing portfolio investment, FDI became primary after the Second World War, especially in the realm of manufacturing.[59] As Harry Magdoff argues: *The acceleration of investment in foreign manufacturing ventures added a new dimension to the internationalisation of capital*.[60] FDI is a way to penetrate foreign markets. They allow firms from the global North to compete in foreign markets directly, rather than through exports only. In addition, they also allow these firms to *enter into the foreign trade channels of the competing powers*.[61] Magdoff's explanation of foreign investments resonates with Hymer, who emphasises that FDI is a tool to maintain and expand the monopolistic power of multinationals: *Direct investment tends to be associated with industries where the market share is largely accounted for by a small number of firms*.[62]

By 2012, global commodity chains coordinated by multinational corporations account for approximately 80 percent of global trade.

[56] Baran and Sweezy, Monopoly Capital, 57–58.

[57] John Bellamy Foster, Robert McChesney, and R. Jamil Jonna, "The Internationalisation of Monopoly Capital," Monthly Review 63, no. 2 (June 2011): 11.

[58] Stephen Hymer, The Multinational Corporation: A Radical Approach (Cambridge: Cambridge University Press, 1979), 59.

[59] Robert Gilpin, U.S. Power and the Multinational Corporation (New York: Basic, 1975).

[60] Harry Magdoff, The Age of Imperialism (New York: Monthly Review Press, 1969), 54.

[61] Magdoff, The Age of Imperialism, 58. 62. Hymer, The Multinational Corporation, 174.

[62] Hymer, The Multinational Corporation, 174.

But offshoring is not always—especially today—about direct investments abroad. Instead, as mentioned above, it often includes arm's length contracts. By 2012, global commodity chains coordinated by multinational corporations account for approximately 80 percent of global trade and arm's length contracts have increasingly become a major part of such chains, with growth taking place mostly in "developing economies." Between 2005 and 2010, the growth of such contracts in several manufacturing sectors, including electronics, pharmaceuticals, and footwear, far exceeded the growth rate for global industry.[63]

The labour-value commodity chains framework is an analysis of global commodity chains that incorporates the main point that was missed by its predecessors: an examination of the extraction of surplus from the global South within a Marxist perspective.

Moreover, lead firms manage such inter-firm networks within varying governance structures. Far from representing the decentralisation of control over production (and valorisation) as is sometimes assumed, the "dispersed" networks associated with the new non-equity modes of production are ultimately governed by the centralised financial headquarters of the giant corporations they service, which retain monopolies over information technology and markets, and appropriate the larger portion of the value added.

The first task is, then, to create a critical framework that provides an analysis of global commodity chains that can incorporate the question of power, held by multinationals, and of labour, which, in the current global production, is increasingly represented by workers in the global South.

Laying the groundwork for the Labour-Value Commodity Chains Framework

The labour-value commodity chains framework is an analysis of global commodity chains that incorporates the main point that was missed by its predecessors: an examination of the extraction of surplus from the global South within a Marxist perspective. I argue that this is the most useful means with which to analyse the processes of globalised production, since this approach allows us to see the power relations between capital and labour that underlie our present-day world economy.[64]

To develop this framework, it is necessary to examine the following and include in the formulation of the theory: (1) the development of monopoly capitalism dominated today by multinational oligopolies with considerable global reach and wielding significant monopoly power, as discussed above; as well as (2) the process of profiting from international wage differentials through the global labour arbitrage, taking advantage of the much lower unit labour costs in emerging economies. While the former is especially powerful in helping us to examine the current stage of capitalism with strategic positions still held by multinational corporations, the latter is a useful lens precisely because it looks directly through the eyes of capital. The global labour arbitrage is a creation of capital. The term itself is widely used in corporate-financial analyses. Although other more nebulous terms, such as low-cost country strategy, abbreviated as LCCS, are also sometimes adopted in order to rationalise (in the Weberian sense) the inequalities that characterise the globalisation of production, treating them as mere market phenomena. For example, the global labour arbitrage is frequently presented as corporations' "new imperatives of cost control," which are necessary to deal with unfortunate macroeconomic factors such as excess supply and the lack of pricing leverage.[65]

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[63] UNCTAD, World Investment Report: Non-Equity Modes of International Production and Development (Geneva: United Nations, 2011); UNCTAD, World Investment Report: Global Value Chains (Geneva: United Nations, 2013).

