

# Use of Global Value Chains by Labor Organizers

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Understanding global value chains is important for labor as well as business. However, to be useful for labor organizers, workers must first be located as entities in global value chains. Further modification can reveal possible strengths and weaknesses in the chain, identify worker allies and reveal necessary steps in the organizing process. This paper examines ways that labor educators have modified global value chains to teach workers about their industries, and uses two case studies to illustrate the application that global value chains have to comprehensive organizing campaigns. The paper argues that labor organizers should go one step further by using global value chains to conceptualize global plans to stabilize employment for workers after the end of the Multi-Fiber Arrangement, and to raise wages in this context.

KEY WORDS Apparel supply chain, Textile supply chain, Global value chains, Labor organizing, Multi-Fiber Arrangement, Anti-sweatshop

## Introduction

Classic models of global value chains (GVCs) help us to understand the business relationships among various entities in the global economy. By graphically representing linkages and flows between firms, we can portray the functions that economic actors perform and develop an understanding of the relationships among them. In the past decade and more, Gary Gereffi and others have used this tool to identify significant shifts in the global economy from a producer-driven paradigm, where manufacturers control the supply chain, to a buyer-driven paradigm, where giant retailers like Wal-Mart control the supply chain (Gereffi 1994). In the early 2000s, as the global economy became increasingly impacted by internet companies that produced services as well as commodities, Gereffi adjusted his GVC construct to reflect this emerging trend (Gereffi 2001).<sup>1</sup>

However a missing element in the discourse about global value chains is the role of workers. Whether they are employed at the retail end of the value chain, like the workers in Wal-Mart stores, or they are among the millions who labor in the thousands of factories that supply Wal-Mart with the goods it sells, workers are unquestionably economic actors. Their labor creates value, and their ability to withhold that labor, if organized to do so, can potentially upset the flow of the value chain. Buyers like Nike and Wal-Mart have

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tremendous power that drives their production chains, but their ability to do so is not just limited by internal capacity and external circumstances; it is also mitigated by their negotiations with unions and human rights advocates about labor conditions and sourcing practices within the supply chain. Therefore in order to more accurately portray the relationship of various economic entities in a global value chain, the role of workers should be addressed.

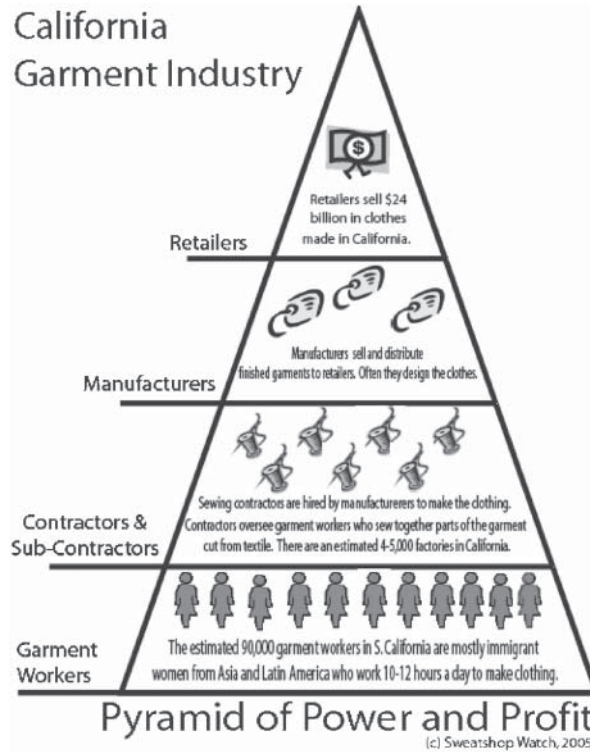
Using the GVC construct as a starting point for understanding economic relationships, I will discuss how labor organizers currently use GVCs, what limitations current constructs have in this regard, and suggest revisions that would make the GVC concept more useful to labor organizers. Then I will apply this modified labor organizing model to two recent campaigns, demonstrating how it provides a more refined understanding of power in global commodity chains, and showing how it can be useful in making strategic decisions about organizing campaigns. In this discussion, I will draw heavily from my more than 30 years of experience as a labor organizer.

### **Global Value Chains in Labor Education**

Most garment workers in production facilities, whether in the US or elsewhere, have little knowledge of who sends orders to their plants and who sells the finished garments they have sewn. They may sew labels onto the clothing, but the labels may be in a language that they do not understand, or the brand names on them may be unfamiliar. They sometimes hear their factory managers complain about not receiving enough orders from the buyers, and they may be told that the pressure on costs resulting from buyers' demands for ever lower prices prevents their employer from being able to pay better wages. However, apart from that, they generally know little about who is sending work to, or buying work from, their factories. Therefore to give workers a picture of the entire production system, to help them understand that there is much profit in that system, and to convince them that it would be worthwhile to fight for improved wages and working conditions, labor organizers try to teach workers about their own position in the global value chain, and about their position in relationship to other economic actors in the chain. Since most anti-sweatshop activity in the past two decades has focused on sub-standard working conditions in production facilities of suppliers, almost all labor organizers have adapted existing models of GVCs to show production workers in the bottom link of the global value chain.

