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ORIGINAL ARTICLE

Linking power and inequality in global value chains

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Abstract

There is increasing interest in the study of globalization on whether the emergence and consolidation of global value chains (GVCs) have exacerbated inequalities within and across nations and/or how GVCs may be leveraged to mitigate them. Although power asymmetries have been identified as a central factor shaping (un)successful GVC participation, dominant discourses still disregard the links between power and inequality or use these concepts interchangeably. In this article, we provide an analytical approach to GVC-related inequalities (*within*, *along* and *through* value chains) and examine how they may co-evolve with different types of power (bargaining, demonstrative, institutional and constitutive). We apply this approach to the case study of the hake value chain in South Africa to illustrate how existing inequalities are manifested, challenged, mitigated or exacerbated—and draw an agenda for future research.

KEYWORDS
fish, global value chains, inequality, power, South Africa

INTRODUCTION

The globalization of production has yielded new winners and losers within and across nations, spurring much debate on different forms of inequality and their trends (Milanovic, 2015, 2016; Piketty, 2014; Piketty & Saez, 2014; Stiglitz, 2019; Zucman, 2015). There is also increasing interest in how the emergence and consolidation of global value chains (GVCs) may exacerbate inequalities or how GVCs may be leveraged to mitigate them (e.g. see Durand & Milberg, 2020; Grabs & Ponte, 2019; Ponte, 2019; Quentin & Campling, 2018; Selwyn, 2019). The dominant discourse around GVCs

in the development sector speaks for more widespread inclusion and upgrading towards higher value-added activities as the main pathways for addressing global North–South inequalities at a country and firm level (Sturgeon & Whittaker, 2019; Taglioni & Winkler, 2016; Whittaker et al., 2020). However, research has shown that despite massive GVC participation, many Global South actors have failed to significantly improve and/or retain the value added they create, and that power dynamics within GVCs play a significant role in limiting the success of upgrading efforts and GVC-led development more broadly, contributing to persistent inequalities (Bair & Werner, 2011; Milberg & Winkler, 2013; Phillips, 2011; Ponte, 2019; Quentin & Campling, 2018; Werner & Bair, 2019).

While power has been a central concept in GVC analysis to examine how so-called lead firms govern the distribution of value and risk along their production and distribution networks (Gereffi, 1994, 2005; Gereffi et al., 2005; Gibbon et al., 2008), inequality has been rather implicit and has often been confused or equated with power asymmetries. In this article, we seek to more systematically link power and inequality in the study of GVCs. This allows us to analytically engage with the conditions under which different dimensions of inequality are challenged, mitigated or exacerbated in GVCs. Past research has shown that power and inequality in GVCs may reinforce each other, but also that there can be trajectories of change. Power asymmetries may be contested by supposedly 'powerless' actors (see Alford, 2020; Bair & Palpacuer, 2015); disruptive events such as the COVID-19 pandemic may reshuffle power constellations; and 'silent' powerful actors such as regulatory institutions may reclaim influence, in turn re-shaping existing inequalities. To identify time-sensitive action points, where 'political pressure or strategic action' in relation to disadvantaged actors is possible and effective (Riisgaard et al., 2010), we argue that GVC research needs an analytical framework that can guide a more focused and empirically comparable study of how power dynamics shape different dimensions of inequality in GVCs.

In this article, we outline an approach that can help researchers to more systematically link power and inequality by distinguishing between three dimensions of inequalities in GVCs: inequalities at one node (*within* chains), inequalities between different nodes (*along* chains) and inequalities in the wider economic, social and ecological systems the chain is embedded in (*through* chains). Existing research has not differentiated clearly enough between these dimensions of inequality in GVCs. The conceptualization of inequality is often implicit and blurred, as GVC research often moves between different levels of analysis without making explicit whether it refers to inequality between actors at the same node, at different nodes or in the wider systems the chain is embedded in. The purpose of this distinction is to analytically separate the mechanisms through which different types of power (as identified by Dallas et al., 2019) may create, reinforce, maintain or challenge different dimensions of inequality in GVCs over time.

In the next section of this article, we examine the current state of the literature on power and inequality in GVCs. We then introduce what we mean by inequalities *within*, *along* and *through* the chain and draft some key research questions that can link power and inequality. To illustrate our approach, in the following section we study power and inequality in the export-oriented hake value chain in South Africa. We start by justifying our case study and discussing our methods and fieldwork efforts. Then we identify how different dimensions of inequality are manifested at a specific point in time and trace historically how power dynamics in the chain have challenged, mitigated or exacerbated these inequalities. Lastly, we draw an agenda for comparative empirical research on the dynamics of power and inequality in GVCs.

