

# Social Upgrading as Market Fantasy: The Limits of Global Value Chain Integration

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## Abstract

Confronted with mixed evidence linking economic upgrading in global value chains to improved social outcomes, proponents have called for a new emphasis on “social upgrading” to promote better employment, gender equality, and poverty reduction. Originally focused on a central role for states, unions, and social movements, the discourse on social upgrading has shifted, emphasizing the benefits of corporate social responsibility and global markets. Drawing on political economic, critical theory, and psychoanalytic paradigms, we explore the politics of this shift and argue that social upgrading is gradually being deployed as a neoliberal market fantasy, designed not to challenge the limits of market integration, but to obscure and deny them. The strength of the social upgrading discourse emerges less from its pretense toward objective, data-driven analysis, than its effectiveness as an ideological fantasy in meeting the contradictory, non-rational desires of experts and non-experts.

**Key Words:** Social upgrading, psychoanalysis, global value chains, market integration, neoliberalism, development.

## Mejora social como fantasía de mercado: los límites de la integración global de la cadena de valor

### Resumen

Enfrentados con pruebas mixtas que vinculan la mejora económica en las cadenas de valor globales con los mejores resultados sociales, los proponentes han pedido un nuevo énfasis en la "mejora social" para promover un mejor empleo, la igualdad de género y la reducción de la pobreza. Originalmente centrado en un papel clave para los estados, los sindicatos y los movimientos sociales, el discurso sobre la mejora social ha cambiado, enfatizando los beneficios de la responsabilidad social corporativa y los mercados globales. Aprovechando los paradigmas político-económicos, de teoría crítica y psicoanalíticos, exploramos las políticas de este cambio y argumentamos que la modernización social se está implementando gradualmente como una fantasía de mercado neoliberal, diseñada no para desafiar los límites de la integración de mercado, sino para oscurecerlos y negarlos. La fuerza del discurso de mejora social surge menos de su pretensión de un análisis objetivo y basado en datos, que de su eficacia como fantasía ideológica para satisfacer los deseos contradictorios y no racionales de expertos y no expertos.

**Palabras clave:** modernización social, psicoanálisis, cadenas de valor globales, integración de mercados, neoliberalismo, desarrollo.

Does global market integration lead to better wages and working conditions for the poorest workers in the Global South? Proponents of integration have frequently argued that, to get the greatest benefits out of market integration, governments and corporations need to pursue “economic upgrading” strategies designed to move firms into higher value activities along the Global Value Chain (GVC). Recently, however, many proponents of economic upgrading have questioned whether it leads to “social upgrading,” — increased employment, higher wages, better working conditions, enhanced workers’ rights, gender equality, improved skills training, poverty reduction, and economic security. Attempts to clarify this have resulted in weak or mixed outcomes: some countries have experienced economic and social upgrading (including China and various other Asian countries), some have not experienced social upgrading, others have experienced economic *downgrading* combined with social upgrading, and the majority of countries have not experienced significant economic upgrading at all since the 1980s (Salido and Bellhouse 2016, Bamber and Staritz 2016, Milberg and Winkler 2010). These varied outcomes have led to growing concerns around how to combine economic and social upgrading. After forty years of neoliberal reforms, and the dominance of a political discourse asserting the benefits of unchecked privatization, liberalization, and deregulation, this comes as welcome relief for many as social upgrading places greater centrality on state-led industrial policy and a positive role for social movement actors, seen as partners in improving labour market outcomes.

No sooner has the new discourse on social upgrading begun to emerge, in the wake of the 2008 global financial crisis, however, then its core claims have already been challenged by proponents of the concept themselves, downgrading the significance of the state and insisting on the pivotal role of corporate social responsibility; weakening the initial critique of the global market while insisting that global market integration is a necessary condition for any successful social upgrading. Given the shifting nature of the term, to what extent can the new trend toward social upgrading be seen as a challenge to the dominant knowledge paradigm of GVC integration

and economic upgrading? In less than a decade, why have the institutions and experts promoting social upgrading changed its core concepts so significantly?

In this article, we argue that the changing nature of social upgrading must be understood as emerging not solely out of intellectual debate and persuasion (in fact, significant contradictions and gaps are required to make the new shift in social upgrading fit with its original ideals) but out of hegemonic and psychological pressures linked to the terms emerging popularity as a developmental concept. We explore the shifting narrative surrounding social upgrading to explain and situate its significance as an expert knowledge “product” (Peet 2018, p. 266), promoted by international development institutions as part of a wider development fantasy around harmonious globalization (Wilson 2014, Kapoor 2013). We examine social upgrading not as a technical, objective, or value-neutral policy tool or prescription, as is overwhelmingly the case within the research on the topic itself, but rather as a type of knowledge produced by powerful actors. Building on political economy critiques of the GVC approach, especially on the work of Benjamin Selwyn (2015), and on Gramscian-Foucauldian approaches to knowledge production, in particular the work of Richard Peet (2018), we draw on the emerging literature on psychoanalysis and development to explore the slippages, gaps, contradictions, and disavowals that expose unconscious desires around social upgrading.

The first part of the article offers a literature review of the GVC approach to upgrading and its critiques, and provides a basis for our exploration of ideological fantasy. The second part provides an assessment of the emerging research on social upgrading. We argue that social upgrading, despite its initial goals, is increasingly being deployed as a market fantasy, designed not to challenge the limits of global market integration, but to obscure and deny them. Social upgrading not only has the potential to serve as neoliberal knowledge production, naturalizing market domination, legitimizing some claims and delegitimizing others on the basis of “expert knowledge” (Hannah et al. 2016), but also provides an ideological frame for both experts and non-experts to navigate complex psychological tensions embedded in the contradictions, inequali-

ties, and injustices of the global economy. As social upgrading research shifts toward an emphasis on benevolent corporate behaviour and the benefits of global market integration, the framework can only be maintained through perpetual contradictions and inconsistencies “hidden in plain view” (Kapoor 2014, p. 1128). While these contradictions and inconsistencies reveal the limits of social upgrading, they also reveal its ideological affect: to smooth over, deny, or obscure the anxieties and tensions they create—contradictions are not external to the fantasy of social upgrading, but central to its reproduction. This offers a challenge for addressing inequality and exploitation along GVCs that go beyond data and rational argument, to the realm of the “non-rational” and the significance of ideological fantasies and their powerful psychological appeal (Kapoor 2013).