[64] Intan Suwandi, R. Jamil Jonna, and John Bellamy Foster, "Global Commodity Chains and the New Imperialism," Monthly Review 70, no. 10 (March 2019): 1–24.

[65] Stephen Roach, "How Global Labour Arbitrage Will Shape the World Economy," Global Agenda, 2005.

Nevertheless, the concept of the global labour arbitrage is significant, since "arbitrage" in financial terms means precisely taking advantage of different prices for the same productive factor or asset. Moreover, though arbitrage in neoclassical economic theory is supposed to generate equality in market prices (the so-called law of one price), it is well understood by all economic actors that this does not apply to labour internationally, and that the global labour arbitrage is rooted in structural factors in capitalist world economy that generate very different prices for labour in the global South and the global North, and hence very different rates of labour exploitation.

Thus, when analysed with a little "Marxist twist," the mainstream examination of the global labour arbitrage often reveals the power dimensions of the globalised production processes—as recently shown by Smith in his 2016 book Imperialism in the Twenty-First Century, as well as in a 2012 study by Foster and Robert McChesney, The Endless Crisis. In this perspective, special attention needs to be given to the labour theory of value to allow us to see who actually benefits and captures value in a global commodity or value chain, and how they get these benefits through practices such as the arm's length contracts that characterise the global labour arbitrage.[66]

An examination of unit labour costs (as mentioned above, a measurement that can appropriately combine productivity with wage costs in a way that relates to Marx's theory of exploitation) reveals that participation in global labour-value chains does not necessarily benefit global South labour. Instead, the benefits go to the global North corporations, which were able to maintain their low-cost production, even amid the Great Financial Crisis of 2009. There is a great discrepancy both in wages and in unit labour costs among countries in the global North and global South, and this fact allows us to unmask the exploitation, both in absolute and relative terms, of workers in the global South.

Control in Labour-Value Commodity Chains: From Technology to the Labour Process

After the formulation of labour-value commodity chains, the next task is to connect this framework to the concrete processes that occur in the production realm, including how multinationals with their monopoly power manage to control technological knowledge within labour-value chains, as well as how the labour process is controlled on the shop floor. To bridge the gap between the abstract framework and the concrete processes, I use the concepts of systemic rationalisation and flexible production. The former is a concept born out of German industrial sociology, and the latter was popularised by works such as Bennett Harrison's Lean and Mean, published in 1994.[67]

These two approaches offer a close-up view of global commodity chains (or production networks), highlighting the notion that decentralised networks do not necessarily lead to a dispersion of power. Both approaches emphasise that huge firms, like global North-based multinationals, are able to maintain (and even enhance) their powerful position in the production and distribution processes within such networks, mainly by exerting control over their upstream and/or downstream companies. This enables multinationals to engage in lean and flexible production, accommodating to fluctuating market demands in their search for greater production, by transferring production work and responsibilities to the dependent companies.

Marxist approaches to forms of control over the labour process are still relevant to examine the exploitation of workers and the extraction of surplus value in our current labour-value chains.

[66] For Marxist labour theory of value, see Karl Marx, Capital, vol. 1 (1867; repr., London: Penguin, 1976) and Samir Amin, The Law of Value and Historical Materialism (New York: Monthly Review Press, 1978).

[67] See Norbert Altmann, Christoph Köhler, and Pamela Meil, "No End in Sight—Current Debates on the Future of Industrial Work," in Technology and Work in German Industry (London: Routledge, 1992), 1–11; Bennett Harrison, Lean and Mean: The Changing Landscape of Corporate Power in the Age of Flexibility (New York: Basic, 1994).

Made possible by a rapid development in information technology, new rationalisation strategies that *address the reorganisation of the value creation chain of a final product over and beyond the reach of individual companies* are used by powerful corporations to enable practices of flexible production. Examples include management strategies such as delivery-on-demand systems (also known as just in time or Toyota Production System); a myriad of international certifications issued by third parties, such as the International Organization for Standardisation, which become a requirement for supplying to multinationals; and an open-costing system in which suppliers need to reveal their cost structures to their prospective multinational customers. Through these means, dominant companies are able to retain their exclusive access to innovations and other technological know-how, while putting pressure on their dependent suppliers to provide flexibility in production. When we speak of global labour-value chains, the critical nodes (in labour-value terms) are to be found in emerging countries in the global South, like Indonesia, where outsourcing multinational corporations increasingly locate their production.