POWER AND INEQUALITY IN GVCs

Power in GVCs

Research in the field of GVC analysis has examined the concrete practices, power dynamics and organizational forms that structure cross-border business networks. Although the idea of powerful 'lead firms' as the main governance actors plays a central role in GVC research, until recently there had been little theoretical attention to what types of power GVC actors actually employ, when and where. Most of the GVC literature mainly focused on bargaining power

in attempting to explain governance dynamics—when it considered power relations at all. It was also mostly concerned with the role played by lead firms in shaping the behaviour of other firms in the chain, mainly their direct suppliers, and in shaping the overall functioning of the chain (e.g. Gereffi, 1994). As the analytic lens of GVCs expanded, different implicit applications of the concept of power emerged and the role of other powerful actors, such as large transnational suppliers, certification agencies, multi-stakeholder initiatives and labour unions, became more prominent (see, inter alia, Bair & Palpacuer, 2015; Bartley, 2007; Bloomfield, 2014, 2017; Levy, 2008; Nickow, 2015; Palpacuer, 2019; Schurman & Munro, 2009; Sturgeon, 2002, 2009). This body of research showed that firms and other actors set up both explicit, formal industrial standards and certifications and at the same time coordinate through informal conventions, best practices and norms (Dallas, 2014; Gibbon & Ponte, 2005a, 2005b; Nadvi, 2008; Ponte & Sturgeon, 2014). It also highlighted various levels of explicit state action and authority (Horner, 2017; Jespersen et al., 2014; Neilson & Pritchard, 2011).

To address the lack of an explicit framework to examine power in GVCs, and drawing from broader discussions of power in cognate literatures, Dallas et al. (2019) developed a typology of power in GVCs built along two broad dimensions: a 'transmission mechanism' and an 'arena of actors'. They argue that *transmission mechanisms* can be 'direct' or 'diffuse', as GVC actors can seek to exert direct forms of influence over other actors or groups in formal, specific and explicit ways, but there can also be more diffuse types of power in which actors and the objects of power are less clearly identifiable and actions also less intentional. They also contend that the *arena of actors* can be 'dyadic' or 'collective'. Dyadic arenas refer, for example, to the power dynamics between lead firms and their suppliers. Collective arenas indicate a situation where multiple players act simultaneously and/or are part of more institutionalized groups, such as business associations, multi-stakeholder initiatives or governments.

Dallas et al. (2019) propose that these two dimensions combine to highlight four ideal types of power in GVCs: bargaining, demonstrative, institutional and constitutive. *Bargaining power* (dyadic and direct) is clearly the most common type of power found in GVC and related literatures, with analyses largely focused on firm-to-firm bargaining snapshots, with some attention now shifting from lead firm (buyer) power towards various types of supplier power (e.g. see Mondliwa et al., 2021; Raj-Reichert, 2019; Sako & Zylberberg, 2019). But changes in dyadic GVC relationships (e.g. tougher requirements from buyers) can shape more than the behaviour of the supplier involved in the transaction. They can also create a demonstrative effect among all suppliers or would-be suppliers of a particular good or service. Therefore, we also need to pay attention to *demonstrative power* (dyadic and diffuse). For instance, a specific practice or organizational form may be copied by competing suppliers or by suppliers wishing to enter a value chain. The outcome of bargaining within particular dyads can thus subsequently travel along the value chain through mimicry. *Institutional power* (collective and direct) is exercised by collectives that are more formally institutionalized. For example, state agencies exert institutional power by regulating the conduct of specific actors under their jurisdiction. Finally, *constitutive power* (collective and diffuse) is manifested when collectives do not exhibit clear or formal common membership. Constitutive power is thus less codified and requires less direct forms of enforcement, but actors still know and agree when a general norm or convention has been violated and may collectively impose sanctions (Dallas et al., 2019).

This typology of power in GVCs has already proven useful in explaining the evolutionary dynamics of power in a number of case studies in both capital- and labour-intensive industries (Dallas et al., 2019; Gallemore et al., 2022; Grabs & Ponte, 2019; Mondliwa et al., 2021; Ponte, 2019). However, these studies have not explicitly examined the links between power and inequality. To fill this gap, in the next sub-section, we distinguish between different dimensions of inequality related to GVCs.

Inequality in GVCs

The term 'inequality' has rarely been defined or used as an explicit analytical category in the GVC literature (with the exception of gender inequality [e.g. see Barrientos, 2019] and income inequality [e.g. see Kaplinsky, 2019]). Since the adoption of GVC analysis by development scholars, there has been an increasingly dominant and often implicit

understanding of GVC research as a 'developmental toolbox' for mitigating North–South inequalities through the appropriate 'management of development' in the Global South (Selwyn, 2019). This has entangled the conceptualization of inequality in GVC analysis with the idea of 'catching up' by Global South actors. Through GVC participation, they would facilitate economic development and thereby promote the mitigation of North–South inequality. This idea of GVC-led development has brought about a proliferation of interest in the distribution of value added in GVCs, which parallels the much broader discussions on global, transnational and national inequalities in terms of income and wealth (Milanovic, 2016; Piketty, 2014, 2020; Zucman, 2015).

Several scholars have started to question the narrative of GVC participation and economic upgrading as a pathway for economic development in the Global South (among others Bair & Werner, 2011; Milberg & Winkler, 2013; Phillips, 2011; Quentin & Campling, 2018; Selwyn, 2015; Werner & Bair, 2019). One of the most common forms of critique questions the proposed win–win narrative by pointing to the conditions under which actors become 'adversely incorporated' in GVCs (Phillips, 2011, 2013). Another form of critique questions whether there may be structural forces which prevent some GVC actors, especially in the Global South, from achieving better outcomes and actually 'catching up' in terms of value capture (see, inter alia, Durand & Milberg, 2020; Milberg & Winkler, 2013). A more radical form in turn holds that GVCs may themselves be constitutive of global inequalities as they transform the relations between capital, labour and nature in ways that reinforce existing inequalities (Baglioni et al., 2020; Baglioni & Campling, 2017; Campling & Selwyn, 2018; Phillips, 2017; Quentin & Campling, 2018; Selwyn, 2015, 2019). Together, these different strands of critical research have shown that the supposed potential of GVC participation for mitigating global inequality has been overestimated.