One version of representing these workers is provided by Sweatshop Watch's 'pyramid of sweating', a model that it uses for public education.<sup>2</sup> Like Gereffi's buyer-driven model (Gereffi 1994), the Sweatshop Watch pyramid shows the flow of production from the retailer to the manufacturer to the contractor. However Sweatshop Watch adds production *workers* at the bottom of the pyramid. Additionally, by representing relative numbers of actors in each economic level, it shows that a small number of retailers drive the production relationships, while a large number of workers at the bottom are the foundation that makes the whole economic effort possible – a not so subtle suggestion about inequity and unfairness. See Figure 1.

In their book about the Los Angeles apparel industry, Edna Bonacich and Richard Appelbaum (2000) take the concept of the pyramid one step further by indicating the sales price of a sample garment at each level. Adding this information to a graphic depiction of the chain helps illustrate the distribution of value along the supply chain, thus allowing workers to see that their wages are only a small proportion of the final sales price of that



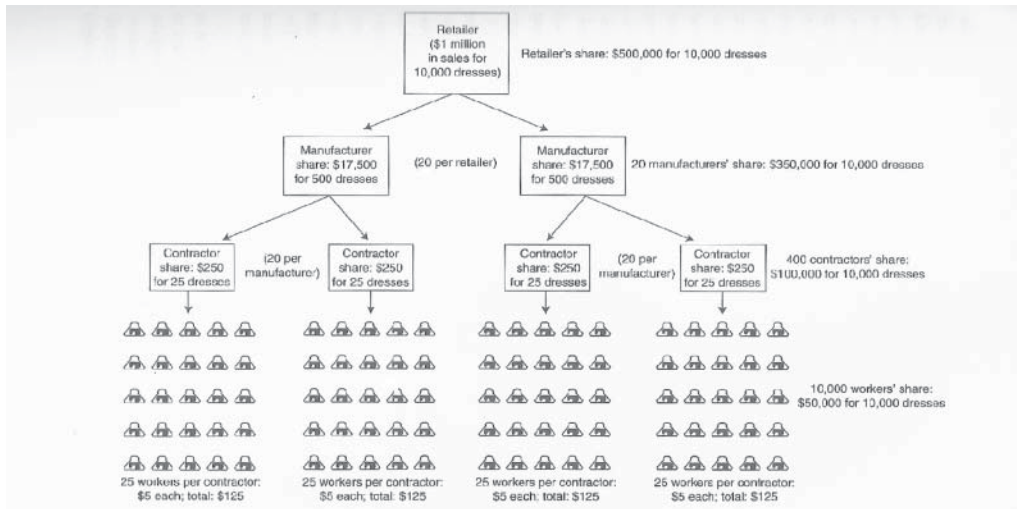
Source: reproduced with permission of Sweatshop Watch (2005).

Fig. 1. Pyramid of power and profit

garment, and that much surplus value has been extracted along various points in the chain. See Figure 2.

Another adaptation of the GVC construct can be seen in the AFL-CIO's curriculum for organizers in export processing zones (EPZs). Here, the authors have kept the concept of a chain rather than the pyramid, but have adopted the same approach used by Sweatshop Watch in terms of locating workers at the bottom. The major difference here is in the use of pictographs rather than words to identify links in the chain, reflecting the fact that many of the workers who will be using this curriculum are illiterate or semi-literate. Additionally, these materials are used by labor educators teaching in dozens of languages in North and South America, Asia and Africa. In the teaching curriculum, workers study an organizing case, and then are given an exercise where they are asked to place cards with the names of various economic and social actors in the case study in correct relationship to each other (American Center for International Solidarity 2007). See Figure 3.

In my own teaching on the global apparel industry, I have found it useful to portray the apparel industry as hundreds of competing chains in a 'Web of Sweating'. The advantage of showing the industry as a web is that it illustrates not just the linear downward pressures of a buyer-driven commodity chain, but it also adds a many-to-many relational perspective by showing that actors at any level of the supply chain are linked not solely to one actor at the



Reproduced with permission from: *Behind the Label: Inequality in the Los Angeles Apparel Industry*, by Edna Bonacich and Richard Appelbaum © [2000] The Regents of the University of California. Published by the University of California Press

Fig. 2. The accumulation of wealth from 10,000 dresses selling for \$100 each.

level above or below, but to many, since the global commodity chain for apparel that Gereffi and others talk about is a composite of all the specific chains linking particular buyers to particular suppliers. This picture also captures the horizontal pressures of competitors at the same level, and tries to show that this competition drives the downward pressure on prices in the next lower level of the chain. Workers have no one below them, so they have no one to extract further economic value from in the chain. Therefore, as I argue in my presentations, workers' only hope of getting more value from this process is to collectively push back against the upper levels of the chain (or tiers of the pyramid) and demand a redistribution of the value that is created. See Figure 4.

### Global Value Chains in Labor Organizing

Labor organizers not only want to understand the world – they also want to change it. Fundamentally they want to know how the existing balance of power within labor markets can be altered, so that buyer-driven value chains are counter-balanced by worker-driven intervention. One important goal of this effort is to effect a redistribution of economic value that provides better compensation and insures the protection of workers' rights. To accomplish this, labor organizers need to view a GVC strategically – that is, they must envision what a reconstructed worker-driven chain would be and analyze what kind of organizing effort could effectively achieve this vision.

