

TALK BACK

Readers respond to Work & Money and Business section coverage

Time for more than talk on conservation



Gereffi

This month former Gov. Jim Hunt and some 1,200 other people gathered at the Emerging Issues Forum and heard a call for North Carolina to lead other states into the new energy economy. Speakers fired up the crowd with colorful slides of cars and light bulbs that slash energy use and greenhouse gas emissions, even while saving money for com-

panies and consumers. Yet as the forum's organizers were quick to emphasize, there is still more to be done: the doing. If North Carolina is to be globally competitive in this new energy economy, what will it take to move beyond the talk?

A first step is to pin down this hazy concept of "global economy" and divide it into the actual steps that create the goods and services we use. Each interaction adds some amount of value along supply chains that stretch across the globe in an intricate web leading from raw materials to the toys, food, clothing and other goods we consume. Understanding these industry dynamics will be crucial if North Carolina is to achieve the scale of transition called for in the Emerging Issues Forum. A framework called global value chain analysis, which we use at the Center on Globalization, Governance & Competitiveness at Duke University, can contribute to this understanding.

It can also clear up common misconceptions about globalization. Take the example of the popular Apple video iPod. It's a product with 450 parts made by companies around the globe, assembled in China and shipped to the United States, where it is sold for about \$300. According to trade statistics, every finished iPod exported to the United States represents \$150 of our trade deficit with China. But if you look closely at the value chain, you'll see that most of the iPod's value accrues to American companies and workers (\$163), including \$80 for the innovator, Apple. In fact, the final assembly in China is actually worth only \$4 per unit, far short of the \$150 that gets tallied officially in the attention-getting U.S. trade deficit with China.

As the iPod example shows, conventional trade statistics and supply chain analysis don't begin to tell us the whole story of globalization, nor do they give us the information needed for North Carolina to put itself out front in the new energy economy. An analysis of an industry's value chain, in contrast, helps identify

the power players in an industry who accrue the largest value. They are the ones whose decisions can influence business and consumer practices on a large scale.

Increasingly, the power players who most affect an industry are not the producers, but the companies that sell directly to consumers. This is why, over the past decade, when student activists at Duke, UNC and other campuses protested against sweatshop labor in Asia and Latin America, they bypassed the manufacturers and pulled a far bigger lever — Nike and Disney — that had greater potential for far-reaching reforms in global working conditions.

There may be even greater leverage in finding common ground with the power players. The Corporate Partnerships program of the U.S. nonprofit group Environmental Defense grew out of an industry transformation it provoked years ago, when advocating against ozone-depleting polystyrene foam products. They partnered with McDonald's to replace their clamshell packages, and as a result, the company eliminated more than 300 million pounds of packaging, saving considerable costs for the company and winning the good will of the

public and environmentalists. The rest of the fast-food industry took the cue and couldn't get rid of their own clamshell packages fast enough.

At CGGC, we are applying the framework to North Carolina's major industries, from textiles to hog farming to biotechnology. (To see the analysis, visit the North Carolina and the Global Economy Web site at www.soc.duke.edu/NC_GlobalEconomy.) As North Carolina steps into the new energy economy, government, businesses and advocacy groups can use value chains to find power, leverage, and potential collaborations — perhaps leading to the type of transformation that so energized the audience at the 2008 Emerging Issues Forum.

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The video iPod is made up of 450 parts produced by companies around the globe.