

WORDS BEYOND THE PANDEMIC: A HUNDRED-SIDED CRISIS

Coord.: José Reis
A collective work by CES

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Centro de Estudos Sociais
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GLOBAL VALUE CHAINS

José Castro Caldas

The value chain concept was coined by Michael Porter in the 1980s to describe the chain of activities within a production organisation – a networked organisation of production, broken down into modules that transform inputs from outside or from other modules into outputs provided downstream along the links of a process (chain) in which each module adds value to the inputs received. As production organisations began to adopt, as a strategy of flexibility and cost reduction, the subcontracting to other organisations of services and products previously attributed to modules of internal value chains, the value chain concept, originally conceived of from an intra-organisational perspective, became adequate to describe similar processes underway in the relational space of production organisations. Finally, as inter-organisational value chains began losing their territorial basis to extend their reach to multiple national jurisdictions, as part of the process commonly referred to as globalisation, the adjective “global” was added to the value chain concept.

Previously praised by globalist views as bringing prosperity to “emerging” countries and ensuring low-cost provision to the rest, global value chains (GVC) have proven to be a problem in the context of the COVID-19 pandemic crisis, even for many of its former advocates. As the pandemic advanced, the United States of America (USA) and the European Union (EU) countries found themselves suddenly deprived of intermediate and consumer products which are essential in healthcare and dependent on external supply. The result was a sudden

shift from free-trade principles to strategic self-sufficiency. One of the conclusions presented by the European Council President on April 23, 2020 formulates this shift in the following terms: “It is of utmost importance to increase the strategic autonomy of the Union and produce essential goods in Europe”.

In fact, the vulnerability of the GVCs had already manifested itself before the pandemic crisis. The expeditious operation of these chains depends on an international order characterised by the unimpeded flow of capital, goods and people, as well as legal security of contracts and intellectual property rights. The tensions in the US-EU-China triangle, which before the pandemic had at times assumed the proportions of a trade war, are clear precursors to a crisis in the GVCs, now in the form of an open fracture.

The discursive and practical responses to the GVC crisis – the alternatives before us – take two forms. The first, drafted by the EU, is the territorialisation of part of production, particularly industrial production, on the scale of the Union itself, in a sort of homecoming of “champions”, this time non-national but European, which by their scale could not only efficiently supply the internal market but also compete on a global scale. The second is genuine territorialisation on various scales – notably the national, regional and local – geared towards sufficiency of supply and the replacement of transcontinental production chains with short circular economy cycles.