The problem for labor organizers with classic GVCs is that they do not reveal the strengths and weaknesses of workers' positions in the chain, nor the opportunities and constraints that a particular chain presents for labor organizing. In order to be a useful analytical tool for labor organizers, GVCs must reveal leverage points, potential allies and possible paths to identified goals. Thus, GVCs should be modified to show: (1) enough

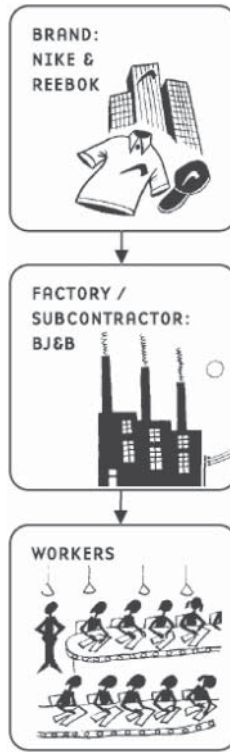


Fig. 3. AFL-CIO curriculum for export processing zone workers

detail to reveal ‘weak links’ in the value chain such that potential leverage or entry points for workers can be identified; (2) political and social actors outside the production chain that could be worker allies, and thus a source of added strength; and (3) a strategic path to power from the workers at the bottom of the chain back up towards their target, which maximizes their opportunities and strengths, while minimizing their weaknesses and the obstacles their efforts may face.

First, production details are critical for understanding possible leverage points and potential allies. For example, this kind of chain analysis might enable garment workers involved in an organizing campaign to learn that the multinational apparel company that owns their plant has factories in other countries where workers have successfully unionized. Such information may make it possible for workers trying to organize to reach out to their unionized ‘brothers and sisters’ in the branch factories for solidarity and support. Another example of a labor-friendly GVC approach is an analysis that provides workers with information about investors in a retail corporation who might be sympathetic to unions or vulnerable to pressure from organized labor. Without researching in detail the operations of each actor at each level in the chain, it would be hard for labor organizers to envision these opportunities.

Additionally, production details should include information about the economic entities that link main GVC actors to each other, including companies involved in transportation and logistics, supply chain consultants and financiers. In today’s global economy, there has been a technological and functional ‘revolution’ in the logistics and transport

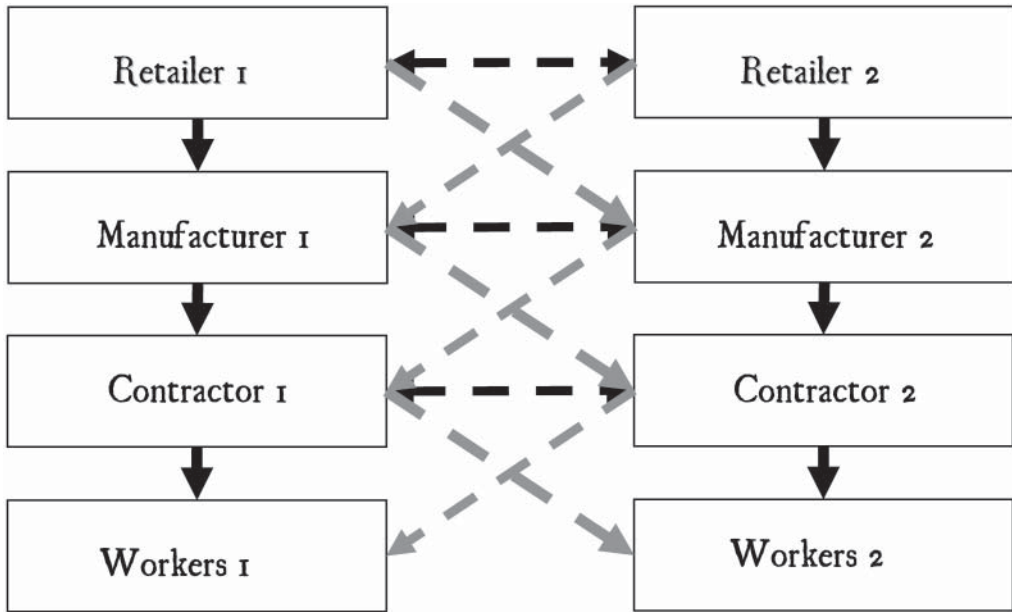


Fig. 4. Web of Sweating.

industries, and firms in these areas can either link entities in the GVC to each other, or they can sever them. Supply chain consultants are brokers who match buyers with manufacturers, and they are critical for buyers who are entering new manufacturing markets but do not speak the language or know the market well. Financiers can be either banks or lending institutions in the formal economy, or lending circles in the informal economy, that allow suppliers to access a relationship with a buyer. These and many other economic actors that service the main producers in most chains play an increasingly critical role in the global economy, and knowing which firms play roles in a particular organizing target's supply chain might reveal possible leverage points.