In the end, it is workers, the direct producers, who bear the burden that results from all the above strategies. This new rationalisation and organisation of production, contrary to the mainstream argument, does not provide a more humanised form of work—forms of Tayloristic control of the labour process remain in many segments of production within labour-value chains.[68] Marxist approaches to forms of control over the labour process are still relevant to examine the exploitation of workers and the extraction of surplus value in our current labour-value chains. And this is where Harry Braverman's seminal 1974 work Labour and Monopoly Capital (which examines the control of the labour process under monopoly capital), along with other related works on the subject, become especially useful. With the application of Tayloristic control and the development of technology, the deskilling of labour and the degradation of work become enhanced under generalised monopoly capitalism. Braverman's theory and other Marxist approaches highlight particular means by which control is administered on the shop floor in monopoly capitalism, but the aim remains the same: the exploitation of workers driven by the imperative of capital accumulation.[69]

Examples from Indonesia

Although there is some recognition of the global scope of systemic rationalisation and flexible production, most studies of global commodity chains focus more on national or regional levels in the global North—including European (especially German) industries and networks, the United States, and occasionally some other countries, such as Australia.[70] And although there are plenty of studies on the new international division of labour published since the 1980s, largely focusing on women workers in the global South, the connection between the issue of control of the labour process (that often becomes the focus in these studies) and the complexities of production networks is rarely introduced.[71]

> *the fact that they are not sweatshops does not necessarily eliminate the exploitative relations that are realised on their shop floors. Through various forms of control of the labour process, ranging from disciplinary actions to incentive systems to those carried out by technological means, workers are exploited and surplus value is extracted.*

[68] Norbert Altmann and Manfred Deiss, "Productivity by Systemic Rationalisation: Good Work—Bad Work—No Work?," Economic and Industrial Democracy 19 (1998): 137–59.

[69] For example, see Edwards, "Social Relations of Production at the Point of Production"; David Gartman, "Marx and the Labour Process: An Interpretation," The Insurgent Sociologist 8, no. 2 & 3 (1978): 97–108; Stephen A. Marglin, "What Do Bosses Do? The Origins and Functions of Hierarchy in Capitalist Production," Review of Radical Economics 6 (1974): 60–112.

[70] Altmann and Deiss, "Productivity by Systemic Rationalisation"; Christopher Wright and John Lund, "Supply Chain Rationalisation: Retailer Dominance and Labour Flexibility in the Australian Food and Grocery Industry," Work, Employment, and Society 17, no. 1 (2003): 137–57.

[71] For works that focus on women workers, see Caraway, Assembling Women; Cynthia Enloe, The Curious Feminist: Searching for Women in a New Age of Empire (Berkeley: University of California Press, 2004); Annette Fuentes and Barbara Ehrenreich, Women in the Global Factory (Boston: South End, 1983); Mary Beth Mills, "Gender and Inequality in the Global Labour Force," Annual Review of Anthropology 32 (2003): 41–62; Aihwa Ong, "The Gender and Labour Politics of Postmodernity," Annual Review of Anthropology 20 (1991): 279–309; Pun Ngai, Made in China: Women Factory Workers in a Global Workplace (Durham, NC: Duke University Press, 2005); Leslie Salzinger, Genders in Production: Making Workers in Mexico's Global Factories (Berkeley: University of California Press, 2003).

To fill in this gap, I conducted a study of two Indonesian companies—the results of which can be found in my forthcoming book, Value Chains: The New Economic Imperialism—that aims to provide examples of how dominant multinationals exert control over dependent Indonesian suppliers, which in turn transfer the pressures of flexibility in production on the one hand, and the demands of high productivity and efficiency on the other, to their workers on the shop floor. These case studies are directed at getting beyond mere generalisation and macro-level analysis to the illustration of particular concrete cases of "flexible production," imposed externally by multinationals. These two Indonesian companies are not stereotypical of the classic factory characterised by assembly lines and horrid working conditions, such as Foxconn or factories that assemble sneakers.[72] However, the fact that they are not sweatshops does not necessarily eliminate the exploitative relations that are realised on their shop floors. Through various forms of control of the labour process, ranging from disciplinary actions to incentive systems to those carried out by technological means, workers are exploited—in Marx's understanding of exploitation—and surplus value is extracted. Indeed, the systemic relations are in many ways more fully revealed by looking at the more advanced production settings in emerging economies linked to labour-value commodity chains.