Much discussion in this field evolves around the adequacy of GVC analysis' understanding of value for capturing the various ways in which global inequalities are manifested (regarding the concept of 'value', see Gradin, 2016; Havice & Pickles, 2019). While research has found that the distribution of value added in GVCs continues to be an important indicator of how global inequality manifests in GVCs, it has proven insufficient as an analytical concept to capture other mechanisms that are productive of inequalities, such as the skewed distribution of hidden environmental and social costs of GVC operations (LeBaron & Gore, 2020; LeBaron & Lister, 2021; Ponte, 2021; Stringer et al., 2016), or lead firms' appropriation of green capital and nature at the cost of downstream actors and their communities (Campling, 2012; Ponte, 2019). This suggests that key challenges remain in theorizing inequality in GVCs: (a) there are different dimensions of inequality that are related to GVCs, and (b) the mechanisms through which GVCs may shape inequality are diverse, going far beyond a simple understanding of how the distribution of value added among chain participants is shaped by a group of lead firms.

Three dimensions of inequality

While the literature on governance and sustainability has considered the multiple dimensions along which power is exercised for the governance of GVCs (Bush et al., 2014; Ponte & Sturgeon, 2014), so far there has been no explicit theorization of the multi-dimensional nature of inequality. Current research sheds light on the various facets of adverse incorporation in GVCs and their outcomes, but often moves between different levels of analysis without making explicit whether the analysis refers to inequality between different actors at one node of the value chain, to inequality between actors operating in different nodes and/or inequality arising from the broader economic, social and/or environmental impact of GVC activities. This suggests that current research is lacking a common understanding of which dimensions of inequality can be addressed within the framework of GVC analysis and how.

To start addressing this shortcoming, and inspired by Bush et al.'s (2014) typology of sustainability governance in, of and through GVCs, we propose that three main dimensions characterize inequality in GVCs: (1) inequality *within* chains (at individual value chain nodes); (2) inequality *along* chains (between different nodes); and (3) inequality *through* chains (in the wider social, economic and ecological systems the chain is embedded in) (see Table 1).

TABLE 1 Three dimensions of inequality in global value chains (GVCs)

	Within chains	*Along* chains	*Through* chains
Form of inequality	Inequality at one node in the chain (e.g. in primary production)	Inequality across different nodes of the chain (e.g. between primary production and processing)	Inequality in the wider social, economic and/or ecological systems the chain is embedded in
Units of analysis	Different groups of actors operating the same function at one node (differences based on size, technology used, strategy, end-markets they serve)	Groups of actors operating different functions at different nodes (e.g. primary production vs. processing)	- Capital, labour, nature - Ethnicity, race, nationality, gender - Norms, conventions, culture
Mechanisms shaping the dimension of inequality	Node-specific terms of participation, adverse incorporation, inclusion/exclusion dynamics, disarticulations	Race to the bottom, access to markets, control of intellectual property rights or other proprietary knowledge	Transformations of broader capital–nature and capital–labour relations, as well as relations between different national, racial and ethnic groups, and/or by gender
RQs about power and inequality	How do different types of power shape inequalities between different groups of actors at a specific node of the chain?	How do different types of power shape inequalities between different groups of actors across chain nodes?	How do different types of power shape inequalities in the wider systems the chain is embedded in?

Note: Different types of power in GVCs: bargaining, demonstrative, institutional, constitutive (as in Dallas et al., 2019).
Source: Authors.

Inequality *within* chains in the literature usually relates to the mechanisms which influence how different groups of actors carrying out similar functions fare at the same node of the chain, depending on their size, the technology they use, their business strategy and/or the end-markets they serve (Palpacuer et al., 2005). This suggests that groups of actors which carry out a similar type of activity in the chain may face different barriers to upgrading, benefits and/or costs, risks or threats linked to participation. In the literature, these are referred to as node-specific terms of participation (Lee et al., 2012), adverse incorporation of disadvantaged actors (Phillips, 2011, 2013), inclusion/exclusion dynamics (Bair & Werner, 2011) and disarticulation practices (Christian, 2016).

Inequality *along* chains is about how a group of actors carrying out a function at one node fares compared to a group of actors operating a different function at another node. This entails comparing, for example, groups of firms operating in primary production and in processing—and/or between the labour conditions of workers employed at different functions along the chain. Analysing inequality along chains can include an assessment of risk, rights and benefits, different returns to investment and/or the distribution of value added and profit across GVC nodes. The literature suggests that, as lead firms across industries are seeking to reduce costs, competition among suppliers is increasingly squeezing value out of actors engaged in manufacturing and primary production (Milberg & Winkler, 2013). At the same time, the rising importance of intangible assets is generating higher rents for downstream actors (Durand & Milberg, 2020). These factors lead in many industries to a 'smiling curve' of distribution of value added along the chain (Mudambi, 2008). Sustainability governance initiatives and management have also been shown to often perpetuate inequalities along chains—as they increasingly shift compliance costs and risks to producers, while the value added through these initiatives is appropriated by downstream actors in the chain (a so-called sustainability supplier squeeze) (Ponte, 2019).

