Human Security under Globalization:

Value Chains as Opportunities or Constraints?

Also in this issue:
- ISS Alumni Fund
- South-South Cooperation

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From the Editorial Board

HUMAN SECURITY UNDER GLOBALIZATION: VALUE CHAINS AS OPPORTUNITIES OR CONSTRAINTS?

Lee Pegler

In a recent (2011) seminar at the ISS, Professor Stefanie Barrientos reminded us that nearly 60 per cent of world trade goes through what we call 'Global Value Chains' (GVCs). This is significant as it underlines the degree of coordination of global production (by transnationals), production which involves massive numbers of workers in many countries. It also underlines a concern.

This concern stems from the fact that more and more of these chains are becoming what we call 'buyer driven' – ones where sourcing can easily shift, where workers' rights and communities' livelihoods are often based on precarious/insecure situations and where chain 'drivers' (increasingly including supermarkets) are highly influential. The link between local impacts and global processes thus remains controversial, as do the myriad of public and private sector responses to the issue of human security.

Equity and security in the development process are themes very much at the core of ISS activity. A large number of ISS staff, participants and our partners are involved in analyzing, debating and/or challenging the nature of these global-local processes, many of these from a value chain perspective. This issue of DevISSues is devoted to a selection of their views and experiences.

Two of these contributions are written by members of partner institutions in the 'South' (Brazilian NGO Peabiru - Fontoura; Federal University of Amazonas - Pereira), one is by an ISS alumni (Flinterman), one is by a member of an EU partner institution (University Utrecht - Jacobs), another is by an affiliated ISS researcher (Sinatti) and the other is by a current ISS staff member (Newman). The articles vary in theme – e.g. from financialization to ecotourism. They also vary in style and form – a few are more descriptive in nature whilst others take a more argumentative focus to their specific area. Yet all are useful in providing perspectives on how global processes relate to (local) outcomes such as security.

For example, the first article by Pereira describes the 'new wonder fruit' (açai) and the process by which this, still strongly domestic-based, product has entered international markets. What impact the evolution of the açai GVC may have on labour and livelihoods in the Amazon will depend on various factors, including the cultivation form and role of local and national agencies of support. Yet the memory of other Amazonian 'wonder' products (e.g. passionfruit; rubber; guarana) and their cycles of fame and decline/struggle suggest caution. Human security within the evolving açai GVC forms one part of an ISS Innovation Fund project (GOLLS).

On the other hand, the articles by Jacobs and Newman provide more detailed analyses of chain developments. Newman strongly argues that financialization has helped to further disconnect considerations of profitability and productivity from changes in the 'real economy' – that is, in production and jobs, thus threatening the rights and livelihoods of those producing goods and services. Jacobs provides, in contrast, a strong argument that logistics requires greater integration within value chain studies but that the different elements (e.g. shipping vs. port handling) are controlled by different actors and require specific policy responses. Logistics developments have particular social and employment implications which should be further studied.

The final three articles take more varied foci. Flinterman, for example, uses the example of the garment value chain to show the limits of many forms of governance of labour conditions (e.g. for child labour). This work reflects the results of other studies which note how 'top down' social compliance schemes may have limited impacts on labour precariousness at the beginning of chains. Local involvement, collective bargaining, freedom of association and genuine dialogue are necessary conditions within an environment where labour governance must be an active matter for both the private and public sector. Sinatti, on the other hand, provides a quite nuanced view of how migrants (via their Diasporas in wealthier regions) are being seen as an important link within policies on 'development'. Yet underneath a recognition that flows of resources and people (i.e. the migration value chain) are considerable and of development potential, remain questions as to the selection and nature of engagement with 'representatives' of these other 'civil societies'. Moving to a more locally centred perspective, the short piece by Fontoura on community-based ecotourism describes the role of Peabiru. What drives their activism is a concern with the negative work, livelihood and environmental impacts of the traditional tourism value chain – the way the services and characteristics 'on offer' (labour; the environment; lifestyles) are rewarded, managed and regenerated.

In conclusion, we at DevISSues hope you enjoy and are engaged by this selection of contributions on this theme. Each piece is concerned with GVC governance and human outcomes at a local level. From products (açai) to processes (logistics; migration) to services (tourism), questions are generated about the sense of wellbeing and security of people and resources within this spatial process we call globalization.

The guest editor of this issue of DevISSues works as a lecturer in 'Work Organisation and Labour Rights' at ISS. He also coordinates institutional agreements and participates in many projects on value chains, labour rights and human security for various national and international agencies on behalf of ISS, especially in relation to Brazil.

About the cover

Villagers and traders delivering their crops of açai to a local factory (Codajas, Amazonia) for processing and sale to clients, many of whom were international prior to the plant's recent loss of certification credentials. Thanks to all workers, families and Government officials for their help during recent field work there. (Photo – Pegler, 2012)

The online versions of all articles with full bibliography can be found at www.iss.nl/devissues

Human security under globalization: value chains as opportunities or constraints? The case of Açaí

Henrique dos Santos Pereira

The *açaí* fruit (pronounced 'Ah-Sigh-EE'), a semi-domesticated Amazonian forest species, was almost unknown outside of the Amazon until a few years ago. Yet after being made the 'fetish drink' of sports in Rio de Janeiro, internet advertising has made its health benefits more widely known. According to W&G Global Trade, açaí sales from Brazil are now up to U$45 million/ year. Around one thousand tons per month are exported by ship, mainly to Japan, Holland, USA and Italy (Foodbizdaily, 2009). This article raises questions about how açaí globalization and the correspondent rising demands of chains are affecting the management systems of the species and its forest ecosystems as well as the livelihoods of the families of traditional fruit gatherers of the Amazonas state in Brazil. Recent research results on açaí's therapeutic and nutritional properties are presented, along with ecological characteristics of the two exploited species, their production systems and some socioeconomic aspects of the global fruit value chain.

The fruit is claimed to have a wide range of health-promoting and therapeutic benefits due to its reportedly high levels of antioxidants. Açaí has a history of use as a medicinal plant and as a staple food in many parts of Brazil. Traditionally, it has been used to treat fevers, skin complications, digestive disorders and parasitic infections. This is due to its relatively high content of polyphenols, which in turn has been linked to a range of reported (mostly in vitro) antioxidant, anti-inflammatory, antiproliferative and cardioprotective properties. Açaí demonstrates promising potential with regard to such antiproliferative activity and cardioprotection but further studies are required (Heinrich, 2011). Together with other recently (re)discovered Amazon tropical fruits (*guaraná* and *cupuaçu*), açaí is strongly advertised as health promoting and the global açaí market is growing to the point where it is already resulting in socioeconomic changes in production areas.

The açaí (*Euterpe* sp.) is an attractive, slender palm growing 15 – 30 meters high, in Middle and South America, from Belize to Brazil and Bolivia. In the Amazon, two different species occur. *Açaí-do-Pará* (*E. oleracea*) occurs mainly in swamps and floodplains while *Açaí-do-Amazonas* (*E. precatoria*) prefers dry land. Traditionally, the açaí beverage has made an important contribution to local people's diet – a heritage from Indian cultures. The fruit is about 80 per cent hard endocarp, covered by a thin, pulpy mesocarp which is used to produce a blue to deep purple-coloured, non- alcoholic fruit beverage.

A more recent tendency in the açaí market is its 'MacDonaldization' (Ritzer, 1993). American companies such as Sambazon from California and Bossa Nova Superfruit have been promoting the fruit in global markets. They have been followed by more traditional food companies such as Bolthouse, which included açaí among its products and has installed its first foreign production unit in Belém (Pará State). Brazilian companies such as Bony Açaí from Pará state are emerging following the success of international groups and are becoming competitors in the American market. Other American groups such as MonaVie and Fruta Vida sell açaí within a mixed fruit beverage.

The internationalization of the fruit is already having its first effects on the local market within the Amazon region. In Manaus, in Amazonas state, for example, a new food company and restaurant chain (*Waku Sese*) received federal incentives to develop a local chain of food kiosks in shopping malls, selling frozen açaí. Such novelties may gradually transform local people's traditional habit of consuming the fruit beverage in '*cuias*' at room temperature.

As a consequence of the increasing demand for production on an industrial scale, there has been a speeding up of the domestication process of both species. The Pará species was the first one to be exposed to the international market. Belém city, capital of Pará state has a very traditional and significant domestic market. The intensification of production has altered the forms of açaí management in the nearby floodplain islands and has promoted interest in its cultivation in more uniform monoculture systems on dry land. According to EMBRAPA (2006), there are more than 15,000 hectares of managed areas in Pará State, generating 2,000 direct jobs and another 25,000 jobs across the entire value chain.

Despite its recent popularity at a global level, access to the fruit is still restricted since there are only a few areas in Brazil where it is possible to find it: in the states of Amazonas, Amapá and Pará. Presently, the production process is based mainly on pure extractivism (fruit gathering from managed *açaí* estates – *açaízais*). Yet, in Amazonas state, less than three per cent of açaí originates from such cultivated land, thus contributing to the conservation of the natural rainforest environment.

