

Request for research proposals

The economics and governance of social and environmental sustainability in global value chains

Background

An important share of global production takes place in global value chains (GVCs). On the one hand, integration into GVCs is often associated with benefits for countries' economic development, growth, and job creation. On the other hand, the environmental and social sustainability of production in GVCs is increasingly contested. In particular in the developing world, we can observe – at times simultaneously and in the same country – both the potential benefits of GVC participation and the adverse social and environmental impacts. Economic development in a number of Asian countries has been partly driven by GVC participation and economic upgrading, from producing textiles and apparels to sophisticated consumer electronics. GVC firms are likely to be more productive and may pay better wages than other domestic firms. Yet, working conditions for low-skilled workers in footloose industries or in second- or third-tier suppliers at times hardly comply even with minimum labour standards. Further, people in countries that produce minerals or smallholders that produce coffee or cocoa have typically benefited little from becoming part of GVCs. Large-scale agricultural production associated to food GVCs is continuing to contribute to the disastrous loss of forests and biodiversity in the tropics.

Social (working conditions, labour rights, distribution, inequality) and environmental (greenhouse gas emissions, deforestation, biodiversity loss, water) aspects of production in GVCs are on the political agenda, and consumers in richer economies increasingly – albeit not consistently – care about sustainability. Sustainability concerns have given rise to various – often multi-stakeholder – voluntary initiatives and certification schemes, for example in coffee and palm oil. Corporate Social Responsibility and sustainability management have become common elements of doing business. Yet, private and voluntary actions do often not suffice to change course and internalize social and environmental costs. In a number of countries, human rights due diligence as well as regulatory and legal action have been implemented or are being discussed.

It is against this background of acknowledging the potential social and environmental costs of GVC production and the emerging patchwork of voluntary and mandatory sustainability standards that we propose to collect recent empirical and theoretical contributions that deal with the “economics and governance of sustainability in GVCs”.

This call for proposals aims to fill this gap by inviting applied and policy-relevant research that speaks to topic of sustainability in GVCs, mainly but not exclusively using quantitative analyses. We are in particular interested (1) in research that attempts to measure and to attribute sustainability outcomes (social and environmental) to GVC participation; (2) in research that attempts to identify (causal) drivers (including policies) of sustainable production in GVCs and conditions that determine how GVC participation impacts sustainability outcomes; and (3) in research that considers possible unintended consequences and trade-offs of such drivers and dimensions of sustainability.

Given these overarching research objectives, exemplary research questions include but are not limited to:

- What is the **impact of government regulation**, such as due diligence laws for GVCs, on sustainable production in GVCs? Does it entail unintended consequences that may work to the detriment of sustainable production by, for example, excluding specific workers, firms or regions, such as through relocation effects? How do trade and investment policies (and social and environmental provisions) or sanctions help to achieve sustainability goals? Do such initiatives lead to trade diversion and exclude supplier countries, or do they indeed induce change in respective countries or firms?
- Is **integration into GVCs causing improvements** in social and environmental performance? Should participation thus be supported despite (initially) poor performance on those dimensions? To what extent is sustainability in GVCs rather driven by structural (economy-wide) factors than by GVC participation itself? What is the relevant counterfactual to determine empirically whether GVC production is sustainable (international versus host-country standards)?
- How do GVCs impact structural aspects of the economy? Do **GVCs contribute to inequality** through distributional impacts between production factors, firms, workers or economies? Does this give rise to ‘superstar’ firms and impact the size distribution of firms and thereby the distribution of markups or the labour share in production?
- Do **gains in GVC firms spill over** to more upstream suppliers or to non-GVC firms? What do we know about second- and third-tier suppliers that are often informal? Are those participants affected differently by GVC participation?
- What is the role of **market structures, contract schemes, industrial organization of GVCs, GVC governance, and firm-to-firm relations and linkages** within GVCs for the distribution of rents, firm performance, and the diffusion of sustainable practices, such as environmental and labour standards? Can firms with low bargaining power ‘afford’ sustainable practices?
- How do **MNE strategies** like CSR impact sustainability in GVCs? Does an emphasis on sustainability impact ownership decisions along GVCs and do these decisions relate to the relative position of firms within production chains? Do ownership decisions like vertical integration negatively affect supplier-country firms or exclude some of them from GVCs? What is the role of FDI in fostering sustainable production, such as energy use?

- How does an emphasis on sustainability affect the **cost structure of MNEs** or of supplier firms and their competitiveness? Do new technologies like Industry 4.0 or blockchain facilitate sustainable production in GVCs, e.g., by improving monitoring systems and reducing costs for involved firms?
- What is the role of **consumer behaviour** in developed and large emerging countries in driving sustainability? Does certification, such as through FairTrade, change consumer demand towards more sustainable products and is it an important driver of sustainable production along GVCs?
- How do sustainability considerations, such as through changing consumer preferences (and concepts of circular economies), impact the **(re-)organization of global value chains**? Does this add to the postulated trend of re-organization/de-globalization stemming from declining factor price differentials, new technologies, or political tensions? Does such an emphasis make it more difficult for developing countries to participate in global export markets?
- Do GVCs improve sustainability overall? How strong are potential **negative effects vis-à-vis positive ones**? Does technology transfer of clean technology outweigh the scale effect of increased economic activity due to GVCs? Does rising income and an associated demand shift towards cleaner products outweigh the possibility to exploit pollution havens at a more fine-grained level?
- How do **certification schemes** and voluntary standards impact value chains in supplier countries? They seem to achieve the desired benefits in terms of pay, labour conditions and environmental performance, but do they also lead to broader changes of the characteristics of GVCs, such as in improving the overall position of firms in developing countries?