Second, it is commonly assumed that those who are at the top of the value chain are the most powerful – that giant brands and retailers like Nike and Wal-Mart dictate everything. However history has shown that political and social actors outside of a production chain, like governments and social movements, can have tremendous impact and influence on the value chain. This was true in an earlier era when General Motors was the dominant corporation in America, but its activities were counter-balanced by negotiations with the United Auto Workers. Similarly, in the past two decades the anti-sweatshop movement – a worldwide network of consumers and human rights activists – has prevailed upon Nike, GAP and other buyers and retailers at the top of the supply chain to accept responsibility for labor standards in their contracting factories. Subsequently, purchasers and investors, such as universities, city governments and pension funds, have gone on to enact anti-sweatshop policies that require compliance with labor standards. Thus for labor organizers, it is important to understand how to leverage mechanisms like contractual agreements between consumers or purchasing entities and retailers. Therefore, the role of political and social actors must somehow be incorporated in a modified labor organizer's GVC.

Third, to chart organizing strategy, the GVC should show the dynamic flow of worker organizing from one entity to another. The traditional GVC shows the flow of production in a buyer-driven chain, but worker-driven intervention would likely reverse the flow, showing 'push back' from workers up the supply chain that would include forging alliances with their supporters and taking various other steps to reach their target. Thus the labor organizer's GVC is not a static expression of existing relationships, but is a dynamic flow of organizing towards worker power.

### **Applying the Modified Global Value Chain: Two Case Studies**

To give examples of how a labor organizer's modified GVC works, I will briefly discuss two recent global organizing campaigns. For each of these cases, I start with the basic GVC construct and I describe the sequential addition of those further dimensions that are needed to make the modified GVC a useful tool for organizers: (1) production details, (2) political and social actors in the chain, and (3) the flow of organizing – i.e. the various directions in which alliances can be forged and pressure exerted. I first describe the Kukdong struggle, which emphasizes the role of social actors and the flow of organizing, before discussing the Tainan campaign, which highlights the relationship between each of these dimensions – production details, social actors and flow of organizing – in crafting and carrying out a successful campaign.

#### *Kukdong Case*

The Kukdong Corporation is a Korean manufacturer of collegiate and other apparel that produces for Nike, Reebok and other well-known brands. It is one of South Korea's largest apparel producers, and has subsidiary production plants in Indonesia, Bangladesh and Mexico. The Mexican plant opened in 2000 in an export-processing zone in Atlixco, Puebla, with an initial investment of more than US\$25 million and plans to employ 2,500 workers. It soon became the second-largest apparel plant in the state of Puebla.

Working conditions at Kukdong were sub-standard and treatment was abusive, even compared to other *maquiladoras*. Kukdong workers earned 38 pesos per day (about US\$4), which was below the legally required minimum wage of 42.2 pesos per day, and well below the statewide median wage for *maquiladora* workers of 58.5 pesos per day. More than 70 per cent of the workers were women from poor rural areas who traveled as much as two hours by company bus to work each day. Production worker Maricela Munoz (2002) recalls, 'The treatment was humiliating. They would yell at us without any reason . . . they insulted us and they insulted our work.' It was common practice for managers to slap workers on the head as a means of discipline, particularly during times when shipping deadlines demanded high productivity. One of the most common complaints was about the food in the plant cafeteria. According to inspection worker Ivan Diaz Xolo (2002), 'There were worms and spoiled meat. Sometimes the food was stale and other times it was rotten.'

It was a dispute over rotten food that precipitated the Kukdong strike. On 9 January 2001, five workers were fired for complaining to management about the food, and as a result the majority of Kukdong's 1,200 workers went on a three-day wildcat strike. The union at the plant was a 'company union' that the employer had recognized before the first worker was even hired. Not only did the union side with the employer against its 'members', but it

was responsible for violence against workers on the picket-line. The striking workers were fired by Kukdong.

Through a local non-governmental organization known as *Centro de Apoyo al Trabajador* (CAT) and the American Center for International Solidarity, AFL-CIO ('Solidarity Center'), the workers reached out to the American student group known as United Students Against Sweatshops (USAS),<sup>3</sup> which launched a worldwide public campaign against Nike and Kukdong. The campaign generated thousands upon thousands of emails and letters in protest. The workers also sought support from the Worker Rights Consortium (WRC),<sup>4</sup> an independent monitor of labor standards for collegiate apparel.

On 24 January 2001, the WRC released an investigative report showing that there had been widespread and severe violations of university codes of conduct in the Kukdong plant, and this led universities to demand that Nike and Reebok require Kukdong to comply with their codes of conduct for licensees, or face the possibility of losing university business. As a result of this pressure, by mid-February 2001 the fired workers were reinstated – an historically significant step, since few settlements of labor disputes in Mexico have allowed workers to return to work. Reinstatement also was a pivotal point for the organizing campaign, as the workers were able to continue their campaign by going back inside the factory and organizing an independent union.

The struggle to form an independent union became the second phase of the Kukdong labor dispute. The employer resisted, the local government supported the employer, and the company union intimidated worker leaders with threats of physical violence. Again, the workers reached out to their worldwide network of supporters, and again pressure was brought to bear on both Kukdong and the Mexican government to stop harassing the workers and allow them to form a union of their choice. Finally, in September 2002, the independent union was established, and a new collective bargaining agreement was negotiated. The contract included salary increases of 10 per cent, cash benefit increases of 5 per cent and a large bonus for attendance and good behavior. Thus in the first year of the contract, workers earning full bonuses received a compensation increase of 40 per cent and in the second year of the contract workers earning full bonuses received 50 per cent more than they had before the strike (see Esbenshade 2004; Worker Rights Consortium 2001).