Açaí tree
Henrique dos Santos Pereira

Most (potential) açaí gatherers are poor family settlers living on private or public lands scattered along the rivers. Most production is consumed locally or sold to domestic markets in more populated urban centres such as Manaus. In a survey of 1,550 açaí family gatherers in six municipalities of Amazonas state, it was found that one third of families do not sell their production, half of them delivered their fruit to the nearest urban centre with the rest selling to larger cities. Two thirds of families rely on middlemen to provide the commercial link between them and regional buyers (Hiléia, 2008). A few governmental and non-governmental initiatives are supporting these communities to help families become reliable long term partners in an industrial production process linked to global markets.

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Açaí berries
Henrique dos Santos Pereira

Financialized corporate strategies and the restructuring of global supply chains

Susan Newman

Industrial organization and inter-firm relations within vertically disintegrated and spatially dispersed production systems emerged as a burgeoning area of research in the 1990s and 2000s. Global commodity chain/global value chain approaches were initially concerned with the nature of 'globalization' in contemporary capitalism and the way in which developing countries have been integrated into the global economic system. These studies emphasized the need, as well as the opportunities, for developing country firms to 'upgrade' – that is, to engage in higher value-added activities associated with downstream portions of the chain – in order to reap the potential rewards of integration in the global economy. Whether or not the opportunities for upgrading and their associated benefits were overstated at the time, it will become clear in what remains of this article that the benefits of upgrading, if they ever existed, have all but disappeared. Shifts in corporate structure and strategies of lead firms in the US and Europe (those which coordinate and control supply chains and suppliers in developing countries), associated with the process of financialization, have greatly reduced these possibilities for development. What is financialization and why does it matter?

Financialization as a term is barely over a decade old. It has come to the fore since the onset of the global financial crisis in 2007. The term is variously defined but in its broadest sense financialization refers to 'the increasing role of financial motives, markets, actors and institutions in the operation of the domestic and international economies' (Epstein 2005:3). Non-financial corporations have been increasingly valued on the basis of the performance of their shares on financial markets rather than productive criteria. This is reflective of a shift in corporate governance and restructuring in the US, UK and parts of Europe in the 1980s and 1990s to what has become known as the 'shareholder value movement'. The idea is that, left to the manager, resources may be inefficiently allocated or guided by motives of personal advancement. Companies should therefore 'maximise shareholder value' since a higher return to shareholders represents a manifestation toward the more efficient allocation of resources. In addition, managers' interests should be aligned with those of shareholders by remuneration through share and stock options. Yet, do increasing share prices necessarily mean a more efficient allocation of resources? The answer is a resounding no if by efficient we mean the allocation of resources towards productive investment and innovation. Firms have raised shareholder returns by increasing their share of short-term financial assets (such as derivatives) and reducing investment in physical capital – in many cases contracting productive capacity in order to distribute a higher share of profits in dividend payments. In addition, firms have sought to raise share prices through share buy-backs, mergers and acquisitions. Lazonick and O'Sullivan (2000) have documented the spate of hostile takeovers in the US during the 1980s and connected these to the shift in firms' decisions on capital allocation from a principle of 'retain and invest' to 'downsize and distribute' and increased short-termism. Many financialized corporations have diversified away from production towards finance itself. Moreover, institutional investors, interested solely of returns from changing share prices, have increasingly become the major shareholders of corporations – in the US and UK in particular. These processes have acted together to ultimately undermine longer-term productive investments such as those for innovation.

> *Disinvestment is the only certain way of increasing shareholder value: that is, selling off or closing down all but the most profitable parts of the business. This is guaranteed to generate higher returns on capital employed, thus providing a rational for an increase in the stock price* (Watson, 2007, quoted in Milberg, 2008: 434).

HOW HAVE SUPPLY CHAINS BECOME FINANCIALIZED?

It is well known that offshoring of portions of the supply chain to developing countries has often been driven primarily by cost considerations. For this reason, developing country actors tend to participate in chains that are 'buyer-driven' (Gereffiand & Korzeniewicz, 1994) - that is, coordinated and controlled by lead firms, operating in sections of the chain close to consumer, in the global north – and operating low-cost, 'low value-added', activities. The process of financialization starts with corporate restructuring at the level of the lead firm. This in turn has implications for the restructuring of production and social relations upstream along the supply chain, particularly in terms of supplier relations, the distribution of income/value-added along the chain and conditions for labour.

There has been relatively little academic work conducted to date that looks deeply at the way in which supply chains and productive relations have been affected by the process of financialization. A few exceptions include the work by William Milberg (2008), Florence Palpacuer (2008) and Newman (2009), from which I will draw to illustrate some of the processes and implications of the financialization of supply chains. While not limited to these, developing country producers have been most widely integrated into clothing, food and horticulture supply chains. For clothing and fresh produce, large retail firms act as lead firms in the supply chain, while transnational commodity trading companies 'drive' supply chains for non-perishable foods and agricultural products such as grains, coffee, sugar and cocoa. While the imperatives of financialization have been felt across geographies and industries, the processes and forms of financialization, as well as their outcomes, have been uneven.

From the 1980s, lead firms of clothing chains in the US and UK narrowed the scope of their activities to product definition, marketing and consumer lending and outsourced manufacturing related activities to reduce their cost of production, as well as the need to reinvest profits in the maintenance or expansion of domestic productive capacity. This meant that more profit could be distributed as dividends (Milberg, 2008).

> *Many 'manufacturing' firms now do no manufacturing at all, providing only brand design, marketing, supply chain logistics and financial management services* (Milberg 2008: 425).

Palpacuer (2008) argues that the degree to which lead firms in clothing chains are financialized has profound implications on relations with developing country suppliers and hence on labour conditions in developing countries. More financialized lead firms, such as those in the UK and US, rely on smaller supply bases compared with their French and Scandinavian counterparts. In addition, the more financialized retailers use more stringent criteria for the selection of new suppliers and make higher demands on suppliers by insisting on production flexibility and inventory management – thus transferring the risk of holding stock to suppliers and supporting greater profitability. Such lead firms are thus able to maintain and even increase their margins in spite of stagnant consumer prices in the US and Europe.

What we also see at the level of financialized lead firms of clothing chains in the UK and US is increased industrial concentration, this occurring through mergers and acquisitions guided by the principle of maximizing shareholder value. Similarly, a process of increased concentration of lead firms in coffee chains has also taken place. While initially driven by declining margins, the concentration of transnational coffee trading companies has increased as a result of imperatives to engage in derivatives trading, both as a hedging instrument in the context of volatile coffee prices and as coffee trading companies themselves underwent a process of financialization. Coffee trading companies have increased their share of income from speculative activities on derivatives exchanges. Engagement in derivatives trading is an expensive business, and many smaller coffee trading companies simply did not have the financial resources to finance their positions on derivatives markets. Smaller firms were also less able to sustain large losses associated with adverse swings in the increasingly volatile coffee futures market. Consequently, the top five coffee trading companies together account for almost 60 per cent of all trade in green (unroasted) coffee (Newman, 2009).

WHAT ARE THE IMPLICATIONS FOR DEVELOPING COUNTRY SUPPLIERS?

A result of increased concentration of lead firms in both coffee and clothing chains has been the growing asymmetry in power between buyers and suppliers. The asymmetry of power between buyers and sellers along the supply chains that span developing countries has allowed for greater arms-length relations between them. In addition, the worsening in the asymmetry of power has allowed for the shift in the distribution of income/value-added from developing country producers towards lead firms in the US and Europe. A few examples (below) help to illustrate this changing balance of power.

Palpacuer (2008), for example, shows how the financialization of lead firms in clothing chains has led to a deterioration of working conditions at the base of the chain. Women have been disproportionately affected as a result of more stringent demands of buyers (both in terms of price and flexibility). This has spurred the reconfiguration of subcontracting into more tenuous and arms-length relations and more precarious labour contracts.

For coffee producers and local marketing agents in Uganda, on the other hand, financialization has meant more volatile prices for coffee and weakened bargaining power, something that has been exacerbated by the dismantling of the national coffee marketing board as part of structural adjustment – coffee traders used to negotiate with the marketing board whereas today they deal with disorganized small-holder producers through local middlemen. Faced with more volatile prices, local middlemen have little alternative but to buy as low as possible from the farmer in order to buffer against sudden falls in the world price. This means that farmers receive a low farm-gate price regardless of whether world markets are going up or not. This has serious implications for reinvestment in coffee production and calls into question the interdependency of production and the financialized appropriation of the surplus. Financialization is about the appropriation of surplus, accelerating the concentration of wealth in the hands of what is now popularly known as 'the one percent'. Yet the production of this surplus is being undermined by the process of financialization itself.

INTERDEPENDENCE BETWEEN OFF SHORING/ RESTRUCTURING OF SUPPLY CHAINS AND FINANCIALIZATION

The global value chain literature has tended to offer up efficiency gains as an explanation for the vertical disintegration and the globalization of production made possible by innovations in communications. This explanation is limited in that it does not take into account broader systemic changes in the global economy over the past three decades. While off-shoring and the restructuring of supply chains, in what has been described as the globalization of production, was not entirely driven by the process of financialization, the interdependence of financialization and productive restructuring seems clear. The very process of vertical disintegration and off-shoring by firms in the US and parts of Europe has fed into the promotion of shareholder value by lead firms, since profit margins are maintained through low-cost suppliers even when prices in consumer markets are stagnant. These mark-ups have been susceptible to what Milberg calls 'leakages' – profits that are not reinvested in production but which are diverted towards financialized accumulation (Milberg, 2008). In turn, in many cases, the restructuring of production along supply chains has been in response to new imperatives set by the actual process of financialization.