### Upgrading and Ideology

The idea of “upgrading” is core to GVC literature, which analyzes the relationship between economic agents, and between economic and “noneconomic” agents (such as the state or social movements), through global networks of labour and production processes. Particular emphasis is placed on “lead firms” and how they informally “govern” chains based on their economies of scale and control over access to core markets, promotional budgets, and quality conventions (Bair 2009, Daviron and Ponte 2005, Gereffi and Korzeniewicz 1994). *Economic* upgrading involves attempts to move into higher value activities along the chain through such activities as “process upgrading” (improving technology or production systems); “product upgrading” (involving more sophisticated, complex or better quality products); “functional upgrading” (moving to higher valued tasks or increasing the range of functions); or “chain upgrading” (entailing a shift to other, higher value industries) (Bamber and Staritz 2016, p. 4; Gibbon and Ponte 2005). GVC work draws on a range of intellectual inspirations, including World Systems Theory and (often-indistinguishable) Global Commodity Chain (GCC) research, and has similarities to work on Supply Chain Management (SCM) and Global Production Networks (GPNs) (Bush et al. 2015, Ponte and Sturgeon 2014, Bair 2009). One of the things

that distinguishes GVC research is its emphasis on the prospects of subordinate actors using various forms of upgrading and forward integration to improve their position in the chain. This is particularly distinct from World Systems Theory, which generally depicts peripheral nations as being locked-in to a subordinate position in the global division of labour (Bush et al. 2015, Bair 2009, Wallerstein 1974). Recognition of the mixed or varied relationship between economic upgrading and widespread improvements in social welfare, GVC researchers have recently begun to add concern for *social* upgrading, detailed in the next section, aimed at using economic upgrading to promote improved employment, better working conditions, gender equality, skills upgrading, and poverty reduction (Bamber and Staritz 2016, p. 4; Pickles 2012; Barrientos, Gereffi, and Rossi 2010).

As the GVC framework has grown in popularity among policy advisors, international institutions, and research groups, it has also been subject to a range of criticism, including: placing too much emphasis on the centrality of large transnational firms; minimizing the significance of local class, gender, and race relations under which work and exploitation take place; downplaying the importance of the state and other social actors (such as unions, social movements, smaller companies, public institutions); and adopting rigid typologies that do not capture the complexity of the relationship between production and consumption, especially for commodities that do not confirm ideal types with a smooth flow from South to North (Fridell 2018; Selwyn 2015; Boström 2015; Fine 2013; Havice and Campling 2013; Taylor 2011; Starosta 2010; Talbot 2009; Bernstein and Campling 2006a, 2006b). Conceptually, Marxist critics, harkening back to long standing debates on World Systems Theory and the origin of capitalism, argue that the GVC approach places too much emphasis on exchange relations along the chain to the neglect of social relations of production in specific local contexts (Selwyn 2015; Fine 2013; Taylor 2011; Starosta 2010; Fridell 2007; Bernstein and Campling 2006a, 2006b). It is at the point of production, not exchange, where capitalist social relations set in motion what Ellen Meiksins Wood (2002) terms the “imperatives” of the global market—competition, profit maximization,

accumulation, and increasing labour productivity. Under capitalism, propertyless workers must struggle to sell their labour power on competitive job markets, while those who own property (including the largest firms) must remain profitable on competitive markets to survive, thrive, and maintain property ownership (McNally 2006, Wood 2002, Brenner 1985). Without attention to the imperatives of global capitalism, the GVC approach, while “descriptively accurate,” often fails to understand the historical and social dynamics that drive value chain behaviour (Fine 2013; Starosta 2010, p. 440).

Building on these critiques, Benjamin Selwyn (2016) has called for the need to rethink GVCs by relabeling them “Global Poverty Chains (GPCs).” Whereas the GVC approach can make a valuable contribution to knowledge around how chains are coordinated, at the same time it naturalizes the existing order and delegitimizes alternatives, taking as given the existence of transnational companies and suggesting that “development” necessarily involves upgrading, supplier linking, and worker integration into global value chains. What gets lost in this perspective, states Selwyn (p. 5), is “how global value chains contribute to the (re)production of world poverty and inequality.” Selwyn points out that a main reason for the creation of global value chains in the first place was to address declining profits in core economies by dispersing production globally, downloading risk onto Southern suppliers, and allowing lead firms to “preside, at a distance, over heightened labour-exploitation” (p. 13). He calls for a new approach, one that explores how global poverty chains produce both wealth and inequality, and shifts emphasis away from the actions of lead firms and toward exploring efforts “by labouring classes and their organisations to utilise GVC/GPC analysis to better their bargaining power vis-à-vis supplier and lead firms” (Selwyn 2016, pp. 36-37; see also Selwyn 2014).

In this article, we seek to draw on Selwyn’s timely and much-needed critique through an exploration of social upgrading and GVC integration as an ideological fantasy. Selwyn is attuned to the ideological power of GVC approaches. Drawing on neo-Gramscian thinker Robert Cox (1986), he makes a distinction

between his own “critical” theory approach, which seeks to expose or contest-for-granted assumptions that obscure highly uneven power relations within global structures, and the “problem-solving” theory that dominates much mainstream social science and GVC work. GVC research makes a valuable contribution to knowledge, in particular by challenging pervasive assumptions around the free market, by revealing the ways in which markets are coordinated and governed. At the same time, observes Selwyn (2016), it naturalizes the current order (including the existence of transnational companies, wage labour on a global scale, and value chain integration), while delegitimizing alternatives.