Inequality *through* chains refers to the mechanisms through which the chain as a form of organizing global economic processes shapes (and is shaped by) the wider social, economic and ecological systems it is embedded in (see Table 1). This may entail analysing the outcomes of processes of transformation in the relations between capital, labour and nature, and/or between different national, racial or ethnic groups, or by gender. Examining such interactions may also require a close look into the local systems and relationships within which chain actors and their communities are situated (Bolwig et al., 2010).

While GVC analysis offers tools and concepts to examine how power may shape inequalities within and along chains, this systemic-level analysis requires us to draw more heavily from other political economy and political ecology theories, which can help to shed light on processes and phenomena. For example, Bair and Werner (2011) emphasized the temporal and spatial dynamics of inequality through GVCs from a disarticulations perspective to demonstrate how GVCs embed a systemic reproduction of uneven geographies—globally, regionally, locally and over time. In relation to capital–labour relations, Baglioni et al. (2020) interpreted GVCs as 'entrepreneurial capture'. They argued that GVCs concentrate knowledge in lead firms who control production activities from a distance, search for disequilibria, seek rent and capture and redistribute value away from labour—thus representing a class struggle from above. In relation to capital–nature relations, Baglioni and Campling (2017) laid out how lead firms' appropriation of nature represents a key factor of inequality—as they absorb ecological surpluses to the detriment of other actors (see also Campling, 2012; Havice & Campling, 2017). Finally, Quentin and Campling's (2018) work on 'global inequality chains' reflected on how value is distributed away from materially productive nodes and towards asset owners—through advanced mechanisms of wealth accumulation and protection (see also Seabrooke & Wigan, 2017 on 'global wealth chains').

Our characterization of the three different dimensions of inequality in GVCs does not imply that they exist independently and isolated from each other. Different dimensions will necessarily overlap, intersect and interact. In particular, inequality through GVCs tends to also shape the conditions under which specific groups of firms and/or social groups operate within a given regulatory regime—as we will explore in detail below in relation to the legacy of apartheid in South Africa.

In Table 1 (last row), we also start to explore some key research questions that can guide our empirical study of how different types of power (bargaining, institutional, demonstrative and constitutive, as in Dallas et al., 2019; Grabs & Ponte, 2019; Ponte, 2019) may shape different dimensions of inequality. We recognize that power and inequality can be mutually constitutive. However, given the space limitations, the analytical approach we take below focuses on examining the ways in which power may shape different dimensions of inequality, while excluding the question of how inequalities themselves may shape the distribution of power.

POWER AND INEQUALITY IN THE HAKE VALUE CHAIN IN SOUTH AFRICA

Justification and methods

In our empirical application, we examine the case study of the hake value chain in South Africa. This case study is particularly relevant for the approach we developed in the previous two sections for two reasons. First, because it allows us to show how the different dimensions of inequality interact with each other, as the history and legacy of apartheid (strongly shaping inequality through chains) also affects important elements of inequality within and along chains. At the same time, there are other important aspects of inequality that are driven by other concerns, such as those related to international competitiveness in global fish markets, the demands of international buyers of seafood products and transnational preoccupations with the sustainability of fisheries (through Marine Stewardship Council certification). Therefore, peculiar national-level concerns and the transnational character of this export-oriented industry blend in ways that can help testing the applicability of our framework to a complex constellation of different dimensions of inequality. Second, the case study of hake in South Africa allows us to leverage the whole gamut of power types. In addition to more classic reflections on bargaining power, the key regulatory role of the state in assigning fishing quotas

allows us to assess the role of institutional power, while concerns with sustainability and 'Black Economic Empowerment' stimulate the study of demonstrative and constitutive power—in view of explaining the inequality dynamics we observe.

The material presented in this part of the article was collected in two periods. First, one of the authors carried out fieldwork for a total of 3 months in the 2004–2005 period when the South African government undertook an important long-term rights allocation for the hake deep-sea trawl fishery. At that time, fieldwork entailed the collection of key secondary material (policy documents, existing studies and consultancy reports, quota allocation documentation, industry statistics, company reports) and 47 semi-structured interviews involving 51 people who represented 29 organizations. These included five research institutions, one standards organization, two fish industry organizations, the key government regulatory agency, two environmental NGOs, one media company, one service provider and 17 hake fishing industry companies—including 12 hake trawl quota holders, of which eight were also processors. These included all the top five companies by size of rights allocation in 2005 (representing 75% of total allocated quota at that time) and seven medium and small rights holders. The first group was selected purposefully to cover all the major players in the industry. In all five, an upper management representative was interviewed (at the CEO/owner/marketing manager level) together with operations managers and/or quality control managers for a total of 14 interviews. The second group of companies was selected randomly from the list of hake quota allocations for 2004–2005. In these companies, at least an upper management representative or owner was interviewed. Interviews were conducted in most cases at the premises of the relevant organization or business.

Second, in 2020, as the new long-term rights allocation process was under discussion, two of the authors carried out interviews and assembled secondary material of similar nature to that collected in 2005. In this second period, a total of 17 interviews with a total of 15 individuals were carried out—representing four industry associations, a government regulatory agency, two consulting companies and six hake trawl quota holders. This time, the focus was on interviews with managers or owners of smaller companies with high transformation scores—in view of understanding entry and growth barriers faced by smaller players in the industry. However, we also interviewed a senior manager in one of the 'big three' integrated fishing and processing companies. Because of COVID-related restrictions, all interviews took place online. Due to the difficulties in establishing contact under full lockdown in South Africa, we had to take a snowball sampling approach.