I mainly conducted semistructured interviews of top-management executives in these two companies. It is these executives, after all, who manage both their relationships with customers as well as those with workers at their plants. As Peter Evans argues, *to understand the decision making that goes on within firms, one must talk to the [people] who run them*.[73] In addition, with the limited access I had during my visits, I observed their factories and offices and analysed their company documents, ranging from annual reports to brochures and videos, to presentation slides prepared by management.[74] The interviews serve as an important addition to the discussion of labour-value chains. In this context, my participants serve as "key informants" who explain the "rules" of corporate management: how they manage their workers on the one hand, and business relations with multinational clients on the other.[75] These interviews give us valuable insights regarding how global and local capital affect Indonesian workers who, on factory floors, produce the commodities. The executives are the ones who make decisions about various aspects of their business, from receiving orders to planning for production to managing its execution. They make sure that their companies are in good order so that any conflicts are quickly resolved. They are the ones who deal directly with their customers, especially the top ones; engage in negotiations with them; and control the management of labour on the shop floors. They have the knowledge and experience that we need in order to understand labour-value chains better, particularly since they occupy an important position that connects global North capital and global South labour.

But why study companies in Indonesia? Besides the obvious (that it is my country of origin), there are other aspects that make Indonesia an interesting case to examine when it comes to its position within labour-value chains. Indonesia—whose incorporation into the global economy has increased since the creation of the Foreign Investment Law in 1967 under Suharto, shortly after the mass murders and mass incarcerations of Indonesian Communists and those perceived as such—serves as one of the pools of cheap labour for global North corporations.[76] Indeed, Indonesia holds third place, behind only China and India, in the share of jobs in global commodity chains. Despite a considerable increase in Indonesia's unit labour costs between 2009 and 2014, they remain low—in 2014 they were at about 62 percent of those

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72 See Fair Labour Association, Independent Investigation of Apple Supplier, Foxconn (Washington, D.C.: Fair Labour Association, 2012); National Labour Committee and China Labour Watch, PUMA's Workers in China: Facing an Olympian Struggle to Survive (New York: National Labour Committee and China Labour Watch, 2004).

73 Peter Evans, Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil (Princeton: Princeton University Press, 1979).

74 For similar methods, see Evans, Dependent Development; Peter Evans, Embedded Autonomy: States and Industrial Transformation (Princeton: Princeton University Press, 1995); Wright and Lund, "Supply Chain Rationalisation."

75 See Evans, Embedded Autonomy; Nirmalya Kumar, Louis W. Stern, and James C. Anderson, "Conducting Interorganisational Research Using Key Informants," The Academy of Management Journal 36, no. 6 (1993): 1633–51; Marc-Adelard Tremblay, "The Key Informant Technique: A Nonethnographic Application," American Anthropologist 59, no. 4 (1957): 688–701.

76 Dan La Botz, Made in Indonesia (Boston: South End, 2001), 29–55. See also Intan Suwandi, "No Reconciliation withoout Truth: An Interview with Tan Swie Ling on the 1965 Mass Killings in Indonesia," Monthly Review 67, no. 7 (December 2015): 14–30.

in the United States. Overall, Indonesia is a classic example of a place where labour is highly exploited in the labour-value chains. The country has most of the characteristics often associated with what Evans calls "dependent development."[77]

Indonesia's FDI started to grow steadily beginning in the early 1970s. The FDI net inflows increased from around $83 million in 1970 to $4.7 billion by 1997. Despite a few lingering downturns in FDI after the 1997–98 Asian crisis—during which Indonesia, like other emerging economies in Asia outside of China, found their currencies under attack as foreign speculators massively withdrew capital, demonstrating the continuing vulnerability of these economies—it soon rose again and reached about $19.6 billion in 2012.[78] During the fluctuations in the last few years, the country's FDI inflow reached $30.54 billion in 2017, and even though it experienced a decline in 2018 to $27.86 billion, the chairman of Indonesia's Investment Coordinating Board claimed in January 2019 that he was optimistic *over the acceleration of the investment* this year. In addition, as a means to *lure more foreign investment*, the government *plans to relax restriction on foreign ownership in 49 business sectors*.[79]

This shows that the trend in the country's FDI (which does not even account for subcontracting nor other forms of investments, such as portfolio investments) continued to be considerably high, even after Suharto's fall and the New Order's supposed end in 1998. This upward trend has been accompanied by an increase in employment in the industrial sector—from roughly 13 percent of total employment in 1980 to a little less than 22 percent in 2012. In addition, the manufacturing value added (share of GDP) in Indonesia has also increased throughout the last several decades—from 9.2 percent in 1960 to about 24 percent in 2012—with a dramatic increase in the mid–1960s.[80]