Selwyn’s critical framework can be located within the broader tradition of critical theory that has challenged the purported technical, scientific, objective, or value-neutral claims made by powerful institutions and actors, analyzing the ways in which they produce certain kinds of knowledge that naturalize and legitimate market domination and confine “development” to the limits imposed by power (Peet et al. 2011, Goldman 2006, Harvey 2005, Escobar 1995). Drawing on Marxian, constructivist, Gramscian, and Foucauldian traditions, researchers have explored the ways in which “expert knowledge” (Hannah et al. 2016) is produced by “power centers” (Peet 2018) or “power/knowledge regimes” (Goldman 2006). Constructivist researchers, for instance, have emphasized the significance of knowledge production in global governance institutions and the ways in which “systems of meaning and signification are socially produced and serve to determine what constitutes legitimate knowledge and whose knowledge matters” (Hannah et al. 2016:4). Gramscian researchers have placed greater emphasis on how knowledge gets produced within a class society dominated by capitalist classes who translate economic power into political and ideological hegemony over subordinate classes; through dominance of civil society institutions, “the philosophy, culture, and morality favored by the ruling elite are made to appear as the natural, normal, way of thinking, believing, and creating for entire groups of people” (Peet 2018, p. 269; see also Staricco 2017). Drawing on Foucault, researchers have emphasized the ways in which “communities of experts” regulate

discursive formations, placing limits on what ideas are “serious” and can be legitimately discussed while silencing alternatives, defending dominant discourses by disciplining themselves and others (Peet 2018, p. 272; Hannah et al. 2016; Peet et al. 2011; Goldman 2006).

Despite important foundational differences between the different traditions, it has become increasingly common to combine their core insights when examining the role of institutions and experts in knowledge production (Peet 2018, Hannah et al. 2016, Peet et al. 2011, Duffield 2007, Goldman 2006). Richard Peet (2018, p. 271) has been a leader in this regard, “grafting” on to a Marxian-Gramscian approach, Foucauldian concerns for “discourse, discipline, and expert” when exploring knowledge within the global geography of power. To Peet, a core concern is analyzing how power is concentrated in “a few spaces that control a world of distant others,” (p. 265) in a manner that avoids an overly functionalist approach, while still acknowledging the broad structural power of capital and the state. He proposes “a critical institutional analysis embedded within structural terms and categories,” (p. 265) with a focus on mapping institutions as they are located in space around specific “power centers.” Importantly, his use of the concept of “institution” entails both “material” institutions (an organization with a specific building, space, mission, backing, resources, conventions, norms, discourse, and rules) and institution as a “community of experts” (of devoted and disciplined experts who take many of the same assumptions for granted and work to reproduce the same body of knowledge) (p. 266).

Peet’s framework is instructive for analyzing how hegemonic power centers “filter and direct interpretations of experiences” (2018, p. 271) through civil society institutions with specific missions and goals, combined with communities of experts who discipline knowledge. The outcome is the creation of collective consciousness with limits on what can be legitimately thought, even while they are perpetually contested, and then reinvented, by class, gender, ethnic, and regional differences. Adding to this Gramscian-Foucauldian approach, however, we draw on thinkers who combine the insights of critical political economy

with Žižekian critiques of ideology rooted in psychoanalysis (Wilson 2014; Sioh 2014; Kapoor 2014, 2013; Dean 2009). Whereas critical theories point to the class, gender, racial, and discursive relations of power that reproduce, legitimize, and naturalize inequality and injustice across uneven space, psychoanalysis adds further attention to the subconscious, to human desires and passions, and to the gap between social “reality” and the “Real” (traumas, gaps, and inconsistencies that undermine reality). Ideology is experienced by all human beings, offering shared imaginary and symbolic fantasies that construct social reality and work to obscure or “disavow” the Real (Kapoor 2014, Sioh 2014, Wilson 2014).

Within this context, Ilan Kapoor (2014:1135) has advanced a psychoanalysis and development research agenda, aimed at revealing what development ideology seeks to cover up by exposing “our unconscious commands and passions that bind us to ideology despite critical distance.” While power and politics are central to its collective construction, ideology is built upon unconscious, “non-rational” desires that ultimately regulate material and social reality (Kapoor 2013, p. 8). The research on psychoanalysis and development adds to the discussion on institutional power and expert knowledge by giving greater attention to the psychological anxiety that comes from recognizing events, beliefs, and objects that threaten the dominant ideological fantasies that structure reality (Wilson 2014). Ideological fantasies filter and direct our experiences but also serve a significant, collective psychological role in addressing our unconscious desires while hiding or obscuring the sources of anxiety and fear. Fantasy serves to structure desire, promise enjoyment, and explain why we never get there; serving what Jodi Dean calls, an “excuses, excuses” role (Dean 2009, p. 58).

From this recognition, we argue that three main insights emerge for examining the expert knowledge production surrounding the narrative of social upgrading and its institutional geography of power. First, knowledge experts not only filter knowledge but also, in some ways “work for us” — providing an ideological framework for navigating complex tensions, contradictions, inequalities, and injustices

embedded in an uneven global economy. Reflecting on the relative lack of popular will to regulate the financial sector despite repeated crises, Peet observes that this can be linked to the fact that “many people combine the roles of perpetrator and victim” (2018, p. 264). For these reasons, ideological fantasies are often desired and demanded by “non-experts” as mechanisms for smoothing over, denying, or obscuring popular anxieties and tensions (Kapoor 2013, Dean 2009).

Second, in terms of the role played by institutions and experts within power centers, psychoanalysis adds to the existing critiques around how communities of experts discipline themselves and defend members of the community from the “outside world” to preserve their power, status, careers, and income, while obfuscating “their biases and communal insecurities” (Peet 2018, p. 266; Hannah et al. 2016; Milonakis and Fine 2009; Goldman 2006). Extending these critiques, psychoanalytic work emphasizes deeply held anxieties around “potential humiliation and the passionate craving for dignity” (Sioh 2014, p. 1163). This leads to various defenses on the part of knowledge experts, including disavowal, involving “simultaneous denial and acknowledgement” (p. 1164); as will be discussed below, lead firm behavior as a core source of exploitation within GVCs is often acknowledged at the same time as it is denied. Defenses can also involve submission to “non-rational” ideological beliefs rooted in “ritual, tradition, routine, structure, repetition” and involving “repeated submission over time” (Kapoor 2013, p. 9). Or, it can involve, as Frankel (2002, p. 102) has argued, “identification with the aggressor,” where one subordinates oneself to those with power, divines their desires, and does what they feel they want, in advance of any aggression or threat.<sup>1</sup> In doing so, “we blend into the world around us, into the very thing that threatens us, in order to protect ourselves.” This response need not occur only under extreme circumstances but, argues Frankel, may be widespread in mild forms, through “anxiety-driven, unconscious collusions” (p. 134). In all cases, defenses allow one to deal with the anxieties of the Real, as well as with the fear that comes from being in a weak

and dependent position on those with the power to dominate and control — in the case of GVC integration and upgrading, this would be extremely powerful globalized lead firms that dominate the working lives of millions, possess immense economic and political resources, and exert influence over the acceptance or approval/disapproval of a researcher’s work (see Gabbert 2014).