In this case, labor organizers assessed the GVC and first noted a critical production detail: this chain involved Nike and Reebok. These brands had been targets of prior anti-sweatshop campaigns, and as a result of those campaigns, had adopted codes of conduct requiring their suppliers to comply with labor standards. If pressure could be brought to bear upon Nike and Reebok to live up to their obligations and require Kukdong to comply with the buyers' codes of conduct, then the workers would gain additional leverage. The second important production detail was that the Nike and Reebok products made at Kukdong were not just destined for general sale, but would be purchased by universities that have their *own* codes of conduct requiring licensed products to be made in compliance with labor standards. Therefore, universities could be one set of actors bringing pressure on Nike and Reebok to, in turn, bring pressure on Kukdong.

Next, labor organizers looked at non-production social actors who could become allies of the workers. Organizers at CAT and the Solidarity Center reached out to the student group USAS, and from there USAS joined with the WRC to persuade universities to urge Nike and Reebok and to put pressure on Kukdong. USAS also reached out to the worldwide anti-sweatshop activist network and generated a massive publicity campaign. Therefore, the path of organizing can be traced from the workers at Kukdong, to CAT and

the Solidarity Center, to USAS, the WRC and universities, and to the brands placing orders in the Kukdong factory, Nike and Reebok. Thus we have a modified version of this particular chain as an opportunity structure and resource for labor organizing. See Figure 5.

*Tainan Case*

In 2001, Tainan Enterprises was a \$17.6 million Taiwanese firm with factories in China, Cambodia, Indonesia, India, El Salvador and Taiwan that manufactured apparel for brands such as GAP, Land’s End and Ann Taylor. Its Salvadoran plant opened in May 2000 in San Bartolo, the country’s oldest free trade zone. Of the 230 firms in San Bartolo in 2001, not one had a union contract.

In April 2001 Tainan closed its El Salvador plant after only one year of operation. During that year workers had formed a union known as *STIT* in response to what they charged were widespread labor abuses. While the company claimed that the closure was due to lack of business, local labor activists found evidence that the employer was actually shifting orders to its facilities in other countries, and that supervisors had warned that the plant would close if union activity persisted. Undaunted even after the plant closed its doors, the Tainan workers embarked on a global campaign to re-open their plant.

With the assistance of a local NGO called *Centro de Estudios y Apoyo Laboral (CEAL)*, the Tainan workers devised a plan whereby 80 of them refused to accept legally-required

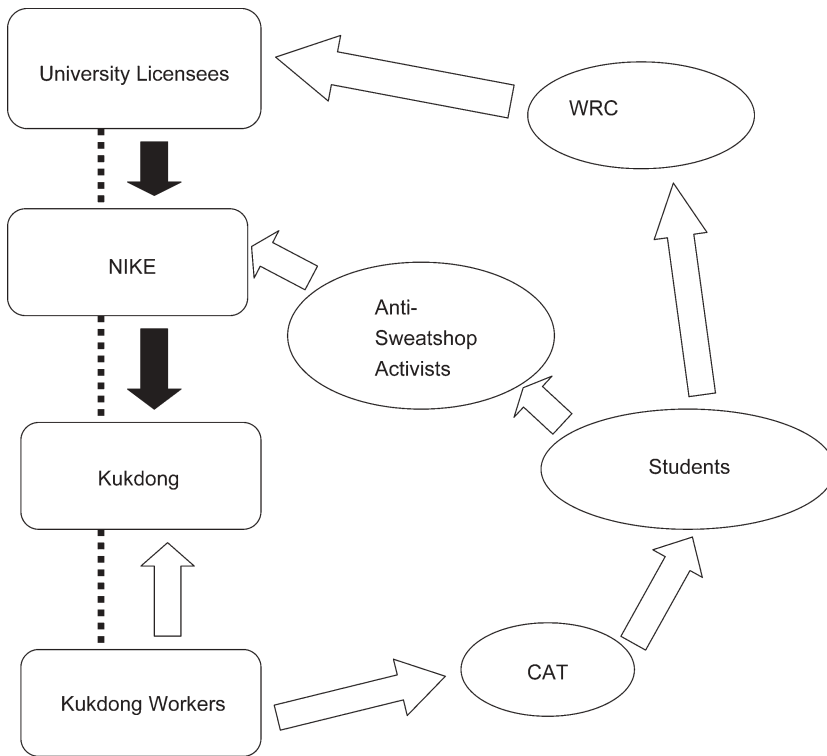


Fig. 5. Kukdong organizing strategy.

severance pay from their employer. This, in turn, established a lien against the company that blocked the employer from moving machines from the plant. The workers who sacrificed severance pay suffered many economic hardships. The great majority of them were women who did not have marketable skills. Some found jobs in the informal sector, such as selling tamales (packets of steamed cornmeal and filling). Some could not afford tuition fees for their children's education, so they were forced to take their children out of school.