In both phases of fieldwork, given the sensitivity of the information collected and the upper management nature of some of the interviewees, both within companies and in government and industry associations, interviews were semi-structured and confidential. To maintain a pledge of confidentiality, all interview material used in this article is presented anonymously and was handled through interpretive analysis rather than frequency counts—with focus on a small list of broad thematic areas (transformation, fishing quota allocation, operational models, sustainability, economies of scale, competitiveness, barriers to entry). We included as many extensive quotations as possible in a longer working paper version of this article (see Vilakazi & Ponte, 2020), but could only keep a few in this version because of space limitations.

Background

Before we start examining the current status of three dimensions of inequality in the hake value chain in South Africa, we first provide a brief history of the evolution of the hake industry in South Africa and the program of Broad-Based Black Economic Empowerment (B-BBEE) that seeks to address race-based inequalities.

The South African hake deep-sea trawl industry (the focus of this article, 'hake' for simplicity) is valued at ZAR 4.5 billion (wholesale) or USD 308 million (2018 data) (Fiandeiro et al., 2019).[1] It is the largest commercial fishery in the country (45% of the total wealth generated from commercial fisheries) and employs over 7000 workers, most of whom are full-time and draw social benefits (Fiandeiro et al., 2019; SADSTIA, 2019a). These characteristics make an especially contested industry from the point of view of post-*apartheid* transformation.[2] The hake value chain in South

Africa is dominated by a small number of vertically integrated companies (I&J, Sea Harvest and Oceana) that carry out fishing operations, processing and marketing/export (for a comprehensive analysis of industry structure and evolution, see Vilakazi & Ponte, 2020, 2022).

Although the hake fishery was established back in the 1890s, it remained mostly unregulated until the early 1970s, when it peaked at over 300,000 tons of catch. It started being more regulated from 1977 onwards, with the setting of an Exclusive Economic Zone (EEZ) and the subsequent allocation of an annual Total Allowable Catch (TAC) quota and of individual (non-tradable) quotas to individual fishing companies on the basis of their historical performance. With the end of *apartheid* in 1994 and the passing of the Marine Living Resources Act (MLRA) in 1998, the new government of national unity clarified that fishing rights are not property rights, but are rather approvals of access for a defined period. This, at least theoretically, provided more leverage to the state in the allocation of fishing rights and the possibility of opening access for previously disadvantaged groups to an industry historically dominated by'white capital' (Ponte & van Sittert, 2007; van Sittert, 2002; Vilakazi, 2021).

In parallel to the passing of the MLRA, South Africa also embarked on a series of programs (known initially as Black Economic Empowerment [BEE]) aimed at empowering groups and individuals who were previously disadvantaged by the system of *apartheid*. First, BEE focused on increasing 'Black'[3] ownership of shares in major corporations (Roberts et al., 2007; Vilakazi, 2021). Later, it was reformulated into 'broad-based BEE' (we use the acronym BEE in the rest of the article to refer to both) to cover other aspects, such as management control, skills development, new enterprise and supplier development, and socio-economic development efforts of historically 'White' businesses (Bracking, 2019; Hamann et al., 2008; Mebratie & Bedi, 2013; Mondliwa & Roberts, 2020; Southall, 2007; Tangri & Southall, 2008; Vilakazi, 2021). This included the development of BEE codes of good practice for companies and a scorecard system to measure business performance. The main point to note here is that BEE has been a key feature shaping the South African hake value chain, given that fishing quotas are allocated by the state for 15 years on a range of criteria—including performance on BEE and transformation.

Three dimensions of inequality

In Table 2, we present a summary of our analysis of current inequalities *within*, *along* and *through* the South African hake value chain. For each dimension, we specify in a highly stylized manner: the main units of analysis; the focus of each analytical approach in view of selected comparisons of different kinds of firms and/or social groups; the main mechanisms shaping inequalities; and selected outcomes. The table does not cover all possible elements of the three different dimensions of inequality, but is rather the expression of what we interpret as the most relevant features given the kind of data we have gathered. We do not have space to comment in detail on all these observations in the text. For a more comprehensive coverage, see Vilakazi and Ponte (2020, 2022).

We examined inequality *within the chain* at two nodes: fishing and processing. In each node, we found large/legacy (historically 'White capital') firms and new entrants; more transformed and less transformed firms (as per BEE scorecard); and different 'clusters' of firms (see below). In relation to fishing, the main mechanism productive of inequalities we identified is access to fishing quotas assigned by the state. We observed that large/legacy firms as individual entities have lost fishing quotas during the BEE adjustment period (from the early 2000s onwards) vis a vis new 'empowered' entrants. However, these large/legacy firms have also found mechanisms and contractual forms to pool together fishing *clusters* that they still control, which translates into their ability to maintain fishing quota levels that feed into their processing plants—at the same time as they are 'Blackening' their shareholder profile. This also entails that more transformed firms (including some legacy firms) have been able to obtain more quotas (or face smaller losses) than less transformed ones. At the fish processing node, the main mechanism productive of inequalities we found is differential access to capital, processing facilities and markets. We observed that large/legacy firms have maintained their almost complete control of onshore processing and marketing. Through better access to capital (the three largest companies are part of listed groups), they also control a majority of onboard processing on