Third, discipline and self-policing with communities of experts emerges not only from fear of punishment or rejection, but also the pursuit of *enjoyment (jouissance)*. Drawing on Lacan, Kapoor (2013, p. 9) argues that enjoyment may not be rational or efficient, including the “deep comfort and satisfaction we get from bureaucratic processes, religious rituals, or social customs.” In the development industry, ideological fantasies allow experts to “perform” development (Kapoor 2013) or act the role of the pragmatic “citizen bureaucrat” (Fridell 2013) regardless of the contradictions and shortcomings of the Real; it links “together a set of often conflicting and contradictory promises for enjoyment and explanations for its lack (for people’s failure to enjoy despite all the promises that they would)” (Dean 2009, p. 50). The pursuit of enjoyment can help explain the at times aggressive or evangelical quality of hegemonic knowledge experts, who not only delegitimize alternative ways of seeing and acting (Selwyn 2016), but also work actively to “colonize” (Milonakis and Fine 2009) other disciplines and assertively expand their “impact” and reach. Combined with the anxieties mentioned above, the outcome can be what Japhy Wilson (2014, pp. 8-9) terms “neurotic” neoliberalism: obsessive behavior to demonstrate the “fantasy of a harmonious market society,” while disavowing or obscuring evidence to the contrary, and insisting on intensified social engineering to make global markets do what they are supposed to do “naturally.” Preserving the ideological fantasy can become more central to the work of experts than their stated goals, even to the point where knowledge institutions can, as one colleague recently observed in his assessment of the policies of the United Nations Development Program

<sup>1</sup> The use of Frankel here is inspired by the work on splitting by Mark Gabbert (2014). Gabbert discusses the intense pressures faced by workers, due to highly unequal power relations favoring the employer, to identify with the aggressor.

(UNDP), become “masters at calling for what they actually oppose.”<sup>2</sup>

In the following section, we examine the emerging institutional narrative on social upgrading and GVC integration as an ideological fantasy, exploring its shifting nature, and emphasizing the slippages, gaps, contradictions, and disavowals within the discourse that reveals unconscious desires embedded in expert knowledge.

### Social Upgrading, States and Markets

Whereas economic upgrading entails attempts to move into higher value activities along the chain, social upgrading involves improved employment, better working conditions and workers’ rights, enhanced skills training, and general poverty reduction, all of which does not always occur alongside economic upgrading (Bamber and Staritz 2016:4). Social upgrading is increasingly being evoked by numerous international organizations, like the World Bank (Staritz and Guilherme Reis 2013), the International Labour Organization (ILO) (Lee 2016), and the UN Economic Commission for Latin America and the Caribbean (ECLAC) (Salido and Bellhouse 2016), as well as think tanks and research networks, such as *Capturing the Gains* (Pickles 2012; Milberg and Winkler 2010; Mayer and Pickles 2010; Barrientos, Gereffi, and Rossi 2010), and the International Centre for Trade and Sustainable Development (ICTSD) (Bamber and Staritz 2016; Fessehaie 2016; Lipowiecka and Kiriti-Nganga 2016; Staritz, Plank, and Morris 2016; Shepherd 2016). Most of this research has emerged from what Peet would consider to be “ideological” power centers, such as research bodies and universities, that “transmit power as scientifically justified ideas, rationalities, and discourses” (Peet 2018, p. 267). Increasingly, social upgrading is emerging among “political” power centers, in governance bodies that diffuse power as policy, like the World Bank and other global governing bodies (p. 267). The dominant “economic” power center, led by transnational corporations, banks, and financial markets, have not paid much attention to social upgrading but, as we will see

below, advocates have increasingly sought to convince transnational corporations (TNCs) to embrace its goals as part of their corporate social responsibility (CSR) programs.

The most widely-cited initial works on social upgrading have been produced by scholars associated with major academic research centers, like the Brooks World Poverty Institute and the Duke University Global Value Chains Center, the latter of which “undertakes client-sponsored research that addresses economic and social development issues for governments, foundations and international organizations.”<sup>3</sup> In general, they have advanced two core claims. First, they have argued that major state involvement is required (as well as action from unions, civil society, and nongovernmental organizations) to promote social upgrading, which will not occur through global market integration or corporate social responsibility on their own. Second, they have argued that there is no clear connection between economic and social upgrading; sometimes, social upgrading can occur in the absence of economic upgrading or even in the presence of economic downgrading (Pickles 2012; Milberg and Winkler 2010; Mayer and Pickles 2010; Barrientos, Gereffi, and Rossi 2010). These claims have been advanced perhaps most forcefully by Frederick Mayer and John Pickles (2010). To them, TNCs are not benevolent or benign actors of development, since they often contribute to labour and human rights abuses. Drawing from Polanyi’s concept of “double movement,” they argue that, against neoliberal policies aimed at “dis-embedding” markets from social regulation, social upgrading represents a counter-movement aimed at “re-embedding” the economy through “new institutional arrangements to re-regulate work, sourcing practices, and the movement of factories in the global economy” (Mayer and Pickles 2010, p. 4).

In a challenge to neoliberal orthodoxy, Mayer and Pickles (2010) argue that the state has a significant role to play in promoting economic and social upgrading. The global market alone does not necessarily promote upgrading, and corporate social responsibility and

<sup>2</sup> The authors are grateful to Martin Hardie from the Australian Catholic University for permission to quote him. Hardie made the statement in communication over the east-timor news list (east-timor@lists.riseup.net), May 23, 2018.