THE FALSE SEPARATION OF FINANCE AND PRODUCTION

In the wake of the global financial crisis, it has become evident that countries and regions that have avoided the worst effects have been those which have shielded themselves from the processes of financialization, and where a strong manufacturing base has been developed and maintained (China and Germany being prime examples). Speaking at London Fashion Week in February 2012, the head of the Arcadia retail group (responsible for some of the largest British fashion retailers including Top Shop and BHS), Sir Philip Green, sent a rallying cry to rebuild Britain's garments manufacturing capacity which has been in decline since the 1980s. However, this has occurred precisely as a result of the explosion in offshoring for which these same retailers have been responsible. Despite this, policy responses to the crisis have been limited to the restoration of the financial sector through austerity measures, reflecting both the tendency to separate the spheres of finance and production in policy and scholarly thinking, and the continuing centrality of finance and financialization in contemporary capitalism.

With the aim of promoting further research focused on the relationship between financialization and productive restructuring, ISS has organized a seminar series on the topic. This series has brought together a number of speakers from various disciplines and theoretical perspectives to present on theory, specific contemporary case studies as well as historical work. Authors such as Palpacuer and Milberg have been part of the series. This has linked well with previous seminars on the (related) theme of 'Precarious Work and Livelihoods'. For more information see www.iss.nl/DRS.

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Former students help prospective students find funding

The Role of Port Infrastructure and Logistics in Global Networks

Wouter Jacobs

INTRODUCTION

It has been estimated that around 90 per cent of the world's merchandize and commodity trade is transported by ship. This percentage has remained fairly constant over the last century, yet the volumes have increased enormously in the last two decades. This rise in global shipping volumes resulted from what Feenstra (1998) aptly described as the 'disintegration of production and the integration of world trade'. As international barriers to trade have effectively been lifted by the GATT/WTO-agreements since the 1980s, global manufacturers have vertically disintegrated their Fordist production systems into geographically dispersed and flexibly organized supply chain systems. The international trade regime allowed manufacturers to re-locate their production and assembly plants to more cost-efficient locations in developing economies, in turn generating a new spatial division of labour (Massey, 1984). Vertical disintegration allowed manufacturers to specialize and optimize by taking full advantage of ICT in the coordination of the disintegrated production chain, thus creating economies of scope through the reduction of inventory costs and by means of outsourcing those parts of the chain with the lowest profit margins. The geographical extension and dispersion of manufacturing have been conceptualized by development economists as the rise of Global Value Chains (Kaplinksy, 2004; Gereffi & Korzeniewicz, 1994), by economic geographers as Global Production Networks (Dicken et al, 2001) and what transport economists would call Global Supply Chains (Robinson, 2002). Regardless of the conceptualization, it can be stated that this generic process of economic globalization has increased the demand for global transport services enormously. While some have argued that ICT has been the major technological facilitator of economic globalization, creating a 'death of distance' (Cairncross, 1997) or a 'flat world' (Friedman, 2005), this perspective fails to fully appreciate the role of innovation in transportation, most notably containerization (Levinson, 2006). It is through the standardization (in the 1970s) and mass-application (since the late 1980s) of the shipping container that global transportation services could be offered more cheaply and more reliably, while increasing the flexibility of distribution and delivery of (semi-) finished goods. It is exactly the combination of both containerization and ICT that allowed the reduction of shipping costs and the rise in importance of logistics and supply chain management in the evolving global economy as described above. Despite this, the costs of transportation are still considered marginal factors of declining importance, by many economists and geographers, in explaining regional economic development outcomes. I would argue the opposite; it is specifically differences in access to appropriate shipping infrastructure (such as seaports), logistics expertise and appropriate government regulations that explains differences in regional development processes within the global economy. What will become clear is that there is a paradox in global shipping: economies of scale prevail in transport infrastructure, while economies of scope prevail in logistics. Yet it is the combination of both that creates competitiveness.

THE PARADOX OF GLOBAL SHIPPING

A profound paradox has emerged in global shipping between the physical activity of transportation and the logistics planning of increasingly geographically dispersed supply chains. The paradox can be explained as follows. The principles of logistics and supply chain management are built around just-in-time delivery, the reduction of inventory costs and an optimal coordination between the different suppliers of components in the final assembly and distribution to consumer markets. Flexibility and reliability are crucial. Logistics heavily relies upon ICT, but ultimately also upon actual physical transportation. An integral element of these supply chain systems is thus the actual physical or material transportation of goods carried out by ocean carriers and by land-based haulage of road, rail and barge. While economies of scope are the state-of-play in global logistics and supply chain management, global transportation and port infrastructure is far-more driven by economies of scale.

In order to remain cost effective, ocean carriers have increased the size of their vessels. Current sizes are well beyond Panamax (the maximum size of a ship to pass through the Panama Canal). The largest vessels are over 45 meters long and 18 meters deep with the capacity to carry over 10,000 TEUs (twenty-foot equivalent unit, the standard size of a container). The introduction of these giants has consequences for shipping routes, especially the ones dependent on the Panama Canal. Rather than using the Panama Canal, ships carrying goods from Asia to the East Coast of the United States increasingly call at the West Coast ports of Los Angeles and Long Beach after which the goods are transported by double-stacked trains to Chicago from where they are finally moved to the East Coast. In order to regain their function as global hub, the Panamese government decided to upgrade the Canal in 2007 (expected completion in 2014).

The introduction of these giant vessels has consequences for seaport infrastructure. Not every port has the capacity to handle these giant ships in terms of navigable port channels and quay wall sizes. Port infrastructure is characterized by huge investments and large sunk costs, often reflecting investment decisions in the past and leading to sub-optimal locations in the present. Many ports are thus spatially and environmentally constrained to accommodate infrastructure upgrading and expansion as they are often located near dense urban areas. While major port expansions have been spatially planned away from urban cores (e.g. Rotterdam's Second Maasvlakte), much of the offloaded goods still need to be funneled through already congested metropolitan infrastructure corridors towards distribution centers and final markets in the hinterland. For this reason logistics activity and distribution are increasingly being developed further inland and away from the congested ports, in turn making their intermodal connectivity with the ports and the coordination between various transport intermediaries of upmost importance (Notteboom & Rodrigue, 2005; Van der Horst & De Langen, 2008).

A ship at a major Brazilian port from where goods are shipped around the world.
Lee Pegler

Aside from these spatial and physical issues, ports are faced with organizational changes in the transport and logistics industry. Over the last decade the industry underwent a process of horizontal and vertical integration in order to reduce costs, optimize services and, above all, capture more value. Ocean carriers have been engaged in both takeovers and formalized cooperation in the form of alliances. In addition, some carriers have been setting up their own terminal divisions (such as Maersk Line's sister company APM Terminals) or arranged dedicated terminal agreements (often in joint venture) with terminal operators. Likewise, the terminal operating industry underwent a process of integration and globalization. Since the late 1990s, local stevedoring (loading and unloading) services in major ports across the world have rapidly been taken over by a small group of multinationals, the so-called global terminal operators (GTO). These GTOs not only have 'deep pockets' to acquire the lease concessions to operate terminals and to make the necessary investments in cranes and straddle carriers, they also have the knowledge to manage large volumes of cargo and the latest technologies. As such they are able to increase the productivity of ports and the efficiency of the flows that move through them. The largest terminal operating companies are now Hutchison Port Holdings based in Hong Kong, PSA Corporation based in Singapore and DP World from Dubai. Together with APM Terminals these four companies now handle the majority of containers shipped across the globe. In contrast, the majority of land-based logistics service providers (road, rail and barge transporters) remain local or national in their operations and remain fairly small and medium in size (Ayoama et al 2006).

LOGISTICS PERFORMANCE AND ECONOMIC DEVELOPMENT

In the light of these structural changes, the importance of logistics and trade infrastructure should not be underestimated. Countries that have invested heavily in trade infrastructure, that have reformed port management and that have opened up the logistics services market to foreign investors have been able to capture the benefits of global trade. China is the most obvious example of how manufacturing growth and foreign direct investment went hand in hand with large scale transport infrastructure investments, and in doing so it followed the successful strategy of Singapore, Korea, Japan and Taiwan. More recently, major infrastructure investments are taking place, often in combination with liberalization and governance reforms, in countries such as Vietnam, Turkey, Indonesia and Brazil in order to facilitate their export-orientated growth.