Because production had shifted to Tainan's other plants, CEAL reached out to the Solidarity Center to contact unions in Tainan's Cambodian and Indonesian factories. In Cambodia, Tainan union workers refused to work overtime in support of their Salvadoran union sisters. In a letter to the Tainan management, the Cambodian union wrote, 'We know you closed and locked out our Brothers. We refuse to be scabs for your lockout' (Judd 2005). In an internet chat with Indonesian union activists, Indonesian workers resolved to support the Salvadoran Tainan workers. They wrote to management:

The suffering of Tainan workers in El Salvador is our struggle, all workers everywhere. In addition, like these workers in El Salvador, we Indonesian workers face the same threat of anti-union actions from companies and the State: intimidation, termination, criminal prosecution, temporary layoff, unilateral dismissal, and attacks by thugs.

The Tainan Enterprises workers in Indonesia have suffered similar threats as their colleagues in El Salvador, including wages under the legal minimum regional wages, forced overtime, use of child labor, and obstruction of freedom of association (Casertano 2005).

CEAL also reached out to the Solidarity Center for contacts with labor supporters in Taiwan, who held public demonstrations that shamed the employer on its home turf. These allies also helped to mediate cultural differences between the Taiwanese employers and their Salvadoran workers. Recalls Professor Hsing Hsin Chen of Focus on Globalization (FOG), 'Non-union [Taiwanese] employers very often assume that for anyone making trouble, the only question is how much money . . . they felt their life was in danger if they go to El Salvador again. That's totally not the case.' The Solidarity Center put CEAL in touch with the NGO Campaign for Labor Rights, which spearheaded an international media campaign against Tainan. The Solidarity Center also contacted the US textile and garment workers' union, UNITE, which coincidentally was itself campaigning against GAP, and the US Labor Education in the Americas Project, USLEAP, an organization of American labor activists that, upon being informed of the conflict in El Salvador, wrote to retailers of Tainan products and asked them to enforce their codes of conduct by persuading Tainan to comply with worker demands. Surrounded by pressure from so many sides, the Tainan employers finally agreed to meet with worker representatives. In an unprecedented victory, an agreement was reached in July 2003 whereby all of the former Tainan workers were to be re-employed by Tainan (Quan 2007).

To illustrate the organizing strategy used in the Tainan campaign via a modified GVC, we can add production details and social actors to the basic supply chain. If the traditional chain shows the links between the retailer and the contractor, we add to this the factory or plant layer. As in the Kukdong case, adding this information can highlight the multiple locations of a contractor's production facilities, and therefore reveal potential alliances with other workers. Next, we add the various NGOs and labor groups that were involved in the Tainan case, including the Solidarity Center, the Campaign for Labor Rights, FOG and USLEAP. Finally, we can add arrows indicating the various connections among these actors, and the flow of the organizing in terms of their efforts to generate international

support for their cause and effectively exert pressure on Tainan to re-employ the workers. See Figure 6.

**Using the Labor Organizer’s GVC for Sectoral Analysis**

In addition to using the labor organizer’s GVC for campaign strategizing, as in the two examples above, the modified GVC can potentially be used to analyze a labor organizing strategy within an economic sector. For example, in their empirical study of the blue jeans ‘cluster’ in Tainan in the late 1990s and early 2000s, Jennifer Bair and Gary Gereffi (2001) found that many prevailing assumptions about local links between export-oriented production centers and the global economy were not present. They questioned whether existing Mexican policies, even when aimed at upgrading to full package production and promoting a so-called ‘high road’ to competitiveness, are overly focused on local dynamics and therefore fail to take sufficiently into account the global pressures, which, though external to the region, shape what happens locally. The importance of these pressures and dynamics are revealed by studying, as Bair and Gereffi did, how firms and workers in particular locations fit into global commodity chains.

Today this same tension has become more acute in light of the end of the Multi-Fiber Arrangement (MFA) – a critical development for the global garment trade, as noted by all the contributors to this collection. For 30 years this regime limited apparel exports and imports through a system of quotas. These restrictions discouraged manufacturers from concentrating their off-shore sourcing in a few countries, and in effect forced them to source

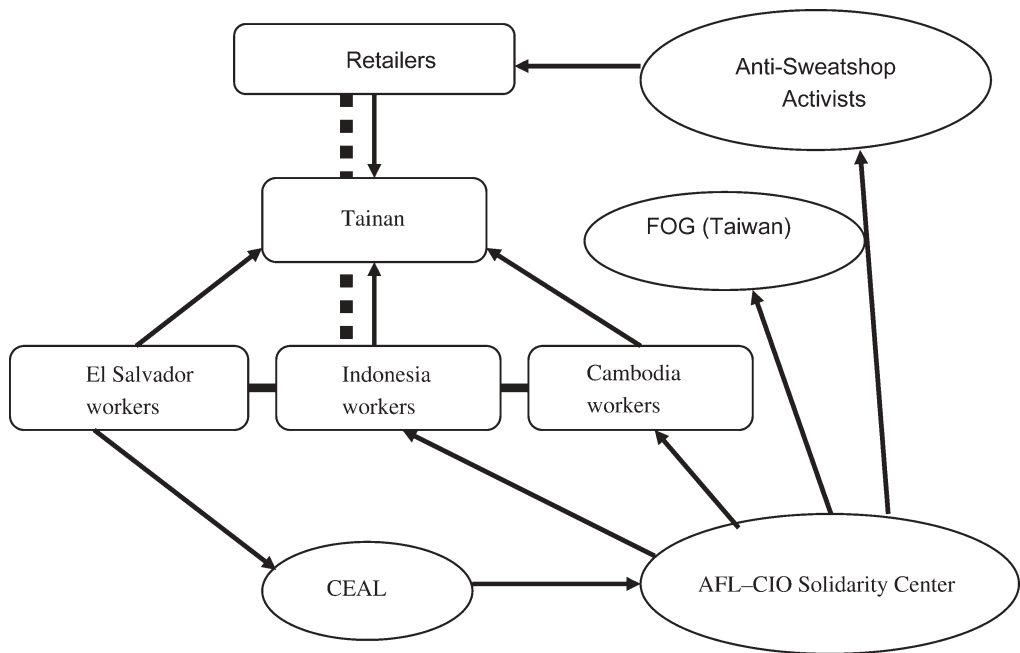


Fig. 6. Tainan organizing strategy.