These trends highlight the fact that Indonesia has undergone a series of industrialisation and growth periods, although recent reports have shown that growth has been slowing in the last few years—only 5 percent in 2014, 4.8 percent in 2015, 5 percent in 2016, and 5.12 percent in the first half of 2018.[81] Debates have emerged whether it is time for Indonesia to be categorised as an emerging economy (along with Brazil, Russia, India, and China), thus changing the acronym BRIC into BRIIC.[82] According to Bloomberg, Morgan Stanley is one of the supporters of this idea, citing the $433 billion economy as the fastest-growing major economy in Southeast Asia, and an optimistic claim from the then-Indonesian Finance Minister of an "achievable" 7 percent growth starting in 2011 (and later, an 8 percent goal for 2019)—a forecast that was proven wrong in later years.[83]

But this aside, optimism was high. Jim O'Neill, a former Goldman Sachs' economist who coined the term BRIC, wrote upon his last visit to Indonesia in 2013 that he *found a healthy preoccupation with the country's economic prospects*.[84] His writing suggests that Indonesia may soon be ready to be included in the "big guys" club, although O'Neill himself has included Indonesia in the group of "frontier markets" (relatively smaller economies referred to as MINT, together with Mexico, Nigeria, and Turkey).[85] Either way, these discussions suggest that Indonesia is seen by financial analysts

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[77] Evans, Dependent Development, 32–34.

[78] International Monetary Fund (IMF), International Financial Statistics (Washington, D.C.: IMF, 2007); World Bank, World Development Indicators (Washington, D.C.: World Bank, 1999).

[79] "Indonesia's FDI Touches Nearly 28 Bln USD in 2018," Xinhua News, January 30, 2019. 80.

[80] The Organisation for Economic Co-operation and Development (OECD), OECD Factbook 2014: Economic, Environmental and Social Statistics (Paris: OECD, 2014).

[81] See Tri Artining Putri, "Ekonomi Melambat, Pertumbuhan Ekonomi Tak Tercapai?," Tempo.Co, May 5, 2015; Muhammad Hendartyo, "4 Tahun Jokowi, Rapor Merah Berdasarkan Tolak Ukur RP-JMN," Tempo.Co, October 22, 2018; IMF, Indonesia: 2016 Article IV Consultation (Washington, D.C.: IMF, 2017), 39; IMF, Indonesia: 2017 Article IV Consultation (Washington, D.C.: IMF, 2018), 34.

[82] Peter Day, "Can Indonesia Join the BRIC Countries?," BBC News, February 17, 2011; OECD, OECD Economic Surveys: Indonesia (Paris: OECD, 2015).

[83] Arijit Ghosh, "BRIC Should Include Indonesia, Morgan Stanley Says," Bloomberg, June 17, 2009; Hendartyo, "4 Tahun Jokowi, Rapor Merah Berdasarkan Tolak Ukur RPJMN."

[84] Jim O'Neill, "Who You Calling a BRIC?," Bloomberg Business, November 13, 2013.

[85] See also Matthew Boesler, "The Economist Who Invented the BRICs Just Invented a Whole New Group of Countries: The MINTs," Business Insider, November 14, 2013.

What is often neglected and is addressed in these studies is that, behind the euphoria of growth in the economy and in labour productivity in particular, lie the exploitative mechanisms of labour-value chains. It is here that the imperialist characteristics of the current phase of globalisation are best revealed.

and economists from the global North as a promising destination for investments and relocation of production —in other words, a major player in labour-value chains. According to these analysts, the pressing problems that can prevent economic growth and the flow of foreign investments are corruption in politics or the lack of human capital and infrastructure.[86]

It is worth highlighting here that the case studies do not aim to focus on details of the Indonesian economy and its growth, or on specificities regarding the development of Indonesian politics in the last few decades. What is often neglected and is addressed in these studies is that, behind the euphoria of growth in the economy and in labour productivity in particular, lie the exploitative mechanisms of labour-value chains. It is here that the imperialist characteristics of the current phase of globalisation are best revealed. And this is precisely what the case studies try to do: bring out such aspects and examine them in the context of the current workings of globalised production, so that we have an example of how the exploitative processes in labour-value chains work.