Yet the upgrading of the logistics performance of a country should not be reduced to mere investment in physical infrastructure and application of ICT, but also to regulatory and procedural issues regarding global shipping and international trade and to the management of ports and related infrastructure. Since 2007 the World Bank has produced an annual Logistics Performance Index, an international benchmark which includes variables such as the average time of a shipping container to be cleared by customs, the number of inspections and the quality of local logistics services such as brokerage. Not surprisingly, the countries that rank highest in this index are advanced economies, e.g. Germany, Netherlands, Sweden, Singapore and Japan. The countries that score lowest are mostly conflict affected (and often landlocked) countries in underdeveloped economies. However, the World Bank does observe differences between logistics under-performers and over-performers when compared with the average income level of a country (World Bank, 2010). Better logistics performance can create benefits in terms of trade expansion, economic diversification and the attraction of foreign direct investment. According to the World Bank (2010) those countries with the best logistics performance experience 1 per cent growth in GDP and 2 per cent in trade as a result. Low income countries are of course disadvantaged due to the lack of financial means to invest in infrastructure and the lack of competence in regulatory procedures. However, less capital intensive policies (e.g. liberalized logistics services and port/terminal management; improved customs procedures) can make the difference.

Much depends however on the commodities shipped. Large bulk volumes such as ore and crude oil are being shipped on a point-to-point basis and are much more dependent on global shifts in demand and price fluctuations, whereas the shipping of containerized merchandize (e.g. electronics components) is far more complex and sensitive to reliability in delivery. Hence, in some cases it might be more economic to maintain relatively high inventory costs than to incur the costs of rapid and reliable transportation. For example, (using the case of Malawi - World Bank, 2010, p21) since sugar is inexpensive and time-insensitive, exporters prefer the use of unreliable rail services to 'the rather unproductive' port of Nacala in Mozambique. Garment producers for the US market are, however, prepared to pay the cost of trucking directly to the efficient container port of Durban in South Africa for direct shipping to the US for up to 10,000 US$.

CONCLUSION

In this article I have outlined some structural developments within the port and transport industry and the importance of infrastructure upgrading and logistics for economic growth. For development economists and for geographers alike, the role that these factors play within global value chains remain fairly understudied, as mentioned by Coe et al (2008: 6): *'In fact, with the vastly increased complexity and geographical extensiveness of production networks (…) the logistics problem is absolutely central. We need to understand it'.* Further analysis therefore needs to focus on particular commodity chains that move from developing countries to the global market and the role that logistics and transport plays within these chains. Of particular importance is the governance of the chain including the logistics part, the locations of value creation and how these commodities are routed and the bottlenecks they encounter. Such understanding can also provide better insights for policymakers engaged with promoting economic development. Within the GOLLS ('governance of labour and logistics for sustainability') project, such research is presently underway by focusing on particular commodity chains between Brazil and Holland.

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ISS News

In memoriam

ISS has recently lost two highly valued ISS staff members.

In April 2011, Associate Professor **Karel Jansen** unexpectedly passed away just shortly before his retirement. Both as a professional and as a person, he was a man with outstanding qualities, always with an open ear for his students and colleagues and always prepared to give his own, highly original views.

And in May of this year, **Joost Kuitenbrouwer** passed away after suffering a stroke at the age of 80. In the early 1980s, Joost started the successful Development, Law and Social Justice programme at ISS. He retired in 1992 but remained a regular visitor to ISS and was involved in all kinds of activities, not least with students, making them feel at home at ISS and in The Hague.

Both will be sorely missed.

The limits of priva as a means of gove

Wilbert Flinterman

In our globalized world, product manufacturing has shrunk in the North and rapidly grown in the South. As a result of the comparative advantage that developing countries offer with their low prices for labour, it is not surprising that work conditions are often far beneath the labour standards applicable in the North. These differences relate to wage levels, freedom of association, gender discrimination, overtime, safety and last but not least, child labour. Global buyers have set up supply chains with retail, marketing and logistics functions carried out in the North and manufacturing functions performed in the South by various contractors and their sub-contractors. In the South, at the far end of the chain, where manufacturing takes place, local governments are often not capable of consistently enforcing labour legislation. In the absence of effective labour inspectorates and worried that their brand names would sustain damage as a consequence of bad working conditions in their supply chains, many buyers in the North decided in the last two decades of the 20th century to take governance of labour in their own hands. They rolled out private regulatory schemes comprised of norms and enforcement mechanisms, also known as standards and audits.

Much of the focus of the brands / buyers who are trying to manage the labour component in their supply chains, has been on social compliance. This paternalist concept reflects the ability of a producer to adhere to the private standards of the buyers and brands that impose them. In many manufacturing industries, including the garment sector of Delhi, it is simply not possible to be an exporter without adhering to private social codes. As a result, certain categories of labour conditions have been positively affected, especially in first-tier manufacturing plants that have export contracts. Undoubtedly the highest priority for brands in managing social compliance is the elimination of child labour in their suppliers' workplaces, particularly the 'worst forms of child labour' involving dangerous work and young children. Of all types of standard violations, 'worst forms of child labour' clearly represent a risk to brands and retailers. Western media outlets tend to give much exposure to incidents involving garments with high street labels made by young children. In Delhi, compliance with child labour laws has been actively policed by the government since the 1980's, although initially for the most part at the first-tier level. Although it is dangerous to claim child labour has been entirely eliminated, it is commonly acknowledged that due to the combined pressure from government, buyers and media it would be hard to find 'worst forms of child labour' in the export houses of Delhi's industrial districts.

Health and safety is another area where private social codes have left an impact on working conditions. For the 2006 study by Barrientos and Smith regarding the impact of the ETI base code, research was also conducted in garment factories in Delhi. Understandably the social standards that have led to improvements are those that can be easily audited. On the other hand, less progress was made towards so-called enabling standards, covering themes such as discrimination and freedom of

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association (Barrientos et al, 2006). This result is highly problematic as these enabling rights offer workers the opportunity to become empowered in their relationship with their employer and to negotiate better labour practices. In other words, there is a nexus between discrimination and freedom of association and the quality of employment, including fundamental terms of employment such as wages and hours of work. Furthermore, progress at the first-tier is not necessarily a basis to expect the same impact of social standards lower in the chain. Barrientos notes that subcontracting is the *Achilles Heel* of social upgrading (Barrientos, 2008). Beyond the first-tier there is much less oversight by buyers and brands of labour practices. In the lower echelons of the chain, work is largely informal and often located outside the main industrial districts and as a result less visible to inspectors, auditors and journalists. Since, at the level of subcontractors, labour conditions often deviate from those at the first-tier, it can be reasonably assumed that economic and social factors determine labour practices when they are not controlled by the private codes of global buyers.

This conclusion can even be drawn for workplaces at the first-tier level, where local exporters interact directly with buyers from the North and where labour conditions are generally better than lower in the chain. Similar to the findings of Raworth and Kidder and also De Neve (both 2009), my interviews with Delhi garment exporters showed that many feel overburdened by the substantial cost involved in the administration of social compliance schemes, meaning the recordkeeping and especially the costs of audits. Since many export suppliers manage multiple production lines simultaneously for several customers, it is not uncommon that eight to ten audits are performed per month all of which have to be paid by the supplier. The multiple audits become even less legitimate for the supplier, when buyers increase their economic burden by not demonstrating sustainable purchasing practices. It is quite common in the garment industry that the local supplier is expected to invest in the quality of labour conditions yet at the same time has to submit to demands to lower prices and lead times. In my research, suppliers also complained about buyers demanding discounts after contracts are signed.

Hand-stitching soccer balls in Sialkot, Pakistan
Spiegel Online (2010)

Considering the typology of value chain governance suggested by Gereffi et al (2005), one could argue that an inter-firm relationship based on trust and collaboration would perhaps be more conducive to good labour practices than an arms-length relationship in which control is sought through a social compliance scheme. In my research it became clear that some Delhi garment exporters move into commercial relations with other, usually smaller, buyers that do not seek to control their reputational risk at arms length, but rely on a more relational approach. Turning away from large buyers is economically feasible if the supplier can replace large orders for products with a lower mark-up (such as t-shirts) with smaller orders for products that generate more revenue per piece (e.g. high fashion). Even when suppliers who have trouble meeting the various demands of their buyers are not in a position to discontinue business with those buyers, it may very well mean that they will look for other ways to meet their own economic interests. Those producers will either cuts costs on materials or labour and play 'hide and seek' with their buyers to be able to pass audits. Reports of audit fraud are common and also emerged during my research in the Delhi garment industry.

There are clearly limits to the effectiveness of standards in causing social improvements, especially when they are misaligned with not only the economic interests of producers and workers but also their social and cultural values. This is argued by Khalid Nadvi in his discussion of the re-emergence of child labour in the Sialkot sports ball industry, despite elaborate efforts to eliminate these labour practices by various stakeholders (Nadvi, 2008). In Sialkot, a large majority of the workers involved in manufacturing sports balls are those that hand-stitch the balls in so-called stitching centres located close to their villages. These stitching centres were established by the industry to manage labour conditions in a more-or-less controlled environment that also allowed women to do stitching work close to their homes. Most of the stitching centres are not owned by the exporters but by independent subcontractors. As a consequence, standard-setting buyers that have a contractual relationship with the exporters in Sialkot need to rely on the exporters to manage social compliance among these subcontractors. When children were found working in a number of stitching centres (despite the hard work of a multi-stakeholder initiative including the industry association of sports ball producers to eliminate the worst forms of child labour) Nike, a major buyer, was only prepared to continue sourcing sports balls from Sialkot if its production was concentrated in a central manufacturing facility. An important objective was to ensure that children would not be involved in the production process. Peter Lund-Thomsen *et al* (2011) make the observation that this decision may have had a positive effect on labour conditions but also caused a complete de-feminization of the manufacturing process. Cultural norms would not allow women to make the daily commute to the factory while they would also lose the flexibility to combine work with the care for their children.