<sup>3</sup> See <https://gvcc.duke.edu/about-us/>, accessed September 7, 2018.

global governance are relatively ineffective compared to strong "state governance capacities," which is evident from the experience of "the emerging market economies of China, India, and Brazil, as well as elsewhere" (p. 15). They express the belief that we are witnessing the "decline of neo-liberal orthodoxy, [and] governments are increasingly concluding that their desire for economic upgrading need not come at the expense of abandoning their regulatory and social protection functions" (p. 15).

The Mayer and Pickles report is not without its contradictions. For example, they express concerns that new regulations and stronger labour laws in China and Cambodia (a reflection of social upgrading) are threatened by companies shifting to cheaper suppliers in countries like Vietnam and Bangladesh, while not making the connection to the dynamics that emerge from global market integration, which can work against social upgrading (pp. 13-14). In these cases, TNCs are suppressing social upgrading due to the threat of better cross-border offers which could reap higher profits due to less stringent labour controls and lower wages. At the same time, they are attuned to the contradictions and gaps made by institutions and experts whom advocate for human and labour rights, while simultaneously denying these rights by advocating for policies that prioritize the smooth operation of the market. Thus, they outline an "emerging contradiction" in the World Bank's "commitment to core labour standards." The development of the Bank's "Doing Business benchmarking program" outlines the importance of many labour regulations, such as hours of work, minimum wages, and protection against discrimination, yet concludes that these same regulations are "undue impediments to 'doing business'" (p. 10).

While a great deal can be said about the return to state-led development advocated by Mayer and Pickles and the initial promoters of social upgrading (Pickles 2012; Milberg and Winkler 2010; Mayer and Pickles 2010; Barrientos, Gereffi, and Rossi 2010), what is most interesting concerning its ideological politics is the shift that has already occurred within the literature, reigning in those aspects that directly challenge dominant market fantasies. Much of the most recent literature asserts that, first, global market

integration and corporate social responsibility are *pivotal* to the success of any social upgrading project, and, second, economic upgrading is a *necessary condition* for social upgrading (Salido and Bellhouse 2016, Shepherd 2016, Lee 2016, Bamber and Staritz 2016). These arguments contradict some of the core insights behind the original social upgrading research, and often require significant intellectual leaps to make them work. While the discourse on social upgrading remains, its original formulation has been dispersed, the emphasis on the centrality of the state has been sidelined, and institutions and authors are now grappling with a variety of slippages, gaps, contradictions, and disavowals in order to maintain the fantasy of a benevolent market.

### Slippages, Gaps and Contradictions

The following section highlights recent examples of expert discourse that strive to maintain the developmental fantasy of a benevolent global capitalist market. These examples, while at various points encouraging state regulation and involvement, are tripped up by slippages, gaps and disavowals which increasingly downplay the importance of the state and other social actors in favour of free market approaches. In one example, researchers at the UN Economic Commission for Latin America and the Caribbean (ECLAC), Joaquín Salido and Tom Bellhouse (2016) assess the impact of intensified GVC integration on Mexico from 1999-2008, spurred predominantly by increased trade with the United States and Canada after the signing of the North American Free Trade Agreement (NAFTA). They determine that Mexico experienced some limited social upgrading but no economic upgrading. This reveals that "the exact correlation and form is not yet clear" linking social and economic upgrading and more work is required to improve "understanding of the connection between economic and social upgrading" (pp. 7,13). This seemingly straightforward assessment is underpinned by some questionable assumptions and gaps.

First, despite initial analysis revealing what the authors term a "dreary picture" of the disconnect between social and economic upgrading in Mexico, Salido and Bellhouse (2016, pp. 12,27) add addi-



tional factors to their investigation (in particular, “internal productivity”) to create “a depiction of the Mexican economy more in line with the literature regarding economic upgrading as a necessary but not sufficient condition for social upgrading.” Thus, when the standard measurements did not reveal a connection between economic and social upgrading, Salido and Bellhouse change the measurements to arrive at something “more in line with the literature.”

Second, the claim that Mexico has experienced social upgrading since 1999 is a tenuous one based on information they both provide and overlook. While Salido and Bellhouse do point to some modest improvements in labor productivity, wages, and employment in some sectors, they also acknowledge that 46% of the Mexican population currently lives in poverty — around the same percentage as before NAFTA. This outcome is far below the much higher expectations around the benefits that were supposed to accrue to Mexico through GVC integration (Weisbrot et al. 2017, Remes 2014). Even the assumptions of modest gains, however, are questionable as Salido and Bellhouse (2016) exclude data after 2008 to avoid the impact of the global financial crisis which began in 2008-2009 and “drastically affected Mexican exports” (p. 17). In doing this, Salido and Bellhouse are following norms in conventional economics, seeking to avoid “skewed results” and “disclude drastic outliers” (p. 17). The effect, however, is to eliminate or erase the impacts of global economic turbulence, even when these impacts lasted for years and still impact the Mexican economy to this day. The reader is led to believe that GVC integration is not chaotic, and that when chaos happens, as it routinely does in the global market, it is an anomaly or an “outlier” to the assumed functions of how a market *should* operate (Wilson 2014, Quiggin 2010).

In the end, there is little evidence that, in the case of Mexico, GVC integration has had a substantively positive impact on either social or economic upgrading. Salido and Bellhouse (2016) both acknowledge this and disavow it. They point to the tenuous link between social and economic upgrading, while suggesting we

need more work to “understand” the connection (p. 7); they point to limited social gains, argue that “higher insertion in GVC does not necessarily translate into social gains across the entire economic structure” (p. 14), while still insisting on GVC integration as a necessary, if not sufficient, condition for both forms of upgrading. Despite the insistence that their work is evidence-driven, Salido and Bellhouse seem primarily devoted to the assumptions of the “literature,” and the market fantasy it posits, despite what the evidence or what overlooked evidence (the data gap of Mexico’s economy since 2008) might suggest.