from many, and in some cases hundreds, of countries. However with the elimination of quotas, manufacturers are at liberty to consolidate operations in fewer countries, and in the months leading up to the agreement's expiration, some industry analysts and researchers predicted that production would abruptly shift from the Americas and Southeast Asia to China, because of low wages and lack of labor rights. This development would leave millions of workers in dozens of countries around the world unemployed, so unions and advocacy groups from Los Angeles to Bangladesh reacted to the prospect of the MFA phase-out with alarm, calling upon governments to: (1) resist its expiration; (2) negotiate special bilateral trade agreements with key consuming countries; and (3) provide economic development and social benefits to the hundreds of thousands and possibly millions of workers who would become unemployed (Foo & Fortunato Bas 2004; MFA Forum 2007).

However, one problem with this analysis is that it assumes that the massive shifts to China will occur primarily because of low wages and lack of labor rights. While it is true that China has low wages and a poor record of labor rights, Chinese working conditions are not the lowest in the world; Chinese wages in special economic zones are about US\$90 per month compared to Cambodia at US\$45 per month, and China's intolerant attitude towards independent unions is not terribly dissimilar from the situation workers confront in El Salvador and Mexico, as the Tanian and Kukdong cases suggest.

What *is* significantly different about China is the ability of its entrepreneurial class to raise the capital and develop the infrastructure needed to carry out full package production (materials purchase, prototype development, independent supervision of assembly, etc.) near the source of textile manufacturing. This vertical consolidation of functions in the value chain cannot be matched by many other places in North America, Latin America or Southeast Asia, where the primary emphasis has been simply on apparel assembly, and where full-package producers do not typically rely on locally-manufactured textiles and other inputs. Some analysts predict that this capacity to integrate functions in the value chain, along with promotion of other advantages beyond labor savings, will be the determining factor in post-MFA sourcing practices (UNCTAD 2005).

In fact, immediately after the MFA expired, Chinese apparel exports soared, which predictably led to strong outcry from US and European manufacturers and governments, and resulted in the re-establishment of restrictions on apparel and textile exports to Europe and the US, lowering the overall textile and apparel increase for that year to 22.8 per cent (World Trade Organization Statistical Database). Meanwhile the post-MFA global market catastrophe that many had feared did not come to pass. Many production areas in the US, Latin America and Africa are struggling to survive (*Business Latin America Select* 2007; Hemlock 2007; Mills 2007; *Xinhua* General News Service 2007), however manufacturing in Vietnam, Pakistan and Bangladesh seems to be thriving. However, experts are still concerned about the longer-term viability of apparel manufacturing in these countries. They suggest that these locations need to offer services capable of competing with China's integrated supply chain, and that the governments of these countries must provide the necessary infrastructure, policies and financing to support this integration (Audet 2007; Magder 2005; MFA Forum 2005; Mills 2007; Schaumburg-Muller 2007).

Not content with the advantage it already has in vertical integration of the value chain, China is also focusing on securing even higher value. Since the end of the MFA, profitability in the Chinese textile sector has actually declined. This is because prices have fallen even as production increases; the costs of Chinese materials and labor have risen; and, because bilateral agreements with the European Union and the US have limited exports (*Xinhua* News

Agency 2006a). In response, the Chinese Ministry of Commerce has issued targets and guidelines to local textile development bodies that focus on: (1) improving quality, (2) research and development, (3) rapid response, and (4) establishing brands (*People's Daily Online* 2005). Chinese textile firms are even being subsidized by the government to establish global supply chains through setting up 'trade cooperation zones' in developing countries outside China. These subsidies will come in the form of funds for research and development, sales centers, events and trade shows that promote brands, and protection of intellectual property rights (*Xinhua News Agency* 2006b). According to the US Consul General in Guangzhou (Canton), these guidelines are actively being implemented at the local level (Dong 2006).

Meanwhile, Hong Kong is re-making itself as a sourcing hub and research and design center for the global textile and apparel industry. Historically a British colony with East-West education and culture, and formerly a world-class apparel manufacturing center for US and European investors in the 1960s and 1970s, Hong Kong has more recently acted as a primary source of managerial, technical and financial expertise for the start-up apparel industries in China's Pearl River Delta. Recently it has positioned itself to broker relationships between investors and suppliers by expanding the Hong Kong Fashion Week, an apparel trade show that is the second-largest in the world, and the World Boutique, a trade show for upscale brands and designers only. In addition, Hong Kong aims to be a world leader in industry research through its new Research Institute of Textile and Apparel and numerous other research and design centers, in an intentional effort to shift the 'centre of gravity' of textile and apparel manufacturing to Asia (*just-style.com* 2007).