One wonders what the answer could be to the inability of standards to offer a comprehensive solution to poor working conditions. Where a social standard is an external rule imposed on a workplace to improve the lives of workers, the workers themselves would be best suited to judge whether such a rule has an impact. In fact, workers themselves would be able to develop norms that are relevant to them and fitting in their social context, in dialogue with their employer. The instrument of collective bargaining is therefore not only an essential means to improve wage levels, but more broadly a vehicle for worker empowerment. The late Neil Kearney, secretary-general of the ITGWLF (international garment workers federation) suggested that regulating terms and conditions of work in workplaces should occur through the establishment of 'Mature Systems of Industrial Relations' (MSIR), based on respect, trust and recognition of mutual gains between workers and their employer. It is a model for industrial relations that emphasizes the benefits of worker participation that extends beyond discussions about social conditions. Increased worker participation would also benefit quality management, innovation and productivity enhancement.

Apart from being based on a process of Freedom of Association (FOA), Collective Bargaining and broader dialogue, MSIR would include procedures for conflict resolution, such as a protocol for individual and collective grievance procedures. It would also mean a clear role for workers in monitoring the employer's compliance with negotiated social norms.

Social compliance schemes as a reflection of Western cultural values applied to workplaces in the South have been compared, by some, to neo-colonialism (De Neve, 2009). I may agree with that qualification, if corporate responsibility schemes are merely implemented top-down for the purpose of reputational risk. Corporate social responsibility programmes become more effective and legitimate when facilitating collaboration between workers and employers at a local level on the basis of guaranteed rights to organize, unionize and bargain. At the end of the day, workers and employers need to manage their industrial relations autonomously. Global buyers, multi-stakeholder initiatives and global union federations can strengthen the conditions under which mature systems of industrial relations can develop. Setting standards will not be sufficient in that regard, since FOA does not necessarily imply an ability by workers to use their rights. Worker empowerment and all programmes enabling workers to exercise their rights are essential to successful social dialogue. Yet, despite the said limitations, the function of private standards in the absence of adequate public enforcement mechanisms should not be negated. Generally, private social standards are based on rights and principles of international public law developed by trade unions and employers under the auspices of the International Labour Organization. As noted by Miller *et al* (2010), standards and auditing continue to be relevant as instruments to support labour rights while industrial relations are developing towards maturity and labour inspectorates are increasing their effectiveness.

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From Global Migration to Local Development: Reflections on Diaspora Engagement for Effective Development

Giulia Sinatti

According to the most recent estimates, 214 million people were international migrants in 2010, accounting for over 3 per cent of the world population. In leaving their countries of birth to reside elsewhere, migrants establish connections between places of origin, transit and destination. Transnational migrant communities and diaspora groups are formed that span the borders of nation-states. The rise of established migrant networks that support all sorts of cross-national activities has been defined as a form of globalization 'from below'. Alongside its global reach, in fact, migration originates from specific sending communities and it has important implications also at this local scale. Forecasts for 2012, for instance, indicate a remittance flow of $377 billion to developing countries, an amount that is pivotal in ensuring a better livelihood to millions of people worldwide. In addition, migrants are shown to transfer other important non-financial resources that can trigger positive change in sending communities, such as knowledge, skills, networks, ideas and values. This article looks at how increased awareness of migrants' influence over their homelands is reflected in important transformations in development policy and practice, and at the resulting implications for development at the local scale.

THE EMERGENCE OF 'DIASPORA ENGAGEMENT'

Since the turn of the millennium a consensus has emerged within development circles about the positive contributions that migrants can bring to the development of their homelands, which has given rise to the so-called migration-development debate. This acknowledgement was made in the 2003 edition of the World Bank's Global Financial Report. It shows that migrant remittances are at least three times larger than global investment in Overseas Development Assistance. In addition, the establishment of a Global Commission on International Migration (launched in 2003 and active until 2005), the UN High Level Dialogue on Migration and Development (in 2006), and a series of annual Global Forums on Migration and Development (since 2007), have led the community of international institutions, governments, development agencies and donors to largely acknowledge the important contributions that migrants make to development.

The development industry has increasingly turned to migrants as potentially complementing its efforts and has devised concrete strategies to actively involve them as development agents. In this attempt to leverage migrants' development potential, various trends have emerged. Earlier enthusiasm for remittances as the new development mantra subsided as awareness rose that governing resources is very difficult when they are essentially individual and private. 'Diaspora engagement' therefore emerged as a new tendency that identifies migrant associations as appropriate interlocutors that are *collective* and *civically* engaged. Development agencies reach out to migrant groups undertaking aggregate actions and seek active collaboration with them as partners or allies.

The idea of 'diaspora engagement' reflects the philosophy behind the so-called 'human' approach to development, and extends it to the field of migration-development. Rooted in the thoughts of Amartya Sen, the human development approach sees development as a goal that can only be achieved with the direct involvement of the people it concerns. Rather than speaking of development *aid* and *assistance*, we should advocate development *cooperation*: this is geared towards the empowerment of communities and individuals so that they can themselves forge their own development. Participatory frameworks should make resources and opportunities available that enable community members to contribute actively in development. In alignment with this reasoning, 'diaspora engagement' puts forward a human-centred and participatory understanding of development, and it indicates migrants and their associations as strategic actors in development processes thanks to their dual engagement in countries of origin and residence.

In fact, these associations are seen as having the ability to promote transnational actions that rest upon the bridges they have built across different localities. At the same time, migrant associations occupy a privileged position as potential brokers of change, which is at the centre of any development process. Development processes also challenge existing practices and established interests that may rupture, leading to conflict and competition. Migrants may bring from the outside innovative ways of doing things and ideas that might otherwise generate resistance but that could become acceptable when introduced by migrants who are also effective members of families and communities. In a human development perspective, it is therefore, beneficial that migrants should be included as important actors for making better changes to local development.

The extension of this participation paradigm to the field of migration-development has led various actors to experiment, over the last few years, in practical ways of fostering the formal inclusion of migrants in development work. Key actors in the development scene such as governments, international agencies and large NGOs have thus adopted 'diaspora engagement' policies and programmes, in order to facilitate the active involvement of migrant associations. Concrete opportunities have been generated this way, ranging from programmes specifically designed to target diaspora groups, to pre-existing programmes that have been revisited in order to include diaspora participation. Donors in countries of migrant residence, in particular, have become preoccupied with pursuing the participation of migrant associations by providing them with the (presumed necessary) skills and frameworks to engage in the development field.

'The possible range of actions undertaken by migrant associations in favour of the country of origin is vast.'

Governments of home countries have also increasingly reached out to their diaspora communities and supported migrant associations. Despite some variation, diaspora engagement initiatives worldwide are based on very similar core activities. The following are predominant: consultation with migrant associations in the design phase of policies and programmes, delegation of specific functions within larger programmes to migrant associations, training in development skills, support for the establishment of platform and umbrella organizations and direct funding for the projects promoted by migrant associations. These initiatives reach out to migrant associations that are extremely diversified - in their representativeness of a given migrant group; their organizational strength and capacities and in their ability to liaise with and mobilize relevant actors in home and host countries.

'DIASPORA ENGAGEMENT': IMPLICATIONS FOR HOMELAND DEVELOPMENT

The widespread agreement that 'diaspora engagement' is desirable has sparked the diffusion of many diaspora engagement initiatives. The critical mass of such efforts currently offers a good basis for learning. This can bring, on the one hand, greater clarity about the most efficient strategies and the difficulties of incorporating the actions of migrant associations in formal development. On the other hand, there is a need for a more realistic understanding of what 'development' migrants are explicitly expected to contribute to development in their localities. As discussed in the rest of this article, in fact, it is primarily at the *local* scale that migrants' role can have a significant impact.

The engagement of migrant associations towards their country of origin is a largely spontaneous action. Although the existence of frameworks encouraging and supporting the action of migrants might artificially incentivise the birth of associations, for the most they are rooted in the emotional attachment that migrants maintain with their homeland. This solidarity is particularly strong towards communities and families of origin. As international migrants usually move from clearly circumscribed sending localities and regions to specific countries and cities of residence, village and hometown associations are linked to the particular places from which migrants have departed. Their actions therefore often aim at providing support to precise local communities. As an expression of collective action, migrant associations allow for the channelling of individual efforts towards shared goals and organize them around concrete projects with communal development outcomes.

The possible range of actions undertaken by migrant associations in favour of their country of origin is vast. Hometown associations may provide material support to improve local services and infrastructures. Across Africa, Asia and Latin America the living conditions in many villages and small towns have improved due to migrants' projects. For instance by supporting rural electrification, road paving, the construction of schools, the equipment of health posts, the realisation of boreholes, etc. Elsewhere migrant associations may engage in advocacy campaigns, for instance making the situation of exclusion or exploitation of a home community known to the world. The nature of migrant interventions, of course, depends on the specific development needs of their communities of origin. However, for most effective development, processes of economic growth must accompany them too.