While Salido and Bellhouse are more or less in favour of a role for the state in promoting social upgrading, arguing at the end that research on GVC integration should pay more attention to “income distribution and social policy” (2016, p. 27) — even if they do not make this central to their own work — others advocate more strongly for the economic benefits of the global market, are more critical of the role of the state, and are more optimistic of the necessarily positive role to be played by TNCs in social and economic upgrading. This latter view is expressed in a 2016 report by Ben Sheppard (2016) for the ICTSD, a not-for-profit based in Geneva that receives millions of dollars per year in assistance from a range of sources (the largest being the governments of the United Kingdom, Sweden, the Netherlands, Denmark, Norway, and Australia), receives over one million external visitors to its website annually, and produces numerous publications, including seven periodicals in six languages aimed at providing up-to-date coverage of major trade policy events and issues to “policymakers and influencers” (ICTSD 2016:2).<sup>4</sup> The ICTSD has published numerous papers and reports in recent years on economic and social upgrading as part of its “Inclusive Economic Transformation” program, “aimed at empowering LDCs and low income countries to effectively utilise value chains to achieve sustainable and inclusive economic transformation” (Bamber and Staritz 2016, p. ii; Shepherd 2016, p. ii).

Many ICTSD works on upgrading are ambivalent or contradictory, at times pointing to the limits of

<sup>1</sup> Mark Carey, ‘Latin American Environmental History: Current Trends, Interdisciplinary Insights and Future Directions’, *Environmental History*, vol. 14, No. 2 (April 2009), pp. 236-237

GVC integration and upgrading, while at the same time arguing they are essential to meeting sustainability or poverty-fighting goals; at times arguing forcefully for the need for state action and the limits of corporate social responsibility, while at others arguing corporations must and can take the lead in promoting social upgrading (Bamber and Staritz 2016; Fessehaie 2016; Lipowiecka and Kiriti-Nganga 2016; Staritz, Plank, and Morris 2016). Shepherd's article begins with the Chief Executive of the ICTSD explaining that GVCs offer “challenges and opportunities” (2016, p. vi). From this standpoint, Shepherd explores the link between trade facilitation and sustainable or “social development”—a term used in similar fashion to social upgrading.

While acknowledging that the relationship between economic, social, and environmental benefits is “complex,” Shepherd argues that any form of GVC integration necessarily brings benefits, compared to the “realistic counterfactual” of no trade or autarky (2016, p. 17). A counterfactual such as this is hard to confront, as such an instance does not exist (a modern country with *no* trade), and immediately the issue is narrowed from a wide range of options to two simple caricatures.<sup>5</sup> On this basis, Shepherd argues that GVC integration may not provide decent work (but better wages than domestic firms), it might intensify inequality (the cost of integration), and it might take advantage of and perpetuate gendered inequalities for women workers (but it is better than other options). Regarding the environment, he suggests that global trade does increase carbon-intensive international transport, but that domestic transport contributes more in total to global warming, and we cannot simply respond “by closing markets to GVC activity” (p. 18).

While the early social upgrading literature points to studies revealing the limited impact of corporate social responsibility, which has been widely documented,<sup>6</sup> Shepherd holds out great hope that “GVCs empower consumers” to push lead firms to uphold core labour standards—a claim he rests on the basis of “Anecdotal evidence for the apparel industry” (Shepherd 2016, p. 16). In terms of the state, Shepherd opposes industrial policy, which he believes distorts the market, instead preferring pro-business “industry policy,” while at the same time calling for “strong government” to ensure that social and environmental goals accompany the economic gains of integration (p. 22). In the end, he concludes that “in a number of important cases, there is clear *potential* for GVC activity to be *at a minimum consistent* with sustainable development objectives, and perhaps even an active factor in their promotion” (emphasis added, p. 21).

While there are numerous specific arguments in Shepherd's work, what is particularly apparent is the contradictions that emerge from trying to accept the core insights of the social upgrading critique (that global market integration and transnational corporate activity does not necessarily lead to social gains) while at the same time disavowing it (insisting that global market integration and transnational corporations are central and necessary to social upgrading). The circle can only be squared through gaps and contradictions: Shepherd criticizes industrial policy for distorting markets while calling for “strong government” to ensure the benefits of integration; he insists on the benefits of GVC integration, while concluding it has the potential to be “at a minimum consistent” with development objects. Shepherd's examples lead to various defenses in his role as a knowledge expert,

<sup>4</sup> See <https://www.ictsd.org/about-us/corporate-reporting>, accessed September 7, 2018.

<sup>5</sup> Jordan Brennan (2015, p. 26), in his instructive critique of counterfactuals used to defend NAFTA, points out: “The beauty of the counterfactual is that it is untestable and utterly irrefutable. Even if a scientific prediction is refuted by a series of facts, a pseudo-scientific theory can always be rescued by invoking a counterfactual.”

<sup>6</sup> A great deal of research exists on how private governance initiatives attain legitimacy, promote neoliberal logics, establish normative conventions and standards, receive stakeholder input, and change over time (Fridell 2018, Auld 2014, Ponte & Sturgeon 2014, Peet et al. 2011, Pattberg 2005, Fold & Pritchard 2005). While the impacts of these initiatives vary, uneven relations of power embedded in global value chains frequently lead to CSR being employed to download risk onto weaker suppliers, while selectively “verifying” positive corporate activities and ignoring or concealing negative impacts (De Neve 2009, LeBaron & Lister 2015), shift genuine attempts to create “ethical networks of care” toward marketing, promotion, and romantic imagery far removed from the realities of poor producers (Goodman 2010, p. 113), and emphasize the ways in which corporations can correct problems as opposed to the ways in which “world market conditions” can promote corporate concentration and downward pressure on wages, prices, and working conditions (Havice and Campling 2013, p. 2617; Selwyn 2015; Taylor 2011).

including perhaps the most common undercurrent in the new works on upgrading, disavowal.

### Disavowal

Disvowel, as Maureen Sioh (2014, p. 1164) observes, involves both “simultaneous denial and acknowledgement.” Reflecting on the ways in which Western knowledge centers equate development with economic growth, Sioh points to the power of disavowal in reproducing relations of dominance, narrating race, and managing Western anxiety. In particular, Western experts insist on the necessity of making sacrifices for economic growth, while simultaneously condemning non-Western actors for human and labour rights violations (Sioh 2014).