In a nutshell, the case studies show that there are two sides of control mechanisms at work. First, multinational corporations exercise dominance over dependent suppliers through processes such as controlling technological knowledge, applying demands that often require unreasonable flexibility—including flexible delivery practices or strategies to deal with missed forecasts—and applying a standardisation of procedures that, far from making business "fair," largely benefits multinationals. In the end, all these serve as a means to externalise costs on behalf of multinationals. Second, these means of control directed at dependent suppliers are then "translated" into forms of control of labour. The continual reorganisation of work implemented at the point of production, with the goal of catering to the requirements demanded by multinational clients, in the end becomes a significant mechanism within labour-value chains facilitating the extreme exploitation of labour in the global South by the North. Multinational clients gain advantage from management policies and practices conducted by the bosses in the dependent companies, ranging from specific measurements of workers' performance to forms of direct control on the factory floor. All these practices are enabled by the deskilling of work that has transformed workers into "mere executors" of work and thus made them vulnerable.

Labour-Value Chains and the New Economic Imperialism

Smith argues that we need to apply value theory in our examination of the imperialist world economy, in order to find a systematic theory of imperialism that does not neglect the issues of *the exploitation of labour by capital and the exploitation of poor nations by rich nations*.[87] As he writes, analyses of contemporary imperialism must proceed from and attempt to explain *the systematic international divergence in the rate of exploitation between nation*s, particularly between the imperialist nations in the global North and the peripheral nations in the global South. He contends that there is nothing new about international differences in the value of labour-power, or about what he refers to as super-exploitation. What is new, Smith writes, is the *centrality these phenomena have attained during the past three decades of 'neoliberal globalisation*.[88]

[86] Day, "Can Indonesia Join the BRIC Countries?"; Ghosh, "BRIC Should Include Indonesia."
[87] Smith, Imperialism in the Twenty-First Century, 199.
[88] John Smith, "Imperialism and the Law of Value," Global Discourse 2, no. 1 (2011).

What is essential is to recognise the imperial character of labour-value chains, involving the global capture of value and the continuing drain of surplus from the South to the North... But none of this means that workers in the global South are powerless. As Michael Yates writes at the end of his book, Can the Working Class Change the World?: "Remember that those who have suffered the most—workers and peasants in the global South, minorities in the global North, working-class women everywhere—are going to lead struggles."

The labour-value chains framework is an attempt to provide yet another window through which to view the centrality of the phenomenon of globalised production as a new form of economic imperialism, especially as represented by the practice of the global labour arbitrage. It is not meant to be in itself a complete theory of imperialism, but it helps examine the imperial characteristics of labour-value chains as revealed by Marx's value theory.

What is essential is to recognise the imperial character of labour-value chains, involving the global capture of value and the continuing drain of surplus from the South to the North. Not only does global capital engage in the global labour arbitrage (a form of unequal exchange) in pursuit of low unit labour costs—but it does so with the support of other institutions, including international organisations and the state. Through various means such as the imposition of multilateral treaties and agreements, powerful states also maintain their hegemony in accordance with the interests of capital that originates in these countries. As mentioned above, there is a notion that is circulating even within the left that imperialism is declining or even disappearing altogether. In contrast, it is argued here that, contrary to this claim, imperialism is alive and well. It is rather that the forms in which it works have changed.

But none of this means that workers in the global South are powerless. As Michael Yates writes at the end of his book, Can the Working Class Change the World?: *Remember that those who have suffered the most—workers and peasants in the global South, minorities in the global North, working-class women everywhere—are going to lead struggles*.[89] Indeed, the working class in the global South, along with its allies, has engaged and will continue to engage in strikes and protests, in fights against exploitation. These are fights that provide a real and constant threat to capital, no matter how great the distance that separates corporate absentee owners from the workers engaged in production in the critical nodes of the labour-value chains, and no matter how complex these chains may appear to be.

[89] Michael D. Yates, Can the Working Class Change the World? (New York Monthly Review Press, 2018), 185.

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- Claudio Jedlicki: Unequal Exchange
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❖ **About Jus Semper:** The Jus Semper Global Alliance aims to contribute to achieving a sustainable ethos of social justice in the world, where all communities live in truly democratic environments that provide full enjoyment of human rights and sustainable living standards in accordance with human dignity. To accomplish this, it contributes to the liberalisation of the democratic institutions of society that have been captured by the owners of the market. With that purpose, it is devoted to research and analysis to provoke the awareness and critical thinking to generate ideas for a transformative vision to materialise the truly democratic and sustainable paradigm of People and Planet and NOT of the market.

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