The improvement of infrastructural facilities and services in a given community may in fact have the immediate effect of responding to basic needs and improving the quality of life locally such as better health and household consumption. Unfortunately, rarely does this process generate permanent jobs; nonetheless, improved infrastructures might encourage other actors to engage in individual and/or private forms of investment that could trigger sustainable growth and allow the achievement of further development goals.

The examples just outlined suggest that development is a lengthy process: it calls for change in established systems, as well as shifts in power relations that are unlikely to happen overnight. Triggering economic growth, empowering women, etc. are goals that many development projects and programmes struggle to achieve within their given timeframes. Migrants and their associations have the advantage of an engagement that is not constrained into the set calendars imposed by the logics of 'formal' development. The engagement of a migrant towards one's home country is life-long and this facilitates continuity and follow-up.

The localized nature of the initiatives of migrant associations may generate impacts that are strongly felt at the local level, however their capacity to influence development processes at a global scale is likely to be extremely limited. In fact, whereas migrant engagement promotes development in home localities, these may not necessarily be the ones in most urgent need of being 'developed' On a broader scale, migrants cannot resolve the structural conditions that characterise their home countries as failed states or economies. Nonetheless, migrant actions can still constitute local contributions that may feed coherently into broader processes when they are aligned with national, regional or international development plans.

At work in a vocational training centre set up by the Senegalese migrant association Sunugal in a neighbourhood of Dakar

Sunugal migrant association http://www.sunugal.it/

'...migrants cannot resolve the structural conditions that characterise their home countries as failed states or economies.'

CONCLUSION

Migrant associations are a complex and extremely diversified reality. 'Diaspora engagement' tools and schemes should therefore be tailored to their needs on a case-to-case basis. Within the migrant groups, some of which might be weak or have fragmented organizational life, alternative avenues may be more effective. Moreover, instead of exclusively focusing on the involvement of migrant associations, flexible criteria may be identified to draw the line between migrant associations that are eligible for participation in a given programme and those which are not.

Migrants' agency alone cannot be expected to make a difference in development processes. The actions of migrant associations in favour of their home countries are, in fact, embedded in broader systems that largely influence their outcomes. The ultimate development impact of migrant actions is therefore framed by existing constraints and potentialities. Governments in home and host countries, in particular, play an important and necessary role in supporting the actions of migrant associations through public policies both at local and national level. Local authorities, for instance, can boost the development potential of migrant associations' contributions when these are channelled into institutionalized processes. Central governments can also enhance migrant contributions for development through decentralized policy frameworks that set general development aims and priorities whilst encouraging bottom-up initiatives. Through these and other measures, authorities can facilitate the alignment of locally rooted migrant initiatives with regional and national development needs and goals. This enhanced coherence between local and broader development can only stem out of collaboration and synergy between actors at all levels.

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Community-Based Ecotourism in the Brazilian Amazon: The experience of the Institute Peabiru

Ana Gabriela da Cruz Fontoura

Tourism has developed rapidly since the 1950s and has undergone some important transformations. The 1950s and 1960s were characterized by charter flights and package tours with the emergence of mass tourism: large concentrations of tourists travelling to core destinations. Increased environmental awareness in the 1970s saw a change to traditional tourism with the development of new travel expectations and the emergence of sustainable tourism as a response to the negative impacts of mass tourism: tourists became more nature-oriented and in search of a better quality of life and more personal travel experiences.

Sustainable tourism encompasses three main factors: a) respect for the environment so that tourism does not endanger or cause irreversible damage to the regions where it is developed, b) harmony between cultures and local community social spaces, without harming or altering them, and c) the equitable distribution of the economic benefits of tourism between the host community, tourists and business.
The idea of Community-Based Ecotourism (CBE) arose in order to further emphasize the involvement of communities in the management, decision-making and benefits of tourism. The concept of CBE, collectively developed during the First Seminar on Community-Based Ecotourism Tapajós/Arapiuns in June 2007 within Jamaraquá community in Belterra, State of Pará, Brazil, is:

….a tourism based on the integration of regional development axes, community management, the experience and knowledge exchange between tourists and communities, cultural and environmental enhancement and broad access to the benefits of tourism (First Seminar on Community-Based Ecotourism Tapajós/Arapiuns, 2007).

- Some of the core principles guiding the actions based on this alternative model of tourism are:
  it is planned and developed within the community, which decides and organizes activities in the local area;
- it is complementary to the local way of life, as it helps strengthen community organization and only supplement (not replace) traditional activities;
- it creates opportunities for cultural sharing and learning, since the exchange of experiences between the community and the traveller guarantees that both learn from each other;
- it ensures transparency and the equitable distribution of resources among all stakeholders;
- it guarantees social and environmental conservation as tourism should respect regional conservation rules and seek to generate the least possible environmental and cultural impact.

The Institute Peabiru realised that its mission - social values, environmental diversity and support for processes of social change in the communities of the Amazon - has affinity with this emerging concept of CBE and thus uses this approach as a tool to strengthen the social fabric and develop human capacity in the Amazon.

The Institute's CBE programme includes several studies and projects. Three of these in the State of Pará are worth mentioning: a) training in CBE in the communities of Maxirazinho and

Lages, surrounding Monte Alegre State Park, Monte Alegre; b) capacity building and strengthening of a youth group in the Extractive Reserve (Resex) Mãe Grande in the municipality of Curuçá, and c) the Sustainable Almeirim project which focuses on the development of CBE in riverine communities along the Amazon River, with an emphasis on youth and women's participation.

Community-Based Ecotourism is the main strategy in the *Value Chain of Young Ecotourism (Cadeia de Valor do EcotourismoJovem)* project in Monte Alegre, Pará. The aim of this project is to improve rural communities' quality of life and conserve the biodiversity of the Cerrado (Savannah area) of Monte Alegre. The project received funding from PPP-ECOS (UNDP and ISPN) and was set up by two communities around the State Park of Monte Alegre, Lages and Maxirazinho.

An example of a training course is the CBE tour in Maxirazinho and Lages which offers tourists the opportunity to experience the daily lives of farmers and fishermen: their community organizations, the family farming of cassava, the set of cave paintings in the region's mountains, typical cuisine, handcrafts and so on. Communities participate in the entire planning process of tourism in their areas.

In the municipality of Curuçá, also in Pará State, Peabiru's CBE activities started in 2006 with research, lectures and trainings. The *Casa da Virada's* ecotourism training programme began in March 2008, with a total study load of 100 hours – both practical and theoretical - and was attended by a group of 20 young people. Local students were trained alongside groups of Canadian tourists. Upon completion of the *Casa da Virada* programme, the young people showed great interest in continuing the implementation of ecotourism in the municipality of Curuçá, resulting in the creation of a non-profit organization, the Institute Tapiaim. The group's motivation has contributed to Institute Peabiru, which now seeks new sources of funding.

In July 2008, on the occasion of the Proclamation of Public Call for Projects MTUR / No. 001/2008 (a selection of projects to support CBE initiatives), Institute Peabiru presented a successful proposal for the creation of the Cooperative of Community Ecotourism in Curuçá. The project, which ran from March 2010 to September 2011, had the following objectives: to establish the value chain of sustainable CBE; to contribute to the conservation of natural resources in the region, especially the micro-basins and mangroves in the area and extractive reserves in the vicinity of the Resex Mae Grande de Curuçá; to establish Curuçá as a national and international ecotourism destination; and to develop methodologies and strategies that will contribute to the improvement of the socioeconomic status of communities in the Amazon.

In addition to these two remarkable experiences, in 2011 the Institute accepted a new challenge: to work with CBE as a value chain which is able to support the structuring and strengthening of other productive activities, such as acai (see the article by Pereira in this issue), Brazil nut, cocoa and cassava. Through the *Almeirim Sustentavel* project, in partnership with the *Insituto Floresta Tropical (IFT)* and supported by the *Fundo Vale*, this new project will make it possible to interact directly with other chains and maximize the results of the programme in the region of the Calha Norte, encompassing municipalities north of Pará State.

From the lessons learnt over the years – that the community is the 'root' of all work and it is necessary to understand and respect local dynamics in order to develop activities and achieve positive results in accordance with cultural and traditional patrimony - Institute Peabiru has identified some challenges CBE still has to face. These include:

- evaluating and the developing participatory indicators with the involvement of all stakeholders;
- strengthening communities in entrepreneurship skills;

Ecotourism as a tool for strengthening the social tissue, alternative income generation and cultural appreciation of communities in the Amazon
Ana Gabriela da Cruz Fontoura

- updating the teaching methods and other key issues (safety, first aid etc.) used in tourism training courses. These need to be increasingly adapted to the reality of local dynamics – using local and natural teaching materials, planning the meetings and making prior agreements for the classes with the participants, prioritizing practical exercises and examples above theories, visiting and interchanging with other communities and projects to learn from their experiences and to give them a 'voice'; and
- implementing effective strategies for working with the consumer market (trade) and on product and innovative services, and trying to be the 'bridge' connecting communities with travel agencies and organizations that operate on CBE and fair trade principles.