Along similar lines, disavowal has emerged as a dominant trend in the social upgrading literature. One particularly demonstrative example is a report for the ICTSD by Penny Bamber and Cornelia Staritz (2016), both former World Bank employees and now senior researchers and consultants. Bamber and Staritz (2016) are concerned with the gendered dimensions of GVCs “as a means of driving development, including generating employment and raising incomes” (p. vi). Despite limits to the quality of work, the authors argue that these jobs are among “the most important avenues towards more economic independence of women” (p. 10). While challenges remain, they propose a gendered GVC analysis to identify ways to “harness the potential for GVCs to contribute to both economic and social goals, including gender equality” (p. 2).

Central to their analysis is the goal of combining economic and social upgrading, while recognizing, as Salido and Bellhouse also did in their article above, that the evidence linking the two is “mixed” (Bamber and Staritz 2016, p. 4). As a starting point, they begin with the assumption that GVCs can be a positive mechanism for promoting gender equality, poverty alleviation, and economic and social development, as opposed to being an obstacle to these objectives. In this area, the authors repeat one major benefit: “paid employment” — which can be “the same or even better” than other income options (Bamber and

Staritz 2016, p. 12). The rest of their assessment is less optimistic. Despite GVC’s “potential,” they assert that “integration into GVCs can also lock firms and countries in low value added activities relying on static competitive advantages in terms of low production (often labour) costs without long lasting benefits for learning and development” (pp. 2,3).

Assessing the conditions of women workers within GVCs, Bamber and Staritz determine that there are “numerous examples” of poor working conditions and insecure employment (p. 12). “Gender inequality,” they argue “may be a source of export competitiveness as the segregation of jobs by gender tends to keep women’s wages artificially low in the labour market; and this gender wage gap may become a stimulus for export growth in sectors that compete on the basis of low costs” (p. 7). In general, women workers in GVCs receive lower pay and have poorer working conditions than men; are cast in unskilled jobs at low value stages of production; receive less access to training, skills development, business networks, and information; have more limited access to land, finance and productive resources; and often receive less benefits from economic upgrading than men. Within this context, “The gendered division of labour in economies is largely perpetuated in GVC employment” and “Most of the jobs created in GVCs do not challenge or dismantle gendered job segregation and related stereotypes *but are based on and use these gendered structures*” (emphasis added, p. 11).

Recognizing the negative appearance this gives, the authors state that their report does not seek:

... to draw straightforward conclusions on positive or negative outcomes. Hence, just because more points below refer to challenges does not necessarily mean that the overall assessment is negative. It shows the complexities regarding the challenges and the multi-faceted ways that gender inequality and GVC dynamics interact (Bamber and Staritz 2016, p. 10).

Thus, while the list of negatives appears to suggest that GVCs can be barriers to workers’ rights and

gender equity, it instead points to policy challenges that remain to be overcome through GVC integration.

The authors propose that “all GVC actors” have a role to play, “including governments, lead firms, industry associations, trade unions, and NGOs.” Emphasis, however, is placed on lead firms who “can play a pivotal role” (Bamber and Staritz 2016, p. iv). In this, Bamber and Staritz reflect a common practice in recent GVC research, which has been critiqued for overemphasizing the role of private transnational firms to the neglect of the state, smaller firms, NGOs, and local social movements and organizations (Boström 2015; Fine 2013; Taylor 2011; Coe, Dicken, and Hess 2008). A key disavowal occurs here on the reasoning for why lead firms have such a “pivotal” role to play. Bamber and Staritz suggest that lead firms can be drivers of change because “their production and sourcing policies *may reinforce gender issues*” (emphasis added, p. iv). While GVCs can provide new employment opportunities, they argue, “at the same time, globalization of production and *especially requirements deriving from lead firms’* commercial practices that combine demands for low costs, high quality, short lead times and high flexibility,” can frequently “lead to high pressure being put on supplier firms and, in turn, on workers in the form of low wages and precarious working conditions and labour arrangements” (emphasis added, p. 4).

The power of lead firms thus lies in their ability to “reverse” what they are doing (Bamber and Staritz 2016, p. 18). Given that lead firms attain substantial profits and maintain competitiveness through existing commercial practices, it is not clear why they would make the changes proposed in the report. To address this, they argue that “Gender inequalities can both facilitate and inhibit industry competitiveness” and “while lower-cost and flexible female labour can help drive cost-competitiveness in the lower segment of GVCs, gendered job segregation and gender-intensified constraints have the potential to limit a country’s access to higher value segments of GVCs” (p. 16). While this assessment is solid, the notion of “industry competitiveness” conflates the goals and needs of very different actors within the chain. Lead firms are concerned with their competitiveness and profitability,

which, as the report highlights, they achieve through low wages and flexible employment. Women workers and developing countries generally have a need for higher wages, better working conditions, and access to higher value segments of GVCs — but why would this be in the interest of lead firms, whether based in the USA or France or Taiwan? The notion of “industry competitiveness” and social upgrading, as employed here, obscures the distinct goals and positions of lead firms, women workers, and developing countries generally, imposing an ideological fantasy of harmony over the Real of conflicting goals, struggle, and class power (Wilson 2014).

These contradictions are interwoven with gaps and silences that allow for them to remain more or less unquestioned within the framework of analysis. The report does not speak about capitalism, and depicts markets as neutral tools that, in addition to such things as “economic resources, basic services, property and inheritance, technology, [and] financial services” can be used to fight poverty and inequality (Bamber and Staritz 2016, p. 2). Because of this, as Wood (2002) has argued in other contexts, there is a tendency to overemphasize capitalism’s “opportunities” while overlooking the ways in which its specific social relations set in motion the “imperatives” of the global market: competition, profit maximization, accumulation, increasing labour productivity, and exploitation. Bamber and Staritz, as well as other authors writing on social upgrading, speak frequently about “opportunities” as well as “challenges”; “challenges,” however, are distinct from “imperatives,” implying something that needs to be corrected, not something caused by the imperatives of the capitalist market itself.