Research methods and data

We encourage submissions of research proposals applying mainly but not exclusively quantitative approaches on both the micro and macro level and combinations thereof. Examples of quantitative research include firm- and worker-level data, as well as employer-employee matched datasets; labour force surveys and household data; and spatial (national, subnational, cities, geo-referenced data), and country-, industry- or product-level studies. The proposals may use, among many others, new approaches to study firm-to-firm linkages using administrative datasets or transaction-level datasets either for domestic parts of value chains or through international linkages. It further includes macro studies using input-output datasets or cross-country trade analyses. We also encourage studies on specific actors and/or sector in value chains, which can also be qualitative. This extends to actors that are often more difficult to observe, such as informal participants and casual workers, typically derived from surveys on specific parts of the economy. We are in particular interested in studies that try to causally identify the effects of GVC participation and of policies and other possible drivers on sustainability outcomes. Yet, we also encourage studies that pay particular attention to measurement and identification of issues of sustainability in GVCs, GVC participation and of possible drivers, which may focus less on causal identification but on the identification of new patterns and stylized facts.

Modalities

We invite proposals for papers investigating challenges and opportunities of sustainable production in GVCs. The goal of this call for research proposals is that the funded papers will be published in a special issue of a journal.

We welcome proposals from (groups of) individuals as well as non-profit organizations, and in particular encourage submissions from women and developing-country researchers. Suitable papers will be funded with up to 10 000 Euros, and payment will be made upon delivery of a working paper and a one-page summary of the main findings at the end of 2021. The working paper will be published in the GIGA or another working paper series, needs to be written in English and to be limited to 10 000 words. These deliverables must be deemed acceptable before payment is made. The funds are expected to cover all expenses of the proposed research (such as data collection or research assistance).

All (lead) authors of the funded research are expected to attend a 1–2-day workshop in 2021 (tentatively between October 25 and November 5) to present and discuss the contracted research with other authors. Depending on Covid-19-related circumstances the workshop will be held on site in Hamburg or digitally. Associated costs will be borne by GIGA in accordance with its travel policy.

The editorial team will draw from funded papers to develop a journal special issue and to formally pursue publication. Payment of the funds is conditional on the delivery of the working paper and the one-page summary, but the journal special issue will not be finalized at that stage. After payment has been made, researchers may therefore be asked to respond to requests by the journal publisher/editors for the special issue., and to participate in a knowledge-transfer event/workshop.

Timeline for 2021

March 15	– Publication of request for research proposals
May 23	– Submissions of proposals due
May 30	– Funding information
October 25	– Draft papers due
October 25 – November 5	– Target window for author workshop at GIGA (Hamburg, Germany)/digitally
December 13	– Final papers due to be published as Working Paper (and subsequent submission to journal as special issue)

Criteria

Research proposals are evaluated based on: relevance of research question, fit with the call, overall coherence, and policy relevance (50 percent), technical merit (25 percent), and capabilities of the research team (25 percent). Based on this assessment, proposals will be

ranked to inform the decision panel. After selection of suitable research proposals, the researcher(s) will be asked to submit an offer for the fulfilment of the work.

Up to two authors per study can obtain a contract and receive the funding. If more authors contribute, the distribution of the honorarium must be managed internally among the authors.

In order to facilitate effective negotiations with editors of journals and to achieve the most desirable publication outlet for a selected set of papers, researchers will transfer copyright of funded research to GIGA. If no (further) publication is to be expected by GIGA, the copyright will be transferred back to the author(s).

Submission

The proposals should be limited to three pages, excluding cover page and references. Please use 12-point font, 1.5 line spacing, and standard margins. The proposal should clearly state the research objectives, study design, data sources, and policy relevance. The cover page should contain the complete contact information of researcher(s) and a 200-word abstract.

Please submit your proposals as pdf by email to globalsupplychains@giga-hamburg.de stating 'Submission' in subject line. Please also submit CVs of up to two authors. Submission of a budget is not required. Any queries on the proposal process should be sent to globalsupplychains@giga-hamburg.de, stating 'Query' in the subject line. Please send more substantive questions on the contents to stefan.pahl@giga-hamburg.de.

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About the research network sustainable global supply chains:

The research program aims to synthesize and process existing knowledge for evidence-based policy decisions and to provide new relevant research on sustainable global supply chains. The project is jointly hosted by [German Development Institute \(DIE\)](#), [German Institute for Global and Area Studies \(GIGA\)](#), [Kiel Institute for World Economics \(IfW Kiel\)](#), and [German Institute for International and Security Affairs \(SWP Berlin\)](#).

For more information, see www.sustainablesupplychains.org.