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ISS News

MA Specialization blogs

In December 2011, ISS unveiled its new website with a new design and menu structure, making it more attractive and easier to navigate. We have also included special 'action boxes' on the home page which provide direct links to the most important parts of the website such as our teaching and research pages.

Another big change to the website is the launching of MA specialization blogs as a medium to engage in debate and discussion on topics linked to the specialization. So far the Human Rights, Conflict & Peace Studies and Children & Youth Studies specializations have blogs, the Work & Employment blog is in the making and we hope to have all the blogs up and running by the end of this year. Via the blogs current students, alumni, prospective students and anyone interested in the themes can link up with others to share information, news and views about their particular subject area. The blogs have a direct link from the specialization page.

ISS at 60! – 'Knowledge for Development, Justice & Equity'

From September 2012 to August 2013 ISS will celebrate its 60th anniversary. A host of activities are scheduled to take place in the Lustrum week from 8 to 13 October 2012. They include an alumni day in The Hague on 12 October, the annual Development Dialogue on 8 and 9 October, workshops and conferences throughout the week.

All the details of these and all the other events taking place are available on the dedicated web page at www.iss.nl/lustrum2012.

Top class research at ISS

Since the early 1980s when ISS welcomed its first doctoral students over 100 researchers have completed their PhD at ISS. In 2009 we produced a commemorative booklet listing all 100 PhD graduates and this year, with our new website, we have created a dedicated space where we can showcase the work our researchers do. Get a feel for the research our PhD fellows carry out and find out more about the ISS' PhD programme by visiting http://www.iss.nl/research/recent_phd_defences/.

Also this year ISS has produced the first annual Research and Projects Report 2010 and 2011, showcasing our research and projects over the past year. Describing ISS' research aims, the report states,

'...ISS aspires to be a research-led, teaching-based and societally relevant university institute in the social sciences, with a focus on global social issues of major concern to international development, social justice and equity. Our mission is to create and share ground-breaking critical and constructive knowledge pertaining to global issues of international development, social justice and equity, together with scientific peers and others, in order to contribute to the resolution of fundamental social problems.' (Research and Projects Report 2010 and 2011, page 6).

We'll be producing an annual report every year from now on, highlighting the research carried out by our faculty and the global networks and projects they are involved in. You can download the current research report from our website at http://www.iss.nl/research/.

Prince Claus Chairholder at ISS

The Prince Claus Chairholder 2011-2013, Stella Quimbo, held her inaugural lecture at ISS on 21 May. Entitled 'Science bridges policy reforms and children's health: lessons from a policy experiment in the Philippines', the lecture considers why such common diseases as pneumonia and diarrhoea are still among the leading causes of mortality of young Filipino children despite the fact that the technology to prevent and cure these illnesses is widely available. The text of her lecture is available from the ISS website as are photos and a video recording of the event (http://www.iss.nl/news_events/past_events/past_events_detail/article/31859-prince-claus-inaugural-lecture-by-stella-luz-a-quimbo/).

Stella Quimbo talking to ISS students during the reception following her inaugural lecture

The lecture was attended by Her Royal Highness Princess Maxima of The Netherlands, the Mayor of The Hague Jozias van Aartsen, students and staff from ISS, EUR and other universities and invited guests.

Stella Quimbo is professor at the School of Economics of the University of the Philippines but will be based at ISS from May to July 2012 pursuing her research on public health, health economics and development.

ISS alumni meetings

On a regular basis ISS organizes alumni meetings in countries across the world. These meetings are hosted by an ISS staff member and are open to all former and prospective ISS students. Just this year we have organized meetings in Canada, Colombia, Ghana, India, Indonesia and Kenya giving past and future students the chance to catch up with old friends and find out more about studying at ISS.

ISS alumni in Jakarta, Indonesia

Have we planned a meeting in your country? Check out the alumni pages on our website (http://www.iss.nl/alumni/alumni_meetings/upcoming_meetings/) and maybe we will be greeting you in the very near future.

In every DevISSues we include at least one article written by an alumnus of the ISS. The article does not have to be linked to the theme of the issue and can be a personal view of development issues. We also welcome interviews with alumni describing their experiences since leaving ISS. If you would like your article to be considered for publication, please send an email to the editor at pocock@iss.nl.
In this issue we have included an article by Samer Srouji who graduated from ISS in 2005 specializing in International Political Economy and Development. His article breaks open the concepts of donor and recipient in favour of a discourse of complementarity and mutual-responsibility.

Complementarity and South-South Cooperation – Ecuador's New Doctrine of International Cooperation

Samer Srouji

INTRODUCTION

Ecuador's new international cooperation doctrine reflects the emergence of a Latin American doctrine of aid effectiveness. It breaks the traditional concepts of 'donor', 'recipient' and 'aid', in favour of a discourse that stresses complementarity and mutual-responsibility between Northern and Southern actors vis-à-vis development objectives. The privileged position it assigns to South-South cooperation alongside traditional North-South Cooperation is adding to an increasingly horizontal and inclusive dynamic to regional aid architecture. Inspired by the Paris Declaration (2005) as well as the reassertion of sovereignty in international relations, it can serve as a valuable example for other countries, in their efforts to make aid more effective.

ECUADOR'S BREAK FROM TRADITIONAL AID DISCOURSE

Ecuador is no exception to the fragmentation, unpredictability and weak coordination that has traditionally hampered the effectiveness of Official Development Assistance (ODA). The country hosts 30 bilateral donors and 17 multilateral agencies, which between them financed 1,068 projects from 2007-2009. During the same period, there were 129 foreign NGOs, implementing a total of 1,038 projects. In late 2007, the government of President Rafael Correa created the *Secretariat for International Cooperation (SETECI)*, in an effort to better organize international development programmes in the country to ensure that these would contribute to national development objectives, as well as improve coordination with donors. These efforts were given a boost when Ecuador adhered in October 2009 to the Paris Declaration, whose five principles of *ownership, alignment, harmonization, mutual-responsibility* and *results-based management*, seek to facilitate dialogue between donors and partner countries and promote a greater focus on results.

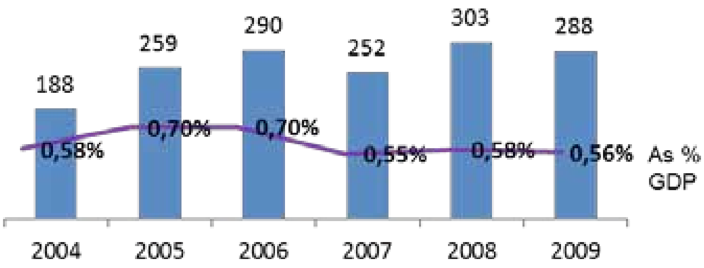
One of the most interesting aspects of Ecuador's new international cooperation doctrine is its timing. While the government was repositioning itself as an actor in development, particularly in terms of strategic economic planning and social policy – the, donor community, led by the OECD and the European Union, was seeking to reorganize assistance programmes around the priorities defined by partner countries. As such, Ecuador entered the aid effectiveness agenda on a strong footing. It had already fulfilled the *ownership* clause of the Paris Declaration through its second comprehensive National Development Plan (NDP). This allowed Ecuador to initiate dialogue with donors around the second Paris Declaration principle - *alignment* – focusing on different sectors of intervention (education, social development, healthcare, etc). The same cannot be said for other developing countries. An OECD evaluation in 2009 found that only 20 per cent of developing countries had sound national development strategies in place, short of the 75 per cent target for 2010, citing weak institutions as one of the main reasons (OECD 2009).

Ecuador's new doctrine is centred on the principle of *complementarity*, and as such brings to the centre the role of the state as the main counterpart in the negotiation and monitoring of ODA. This is a departure from traditional aid discourse where the role of the partner state was ambiguous, or where the latter was sometimes considered an obstacle to development. For Ecuador, international cooperation is a 'complement to the development efforts of the state. Its optimal use results from inter-institutional coordination and networking to achieve better alignment with national development strategies' (SETECI 2010). This is boosted by the Paris Declaration (PD), which requires that donors not only align their programmes with national strategies, but also use these to strengthen the institutional and technical capacities of partner countries (Art. 22).