TABLE 2 Three dimensions of inequality in the South African hake value chain

Dimension of inequality			
	***Within* the chain**	***Along* the chain**	***Through* the chain**
Units of analysis	- Legacy firms versus new entrants - More transformed versus less transformed firms - Different clusters of firms	- Vertically integrated groups versus firms only fishing or processing	- Capital, labour and nature
Focus of empirical approach	- Comparing different firms/clusters within the fishing node - Comparing different firms/clusters within the fish processing node	- Comparing firms that are vertically integrated and those that only fish	- Assessing changes in formal employment and returns to capital - Assessing environmental sustainability - Assessing overall 'transformation' in terms of BEE
Mechanisms shaping inequalities	- Quota allocation (fishing only) - Differential access to capital, processing facilities and markets by type of firm/cluster	- Different capabilities of creating and controlling value added by fishing only firms and vertically integrated firms - Different access to capital, logistics and markets by fishing only firms and vertically integrated firms	- Capital–labour relations - Capital–nature relations - BEE policies and industry regulatory processes
Summary of outcomes	Fishing: - Large/legacy firms as individual entities lose quotas versus new entrants - Large/legacy firm-driven clusters maintain quota levels versus other clusters - More transformed firms (including some legacy firms) win over less transformed ones Fish processing: - Large/legacy firms have almost complete control of onshore processing - Large/legacy firms have better access to capital and control a majority of onboard processing on freezer trawlers; other firms tend to focus on landing fresh fish	- Large/legacy firms are vertically integrated and through processing and marketing control most of value addition - Firms that are not part of large/legacy firms' clusters find it difficult to access storage and processing facilities onshore, can be charged higher fees for processing; they face higher risk and lower returns because internal pricing practices by vertically integrated firms tend to push down prices for the fish supplied to them - Smaller, non-integrated firms 'selling' quotas to large integrated firms	- Stabilization of formal employment figures - Maintenance of economies of scale and international competitiveness - Consolidation of alliance between capital and organized labour - Maintenance of MSC certification, necessary in key export markets - Mixed record on actual environmental sustainability - Significant 'transformation' in terms of 'Black' shareholding in some legacy/large groups; much less so in terms of actual managerial control - Failure to develop 'Black'-controlled companies as meaningful competitors to legacy/large groups

Source: Authors, based on Vilakazi and Ponte (2020).

freezer trawlers. This value chain node is not covered by fishing quota allocations but only shaped by broader BEE policies, which (some) large/legacy firms have formally addressed in terms of shareholding, but much less so in terms of managerial control.

We identified inequality *along the chain* in the combination of differences in the share and distribution of value added with disproportionate differences in access to capital and markets between fishing and fish processing nodes. Because there are no systematically important firms that only process fish, we compared firms that are vertically integrated (operating in both nodes) and those that only operate in fishing. The observation that large/legacy firms that are vertically integrated control most of the value addition between fishing and export is therefore quite an obvious finding and sufficient to conclude on the state of inequality along the chain. However, what matters here is that firms that are *not* part of large/legacy firms' clusters find it difficult to access or own storage, logistics and processing facilities onshore. Smaller firms that are part of other clusters can access facilities, but usually subject to unfavourable trading terms. They can be charged higher fees for processing, and face higher risk and lower returns because internal pricing practices by vertically integrated firms tend to push down prices for the fish supplied to them. Also, smaller, non-integrated firms tend to sell 'paper quotas'[4] to large integrated firms, thus contributing to concentration.

In relation to inequality *through the chain*, we focused on broader relations between capital and labour, capital and nature, and BEE processes as they relate to the hake value chain. To do so, we analysed our data to identify the way the industry communicates changes in formal employment, environmental sustainability and the overall 'transformation' of the industry. We observed that (1) organized labour and capital have maintained an alliance to avoid redistribution of quotas to new entrants through BEE processes in view of defending the industry's perceived international competitiveness through economies of scale; (2) after a long period of overfishing, the industry has been addressing sustainability issues, mainly through Marine Stewardship Council (MSC) certification, which is necessary to access key markets in the global North; MSC certification also feeds back into a perceived need to avoid radical redistribution of quotas and to limit the number of players in the industry for the sake of sustainability; the actual record of environmental sustainability, however, is mixed (Ponte, 2012); and (3) a degree of 'Blackening' of capital in some large/legacy firms—but much less so of managerial control—coupled with the failure to develop 'Black'-controlled companies as meaningful competitors to legacy/large groups (see details in Vilakazi & Ponte, 2020).

Four types of power

What we have ascertained so far is a picture of the contemporary layers of inequality that characterize the hake value chain in South Africa. The analysis of power in the value chain can help us to identify the mechanisms and actors that are (and have been) central forces in challenging, alleviating, stabilizing and/or heightening these inequalities (see summary in Table 3).

In general terms, we see *bargaining power* in the hake value chain in South Africa as operating through: firms and clusters' direct or indirect control of quotas, also through consolidation in the market via mergers and acquisitions; the size of operations in terms of trawler vessel ownership and/or processing which places high entry barriers and translates into exploitative terms for storage, processing and logistics services. We see *demonstrative power* as manifested through the peer-to-peer copying of ownership models, vessel operation and cluster arrangements and legacy/large groups using a relatively small number of empowerment groups—defined as Black-owned companies and/or consortia usually formed to partner with lead firms in order to achieve BEE ownership and inclusion credentials required by government. This includes cross-shareholding of the large/legacy companies by common BEE consortia, which further dampens horizontal competition.

