GOVERNANCE AND UPGRADING: LINKING INDUSTRIAL CLUSTER AND GLOBAL VALUE CHAIN RESEARCH
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Synopsis

Recent literature on industrial clusters is optimistic about the possibility of fostering competitiveness through local governance. In contrast, the value chain literature emphasizes that global buyers govern the chains in which export-oriented clusters operate.

This paper examines the interaction of global chain governance and local cluster governance. The authors try to understand whether insertion in global value chains enhances or whether it undermines local upgrading strategies.

They distinguish between different kinds of upgrading, of chain governance and examine why they arise. On this base, they show that certain types of chain governance favour some forms of upgrading but not others.

For example, operating in quasi—hierarchical global chains helps local producers to embark on rapid product and process upgrading, but makes it difficult to progress into the design and marketing functions of the chain. This is less likely to arise in non-hierarchical chains where relationships are market or network based. Further, in such cases, upgrading cannot proceed without substantial investment by local producers and support from local institutions.

Producers in developing countries are more likely to operate in chains characterized by quasi-hierarchy. Their analyses leads to the proposition that in developing countries the scope for local upgrading strategies (promoted by policy networks) is smaller than in advanced countries. Such differences may arise as a result of differences in what they call “institutions thickness”.

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