In addition to the aid effectiveness agenda, the new doctrine can also be seen as a strategic response to the marginalization of Latin America within the global aid system; one of the conundrums of the middle-income countries of the region in the past decade. Total ODA flows to Ecuador in 2009 were $288 million, equivalent to 0.56 per cent of its GDP (Graph 1) and 2 per cent of the government budget, similar to Colombia and Peru. In this context, the traditional discourse around aid as

Graph 1

Net ODA Flows to Ecuador & as a percentage of GDP, 2004 – 2009-in Millions of USD



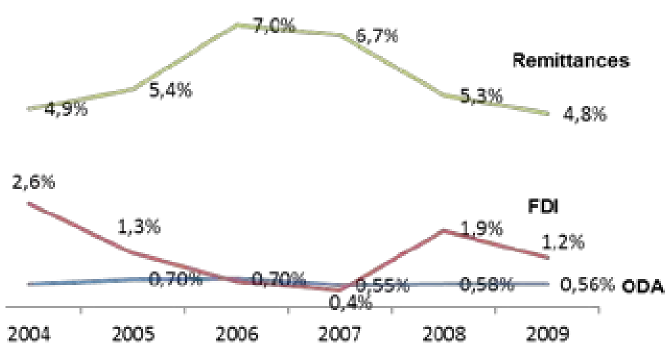
Source: SETECI 2010, OECD

a transfer of savings from the North to the South to bolster investment and economic growth increasingly becomes irrelevant. These figures also reflect the distinct geopolitical positioning of Latin American countries vis-à-vis donors, compared to countries like Ethiopia and Niger to mention a few, where aid can constitute 40-60 per cent of national budgets.For Ecuador, remittances and foreign direct investment are far more important sources of savings (Graph 2). The former, sent from a well-established expatriate community in Spain and North America, tends to surpass ODA by 7-10 times. Foreign Direct Investment (FDI), despite a sporadic evolution, represented more than double ODA flows in 2008 and 2009.

fer of technologies and knowledge' (SETECI 2010). This can contribute to the structural economic changes identified in the *National Development Plan*, improve competitiveness and assist in the implementation of more effective social and economic policy. In this sense, Ecuador disassociates aid from traditional discourse around poverty reduction and economic growth, seeing development as a more complex process, which requires coordination between public and private actors and civil society. It also assigns a strategic value to aid that would not be applied to remittances, aware that these funds are generally used to supplement household savings, as many studies have shown (Terry & Wilson, 2005).

Graph 2

ODA flows, FDI and Remittances in Ecuador, 2004-2009
In % of GDP



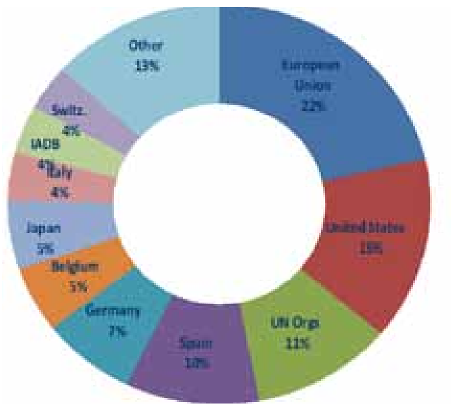
Source: Ecuador Central Bank, SETECI 2010

More specifically, Ecuador's new doctrine seeks to promote the human and technical elements of aid over the financial, to draw on the know-how, methodologies and expertise of industrialized nations. The main contribution of international cooperation for Ecuador is in the 'strengthening of institutional capacities and human talent, the trans-

The re-assertion of sovereignty in international relations also shapes Ecuador's new doctrine. The rights-based approach to development inscribed in the Ecuadorian constitution establishes the government as the guarantor of the rights of citizens to education, healthcare, nutrition, water and social security. As such, the doctrine seeks to discourage development actors - whether donors, NGOs or humanitarian organizations - from providing such basic services to citizens, but encourages them rather to resort to 'budgetary support or … technical assistance, to strengthen the capacity of the state to provide these services, with wide and efficient coverage' (ibid). One of the leaders of this policy in Ecuador is the European Union, which is also Ecuador's main donor (Graph 3). Most of the EU's contributions from 2007 to 2013, €137 million ($185 million), were provided as budget support for the education and productive sectors, with a small amount earmarked for civil society institutions. With this re-assertion of sovereignty, Ecuador distances itself from traditional assistance-based programmes in favour of the generation of local capacity and stronger institutions.

Graph 3

ODA contributions by main donors to Ecuador, based on programmable funds, 2007-2009



Total ODA to Ecuador in 2009: USD 288 million

Source: SETECI 2010

MILLENNIUM DEVELOPMENT GOALS

The relevance and potential of the aid effectiveness agenda for Ecuador contrasts with an ambivalent relationship towards another agenda - the *Millennium Development Goals* (MDGs). At first glance, this is partly due to the reason just reviewed; it would be naïve to imagine policymakers in the region enthusiastic about the MDG agenda while their countries are being marginalized within the global aid system.In particular, the meetings in Monterrey (2002) and Doha (2008) sought to mobilize more finance for development, and supported efforts to achieve the MDGs worldwide. In parallel, Latin America has seen its share of global aid flow decline from 12-13 per cent in 1998-2000, to 6.4 per cent in 2008, as more countries in the region entered the middle-income category. The controversial 'securitization' of the aid agenda has resulted in Iraq, for example, receiving $9.1 billion in ODA in 2007, three times more than the entire Latin America region (OECD, ibid). This is in spite of persistent poverty and inequality in the region, which is masked when only considering the GDP per capita indicator, a point that Latin American policymakers repeatedly make in dialogue with Northern donors (ECLAC, 2010).

More fundamentally, Ecuador's ambivalent attitude towards the MDGs results from a combination of the quality of its institutions and relative non-dependence on ODA. This has made it possible to focus on the *means* to achieve development goals, through the generation of wealth, institutional strengthening, redistributive actions, investment and social spending. It also does not narrowly build a development agenda directed solely at the realization of eight MDGs (Alonso, 2005). Most importantly, Ecuador's rights-based approach to development looks beyond the MDG-goals of poverty reduction and improved school enrolment rates to the achievement of 'universal social policies … stronger social cohesion and equality' (SENPLADES, 2009).

SOUTH-SOUTH COOPERATION - RESHAPING REGIONAL AID ARCHITECTURE

One of the most prominent aspects of Ecuador's new doctrine is the establishment of a South-South Cooperation agenda, contributing a more horizontal and inclusive dynamic to regional aid architecture. At the heart of this new focus are not only the most robust institutions of the Ecuadorian government, but also the paradigm-shift brought about by the aid effectiveness agenda. If international cooperation is a question of mutual-responsibility and reciprocity, it is only logical for developing countries to share their capacities and expertise with each other. It is also an innovative response to the decline in ODA towards Latin America, reflecting a higher degree of self-reliance and a pooling of resources within the region.

In November 2010, SETECI - which now includes a division for Ecuadorian Cooperation - launched its first catalogue of *Ecuadorian Technical Assistance*, the result of a one-year inter-institutional effort to identify technical capacities to be shared with neighbouring countries. At the launch event, SETECI director Gabriela Rosero told donors and delegates from 16 countries that it was important for Ecuador to not only 'receive international cooperation, but also to have the experience, capacity and strength to share with others'. Participants also agreed to the *Quito Agenda for South-South Cooperation*, which recognizes technical assistance between developing countries as an instrument for regional integration.

While South-South Cooperation is not a new doctrine - the *Buenos Aires Action Plan* of 1978 shows that this is very much a Latin American doctrine - the intensification of South-South exchanges is re-shaping regional aid architecture in three important ways. Firstly, Latin American countries have created a strategic linkage between North-South and South-South Cooperation that was less evident in the past. Capacities, technical skills and project experiences gained through North-South Cooperation programmes are increasingly being shared horizontally between Southern countries. It is not surprising to find in Ecuador's offer - in the area of science and technology, natural disaster management, public health and agro-fishing industries - the fruit of previous bilateral cooperation programmes with Northern donors.

Secondly, the pursuit of South-South Cooperation agendas by Latin American countries makes it necessary for donors to think strategically about how to rely more on local capacities (consultants, technical specialists, evaluators). The Paris Declaration as well as the Accra Agenda for Action (2008) encourages donors to give priority to 'local and regional resources' and to support South-South Cooperation, particularly through triangular initiatives. There are some interesting examples of triangular cooperation in the region. GTZ for example, supported an IT-infrastructure project at the municipal level in Ecuador through the use of Mexican experts, the latter drawn from a successful German-backed project in Mexico. The United Nations Industrial Development Organization (UNIDO) also has an innovative platform in place for the exchange of technical specialists in the region - the *industrial knowledge bank*.

Thirdly, the challenge for Latin American countries will be to identify the adequate forum and mechanisms to monitor, quantify, systematize and better understand South-South exchanges. If the OECD-sponsored Bogota high-level event in March 2010 recognized that South-South Cooperation is a doctrine 'led by the South', there is less clarity about which organization should oversee or at least monitor this form of cooperation. Several and sometimes competing forums (ECOSOC, UNDP, ECLAC and the Iberoamerican organization) have emerged to coordinate dialogue and document the experiences of different countries.

CONCLUSION

Ecuador is contributing to the emergence of a Latin American doctrine of aid effectiveness, which is more attentive to the development needs of the region and its positioning within the global aid system. It de-emphasizes the financial contribution of ODA and gives priority to the transfer of technical skills, methodologies and capacities from industrialized nations. Central to it is the promotion of South-South Cooperation, allowing for the exchange of technical capacities and skills between Southern countries, based on their own development priorities and agendas. This is re-shaping regional aid architecture in favour of more horizontal, inclusive partnerships, and is an innovative response to the decline in ODA flows towards Latin America. After years of disillusionment in Northern countries on the relationship between aid and development, Latin America's appropriation of the aid effectiveness agenda and its leading role in promoting South-South Cooperation can serve as a valuable example for other regions of the world and assist in reforming the global aid system.

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