We see *institutional power* as manifested through government actions related to the allocation of fishing quotas, BEE regulation and scorecards, and approvals of mergers and acquisitions; we also see it through the lobbying and advocacy actions by the South African Deep-Sea Trawling Industry Association (SADSTIA), which is also funding research and driving the MSC certification of the South African hake fishery. Finally, we see *constitutive power* as manifested

TABLE 3 The dynamics of power in the South African hake value chain

	Direct	Diffuse
Dyadic	*Bargaining power* Exercised by large vertically integrated firms through: - direct or indirect control of quotas, also through M&A and pooling agreements; - trawler vessel ownership; - oligopoly in (especially onshore) processing, which places high entry barriers to new entrants and allows exploitative terms for storage, processing and logistics services	*Demonstrative power* Peer-to-peer diffusion of: - BEE vehicle cross-shareholding models, which further dampens horizontal competition; - a relatively small number of empowerment groups/package solutions used to transform ownership; - different models of vessel operation and cluster arrangements among differently-sized operators
Collective	*Institutional power* Exercised by the state through: - BEE regulation and scorecards; - allocation of fishing quotas; - approvals of M&As by competition authorities Exercised by the main industry association through: - lobbying and advocacy; - funding of research; - driving MSC certification and re-certification	*Constitutive power* Gradual broader acceptability of: - specific ownership profiles that meet BEE expectations; - a focus on empowerment elements at the fishing node of the value chain, rather than downstream; - transformation not jeopardizing economic efficiency/economies of scale, environmental sustainability and international competitiveness

Source: Authors, on the basis of the typology of power developed by Dallas et al. (2019) as applied to the material presented in Vilakazi and Ponte (2020).

through broadly accepted understandings of how the industry should be run; how it should look from the perspective of BEE scoring cards and social license to operate; and in terms of BEE and quota allocations not jeopardizing economic efficiency, sustainability and international competitiveness.

While in Table 3 we specify for each dimension of inequality what types and combinations of power operate, space constraints do not allow us to elucidate all these dynamics in detail for all dimensions of inequality in the rest of this article. Therefore, for illustrative purposes, we now focus only on power dynamics that have shaped inequality *within the chain* at two separate nodes—fishing and processing. Because some of these firms are vertically integrated, implicitly we also examine elements of *along the chain* inequality. This suggests that our typology should be taken only as a reference point, as different kinds of inequality can and do overlap. In particular, we examine the allocation of fishing quotas (and related operational clusters) and differential access to capital, processing facilities and markets (see Table 2, 'within the chain' column). In particular, we highlight how institutional, demonstrative and constitutional power affected the bargaining power exercised by large and vertically integrated groups through control of quotas, trawler vessel ownership and oligopoly in (especially onshore) processing.

As indicated earlier, the 'transformation' of the fishery sector in South Africa (driven by 'institutional power' exerted by the state) started with the MLRA of 1998, which exposed the hake trawling sector as the least transformed of all national fisheries. At that time, the largest rights holders (I&J and Sea Harvest) still collectively controlled 75% of the TAC and had transferred only 2% and 8% of their shares to employees. Sea Harvest then sought to avert redistribution of their quotas to new entrants by redistributing share ownership through BEE deals with politically connected Black capital. At the same time, I&J's parent Anglo Vaal Industries (AVI) transferred a 20% stake in the company to an empowerment group (Ponte & van Sittert, 2007; van Sittert, 2002).

This approach played well for the two companies, as government emphasis moved away from redistributing quotas to internal transformation and the transfer of shares to BEE consortia. This was justified in view of maintaining economic efficiency, international competitiveness and reaching (and later maintaining) MSC sustainability certification for the sake of meeting new sustainability demands by global fish buyers and to avoid negative publicity by transnational NGOs (see Ponte, 2008, 2012; Ponte & van Sittert, 2007). In other words, institutional power was first exercised

by the state (with some push back from the industry association); then firms themselves started to transform (and copy each other's methods, signalling demonstrative power)—in view of maintaining control and protecting rents. This process, later on, led to new and broader understandings of how these firms should look like from a BEE perspective. Formal BEE features have gradually become a 'must-have' feature to maintain a social license to operate, a manifestation of constitutive power at play. As a result, 'historically disadvantaged persons' now hold approximately 65% of the shares in the firms that harvest 90% of the hake catch (Fiandeiro et al., 2019). The hake industry also scores high on skills development, socio-economic development and enterprise and supplier development (Fiandeiro et al., 2019; Vilakazi & Ponte, 2020).

While formal BEE scores have improved, the same cannot be said in relation to industry concentration. At the start of the long-term rights allocation in the mid-2000s, Ponte and van Sittert (2007) estimated that legacy groups still directly controlled 84% of the hake quota. I&J and Sea Harvest controlled 64% of the quota, with 20% allocated to four other legacy companies. As of 2019, the three largest conglomerates in the hake industry directly or indirectly still held access to 89.4% of the fishing rights allocations in the hake sector, indicating an actual process of consolidation. This has happened because large vertically integrated groups have entered into joint ventures with smaller entities in relation to vessel ownership and operation, financing, processing and/or marketing to make up for losses in individual quotas, or have simply acquired the quotas of smaller companies (Fiandeiro et al., 2019; SADSTIA, 2019b; Vilakazi & Ponte, 2020).