If buyers, suppliers and their agents, whether American or Chinese, are concerned with re-structuring global value chains to maximize value for themselves, then labor organizers should be prepared to implement new strategies to effect worker-driven intervention to re-distribute value. In the post-MFA global apparel industry, the challenge is to analyze what measures would enhance the competitiveness of local firms in the global apparel industry and generate employment for local workers, while at the same time providing good quality jobs and high standards of labor rights.

In the past two decades, labor-management programs in the US, such as the Garment Industry Development Corporation<sup>5</sup> in New York and Made By the Bay<sup>6</sup> in the San Francisco Bay Area, sought to retain jobs by enhancing business competitiveness through training, creative marketing of products abroad, and raising the level of labor compliance. Yet while both efforts sought to shift the marketing advantage of American businesses and workers from low labor costs to high quality and high labor standards, neither succeeded in transforming the global value chain in a way that made New York or Bay Area businesses competitive and sustainable. However, by using the labor organizer's model of global value chains we can locate apparel markets in New York, San Francisco or Torreon in the context of global markets. We can see that in order to stabilize capital in this classically 'footloose' industry and keep high paying jobs in local markets, it is necessary to restructure buyer-supplier relationships so that buyers are committed to the same group of suppliers, and higher prices are passed from the top buyers in the chain to the workers at the bottom.

One new attempt at transforming the apparel supply chain and re-distributing value is embodied in a proposal currently being advanced by the United Students Against Sweatshops called the Designated Supplier Program. This program aims to use the purchasing power of universities to persuade licensees to source the majority of their products from a list of labor compliant providers. This would create long-term relationships between

buyers and suppliers, and would eliminate ‘cutting and running’ – the practice whereby buyers terminate suppliers arbitrarily, and use the threat of this termination to exact lower prices from the suppliers. In turn, long-term relationships of this kind would help stabilize employment conditions for workers, who would be more likely to organize for their rights if continued work was assured. This proposal also requires licensees to pay suppliers enough to provide good working conditions – an attempt to allocate more money to the lower links of the chain. If successful, this will be the first program in many decades that would produce structural changes in the global supply chain capable of improving conditions for workers and providing a more favorable climate for organizing (USAS 2006).

## Conclusion

Classic GVCs provide an important starting point for visualizing business relationships, especially in the global economy. During the past several decades the concept of global value chains has changed several times as the nature of economic relationships change, and as scholars refine the construct to fit the situations they study. For labor organizers, the model must be modified to locate workers in the supply chain, so that workers can be taught about their position in the global economy. Further, to be useful as a tool for mounting strategic campaigns, the model should be modified to include: (1) production details about each link in the supply chain and the firms which service those entities, as well as (2) potential allies among political and social actors, and (3) available paths for mobilization that maximize all points of leverage to influence a target.

The resolution of the Kukdong and Tainan campaigns reveals that adapted GVC analysis can be a useful tool in helping workers to understand their broader economic picture and how to change it, and suggests that modified GVCs can be a useful analytical tool for strategic campaign planning. Moreover, the use of GVCs for understanding the changing economic relationships within a sector are invaluable for understanding how labor organizers can initiate measures that influence not only one group of workers in a campaign, but affect a large segment of the industry. Ultimately, the labor organizer’s model of global value chains leads us to understand that we need to think globally – and organize globally as well.

## Notes

- 1 For the purpose of this discussion, we will define a global value chain as an integrated network of economic activity, including design, production, materials, labor and technological inputs, resulting in the sale of goods and/or services. The location of economic actors along the value chain shows a web of buyer–supplier relationships that reveal which buyers are driving economic activity, and helps give some notion of the relative economic value that is being extracted at each link in the chain. In this paper I will refer to the supply chain as that portion of the global value chain that deals with the production of goods.
- 2 Sweatshop Watch is a coalition of mostly California-based worker advocacy groups that carries out anti-sweatshop campaigns. It is known for representing 70 Thai workers in the Los Angeles area who were employed in prison-like conditions in the mid-1990s, a lawsuit against apparel brands who produced in sweatshops in Saipan, and forming the grassroots organization, the Garment Workers Center. The author is a co-founder and board member of Sweatshop Watch.

- 3 Since the late 1990s, students in dozens of campuses across the country have organized to demand that their universities adopt codes of conduct for licensees of university apparel. Some of USAS's organizing tactics have included demonstrations and sit-ins (Featherstone 2002).
- 4 In 2000, USAS, university administrators and labor experts formed the Worker Rights Consortium, a monitor independent of retailer or employer influence, to oversee the university codes of conduct. The author is a governing board member of the WRC.
- 5 The Garment Industry Development Corporation is an alliance between New York apparel manufacturers and contractors, and the garment workers union now known as UNITE-HERE. Its purpose is to promote business and job opportunities in the New York apparel market by improving productivity and marketing of New York-made apparel.
- 6 Made By the Bay was an organization comprised of San Francisco Bay Area manufacturers, contractors and union representatives in the apparel industry. Its purpose was to advance high value, high compliance manufacturing in the Bay Area. It operated from the late 1990s to the early 2000s. The author was a member of the board of directors.

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