In addition, Bamber and Staritz imply that only two options exist for poor women: working in relative poverty outside a GVC; or working in relative poverty, but comparatively better off, within a GVC (Selwyn 2016, Cornwall and Rivas 2015, Hickel 2014). Often, as Richard Roman and Edur Velasco Arregui (2015, p. 65) observe, this amounts to moving “from one form of poverty to another.” Feminist researchers have criticized this approach for obscuring or ignoring the relationship between the feminization of the labour

force and the downgrading of factory jobs (Roman and Velasco Arregui 2017).<sup>7</sup> Bamber and Staritz (2016, p. 20) are more optimistic than this, and point to a range of social upgrading policies that can be carried out to enhance the lives of women, including improving the quality and nature of female work, reducing the burden of reproductive work on women, and promoting women's access to training, information, business networks, land, finance, and productive resources. This reveals additional gaps, however. While lead firms are assigned a "particularly pivotal role" in social upgrading, they are not central to most of the core solutions offered (p. 18). Near the end of the report, we are told, despite the focus on TNCs, that their role is "complementary" and that governments "play an important role in implementing gender equity interventions" (p. 18). Governments can and should regulate and enforce core labour standards, assign liability to firms for the labour practices of subcontractors, promote collective bargaining, and apply gender dimensions to development assistance. Given this, why are these measures, the role of the state, and the politics required to bring about the most effective state policies not the focus of the report, as opposed to GVC integration and lead firms? GVCs "provide employment"—everything else comes from actions outside of GVCs, often to address their shortcomings, bundled together under the general notion of "social upgrading." The effect is to attribute to GVCs the very things they do not do.

### **Social Upgrading: Fix or Fantasy?**

The above analysis reveals the ways in which the growing discourse around social upgrading serves not just to advance the term but also to structure and tame it, subtly shifting debate away from its original focus on states and social movements to corporations and markets. In this way, social upgrading runs the risk of becoming another form of neoliberal expert knowledge, with parallels to the previous taming of concepts like "empowerment" (Cornwall and Rivas 2015, Hickel 2014) or "resilience" (Joseph 2013). These contested notions started as challenges to the

dominant neoliberal paradigm. Once they gained notoriety, they fragmented to encompass a broad spectrum of views which eventually became watered down, and a hegemonic vision emerged.

A psychoanalytic approach adds to existing critical frameworks by allowing one to explore the deeply embedded psychological anxieties, tensions and contradictions that allow for the idea to be so durable. Social upgrading not only contains within it intense contradictions (criticizing/celebrating GVC integration; downplaying/highlighting the importance of the state), but exists, and will almost certainly continue to expand and gain popularity, precisely because of these contradictions. Social upgrading allows an expert to be both deeply concerned about GVC integration and a major advocate for it; to point a moral finger at the aggressor (giant TNCs) while celebrating their innovative CSR and corporate benevolence; to uphold the dominant imagery and discourses central to social "reality" (GVC integration and lead firms fight poverty), while at the same time hiding in "plain view" the traumatic "Real" (GVC integration and lead firm activities reproduce poverty) (Kapoor 2014, p. 1128).

These contradictory desires and impulses can only be glimpsed in snapshots by looking for the slippages, gaps, contradictions, and disavowals embedded in the social upgrading fantasy. Advocates begin, as Selwyn (2016) would anticipate, with the assumption that GVCs fight poverty; their failure to do so does not reflect poorly upon GVC integration, but rather that its functioning is "well below its potential" (Bamber and Staritz 2016, p. 17). It then becomes a challenge to square this assumption with the data. Evidence showing that Mexico has experienced little economic or social upgrading is taken to mean more work is required to show the connection (Salido and Bellhouse 2016). Bold defenses of the benefits of GVC integration are caveated at the end with the conclusion that GVCs can "perhaps" promote development (Shepherd 2016, p. 21). Evidence revealing the manifold ways in which TNCs take advantage of gendered inequalities are taken as evidence that they

<sup>7</sup> The negative impacts on physical and mental health caused by highly exploitative factory work; the frequent sexual harassment, verbal abuse, and gender-based violence experienced by women in the factory; and the "recomposition of gender subordination," from the patriarchal household to the "authority of the male bosses" (Gunawardana 2017).

need only “reverse” what they are doing to maximize the benefits of integration (Bamber and Staritz 2016, p. 18). Through this process, the original, statist approach to social upgrading is eroded in favour of a more market-friendly orientation, which only strengthens the discourse itself. Social upgrading can meet dual desires — for regulation and free markets, even if it’s the latter that will win out. And advocates end up arguing for what they originally opposed: corporate social responsibility instead of a strong state.<sup>8</sup>

Confronting this contradiction requires not only systematic critique of “global poverty chains,” as Selwyn effectively puts forward, but also a critical engagement with the non-rational unconscious desires, commands, passions, and seductions that will likely continue to draw researchers to the social upgrading framework (Kapoor 2013). While proponents of social upgrading depict their work as emerging from balanced, data-driven, sober, rational reflection, the slippages and gaps in their research point to the significance of unconscious beliefs and the gradual submission to dominant market fantasies, regardless of what the data reveals. This is particularly apparent in the frequency of disavowal—recognizing the limits of GVC integration while simultaneously denying it—which is not a weakness of the discourse, but its strength. It may not hold up in strictly rational terms, but it does effectively meet non-rational desires, covers up contradictions, pacifies anxiety, and allows experts and non-experts to align with both the poor and the rich. There is a need both to defend some of the original goals behind social upgrading, and explain the powerful ideological forces behind its transformation, and popularity. Without examining these underlying conflicts, we have only a limited understanding of ideology and are not, as Karen Horney (1945, p. 32) once observed, “free to choose.” Expanding our ability to choose, including deciding on a wider range of liberation fantasies and a more direct challenge to the confines of “global poverty chains,” requires exposing both the rational limits of the dominant framing of social upgrading and the unconscious desires behind them.

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<sup>8</sup> This paraphrases the idea of Martin Hardie. See endnote 2.

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