This means that the hake industry at the fishing level is organized around 10 clusters—of which the largest three control almost 90% of quotas—instead of 44 official rights holders (Vilakazi & Ponte, 2020). If we expand this approach to onshore processing, the funnel is even narrower, with the largest three groups controlling almost all value-added production and export-oriented processing and marketing, and with a few small processors packaging fish for the domestic fresh fish market.

Deep bargaining power asymmetries characterize this situation. Integrated processors seem to be paying lower prices for fish to independent fishing operators. Smaller players also find it more difficult to obtain financing—as they often receive month to month leases of operational harbour space based on verbal agreements, which cannot be used to make a business case to the banks. In the Cape Town harbour, the three berths are taken by the large companies, which also control offloading and ice provision—and process their own fish first. Furthermore, in many of the equity tie-ups no dividends seem to have been paid to smaller quota holders for a long period of time, if ever (Vilakazi & Ponte, 2020).

As a small quota holder stated, 'we Black guys chase only the quotas, but do not get the value added in processing and marketing … because we sell our fish to the three big companies. They make the real money'. Another argued that they 'need more sizeable quotas to add value and process ourselves … because processing is where the margins are good. We have been asking the big companies for years to share a bit of the value added from the processing of our fish, but it is not happening' (sources quoted from Vilakazi & Ponte, 2020).

In sum, lead firms managed to leverage their bargaining power (especially in relation to control of access to global markets), in combination with the institutional power exercised by their association (through lobbying and the provision of research results from consulting assignments), to shape the process and outcomes of quota redistribution in their favour. While institutional power exercised by government through the fish rights allocation system has been instrumental in redistributing some rights away from legacy groups, it has failed to address the bargaining power that these groups impart through the oligopoly of onshore and offshore processing, logistics and export operations. The initial stimulus of institutional power through BEE instruments was successful in shaping (via demonstrative and then constitutive power dynamics) the internal transformation of legacy companies (especially in relation to shareholding) but failed to facilitate the emergence of new 'Black' entrants. In absence of regulatory interventions that effectively stimulate competition and tackle the oligopolistic nature of the value chain at the processing node, the bargaining power yielded by large and vertically integrated groups will not be meaningfully dampened. As a result, the current inequalities within the hake value chain in South Africa are unlikely to change.

CONCLUSION

Scholarship on GVCs has been examining the configuration of global economic activity for decades. As the consolidation of GVCs has been accompanied by the emergence of new losers and winners across nations, scholars are showing more explicit interest in inequality. At the same time, recent work on different types of power has theorized in more robust ways the underlying dynamics in GVC governance and the global organization of economic activites that may shape these inequalities. However, GVC research has not yet reached its full potential in terms of explaining the co-evolutionary and sometimes co-constitutive effects of power and inequality. In this article, we started to develop a common understanding of different dimensions of inequality (within, along and through GVCs) and how they may relate to the dynamics of various types of power.

By applying this approach to the case study of the hake value chain in South Africa, we showed the importance of going beyond the analysis of bargaining power to also examine institutional power and the ideational features that shape demonstrative power and constitutive power. We also showed that, in some cases, power dynamics may challenge or mitigate inequalities, while in others they may co-constitute each other. By using an explicit analytical distinction between different dimensions of inequality in GVCs, we aim to enable more structured and comparable empirical studies that can help identify action points to address them.

We acknowledge that the list of mechanisms presented in this article is not exhaustive and much further research is needed to shed light on both these mechanisms and other possible factors through which inequality may be (re)produced, exacerbated and/or challenged. This would involve not only further empirical applications and comparisons, but also critical engagement with both the four types of power delineated by Dallas et al. (2019) and the three dimensions of inequality we proposed in this article: Which aspects of power and inequality hold more explanatory leverage and under what conditions? Which factors may be further disaggregated into various components? Which degrees of substantiality or proportionality characterize 'unacceptable' inequality and for whom? Societies/people/firms have different opportunities, resources and potential returns to effort in any society—but when are these gaps or differences too large as to be generally perceived as unfair and unsustainable? What instruments, both regulatory and ideational, can public institutions and civil society actors use to address such 'unacceptability' and how?

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CONFLICT OF INTEREST

The authors declare no conflict of interest.

DATA AVAILABILITY STATEMENT

Given the sensitivity of the information collected and the confidentiality pledge we offered to our interviewees, we are unable to share our primary interview data.

ENDNOTES

[1] TAC refers to the total volume of the resource that may be harvested by all fishing rights holders in a particular year to ensure sustainability of the resource. In South Africa, it is determined by government ahead of each fishing season, per fishery.

[2] 'Transformation' in the South African policy context broadly refers to a process of increasing participation of Black South Africans and historically disadvantaged persons in the mainstream economy.

[3] Some of the legislation equates 'Black' to 'historically disadvantaged persons' (HDPs) of South African citizenship—this includes women and disabled persons (of all races). We refer to the approach in the B-BBEE Act as amended.

[4] So-called 'paper quotas' are linked to the practice of smaller quota holders effectively allowing larger players to use their quotas, which are technically non-transferable, and harvest on their behalf—in exchange for a fee/commission.

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