By the time that you read this the world will be watching the last games of the World Cup. It might be a cliché, but football does unite. Or doesn’t it? What about the Brazilian street children who have been brutally removed by state authorities to obscure them from the world’s gaze? What about the human rights activists who lost their voice? What about the millions of dollars that have been invested in “castles for a ball”, while millions of people live in favelas? Is it ethical to watch the World Cup?

But then again, how ethically can we live, really? If I buy a pair of jeans in Antwerp for 100 euros the tailor in Bangladesh probably only receives one euro for it, and the cotton used to make the jeans will most likely have been treated with harmful pesticides. Is it ethical to buy a pair of jeans?

What I learned from my exchanges with students, alumni and staff from IOB is that there is no black and white. You cannot agree blindly with the way things are, nor can you reject things completely — you can only seek out ways to actively challenge the status quo and promote positive change. In order to be in a position to do this effectively, one needs a number of things. Most important among these is: independent research, critical analysis and equal input from all stakeholders. I will watch the World Cup, but at the same time I will write critically about its consequences for human rights. I will buy a pair of jeans, but only if they are fair trade.

What makes places like IOB so essential in today’s society is that they dare to ask difficult questions, including ones about the ethics of the social world we inhabit. This empowers new researchers and leaders and, above all, it unites! I invite you to read this E-xchange and share your opinions on the questions raised in the articles in this edition, because it is debate that enlivens not only the run-up to major sporting events, but also the bigger questions underlying them.

Eva Vergaelen
Codes of Conduct: do they really work?

Multinational brands outsource most of their production to facilities in South America or South East Asia. The poor working conditions and the unfair wages received by these workers has stimulated campaigns exposing their unacceptable working conditions. These campaigns have made multinationals recognize that, although they don’t have any legal responsibility in this regard, they do have a moral responsibility to ensure the basic wellfare of their employees. Multinational brands thus made commitments intended to ensure that the working conditions of their suppliers conformed to local laws, and minimum wages and overtime rules. They also claimed to be committed to observing international guarantees of labour rights, as defined by the International Labour Organisation. And so began what is now known as the Corporate Social Responsibility model whereby global companies agreed on a code of conduct to ensure their supply chain took labour laws and environmental considerations seriously. Many years later and after a lot of research on these codes of conduct, however, it became overwhelming clear that this model was clearly faulty. White codes of conduct made it easier to identify and document violations, it did nothing to help prevent them. The main reason that they didn't work is that they fail to recognize the power dynamics involved in the workings of global value chains.

Intra-firm value chain

There are two kinds of value chains: the inter-firm and the intra-firm value chain. One speaks of an inter-firm value chain when a company is vertically integrated and opens factories abroad in order to benefit from cheaper labour, tax advantages or proximity to a new market. Car manufacturers are one example of an inter-firm chain. Usually this kind of chain is producer-driven. Intra-firm value chains on the other hand come into existence when a brand outsources the production of its own inputs/products to producers abroad. In this case multinational brands have no equity in the producing firm. Intra-firm value chains are buyer-driven. The multinational brands prefer to be involved in high value activity at the beginning of the value chain (like product design) as well as in advertising and selling the product at the end of the value chain, where there is a lot of value to be captured. They subcontract the production itself to other suppliers abroad.

Jeans: where, what, who?

The speaker gives the example of a fairly well known global value chain that is fashion. Typically we have two kinds of players in this chain. Firstly we have brands that originally made use of their own production facility and subsequently decided to outsource their production. Secondly we have retailers who then moved into design. If we take a closer look at a famous brand like Levi’s we see how global value chains arise and how different agents may come to occupy different positions along it as time goes on. Levi’s used to produce all its jeans in Texas and then it decided to move the production across the border to Mexico. Eventually Levi’s decided to move out of the production of jeans and concentrate on the design, marketing and sale of jeans only. Levi’s contracted independent suppliers, one of which was a Dominican owned manufacturer called Grupo M. The inputs that went into manufacturing the jeans came from different places. The denim was woven in Mexico from thread that came from South Carolina which was in turn made of cotton originating from Texas. These inputs were shipped to the Dominican Republic, to Grupo M factories. Grupo M decided to open a factory across the border in Haiti; a country with significantly lower labour costs. The finished products were then shipped from the port of San Domingo to Miami and distributed to retailers. In fact, one of the largest retailers then decided to enter the arena of designing and selling its own jeans, illustrating that there is some mobility within the chain, though this is almost exclusively the prerogative of those already at the higher end.

Low labour costs cost lives

During the period between 2000 and 2010 it became clear that the countries that were improving their labour conditions in accordance with international labour law were witnessing a decline in their share of US imports. Mexico, which used to have the biggest share, was replaced by China, followed by Vietnam and Bangladesh. This shows the relationship between the cost pressure on global suppliers and the labour conditions in the suppliers’ factories that are competing to get contracts from global brands. Global manufactures feel that the only way they can compete in the global supply chain is by minimising labour costs. These are among the major factors that led to the Rana plaza factory collapse in Bangladesh. The factory collapse was of course massive and attracted a lot of international media attention. More than 1100 workers lost their lives and hundreds of families lost their sole source of income. Although it was the largest ever collapse in the garment industry, it wasn’t the first. There had been and there still are several collapses and fires in factories in South East Asia and in particular in Pakistan and Bangladesh. These incidents, however, take place in factories producing for international brands that claim to respect the codes of conduct.

Shared responsibility?

There were two different agreements made in response to the Rana plaza factory collapse. The first is called the “Accord on fire and building safety in Bangladesh” which was signed in May 2013. The agreement was mainly signed by European companies. The agreement is financed by fees paid by companies which vary according to the amount of labour they outsource to Bangladesh. According to the Accord there is a mandatory independent inspection by independent auditors. The auditors make reports about the suppliers and point out all the problems and safety concerns related to each supplier. If the inspector identifies a problem at the supplier facility the group of companies and brands which make use of this supplier are responsible for paying to fix these problems. The Bangladesh Workers Safety Initiative (BWSI) is a second and separate agreement that was made after the Rana plaza tragedy. The signatories to this BWSI were mostly North American companies who refused to sign the first Accord. They felt it was too extreme in responsibilising them for violations in supplier factories. The inspections are performed by an expert committee and not necessarily by independent inspectors. Another major difference is that the companies are not required to fund improvements in the supplier’s factories to bring the factories up to scratch.

More questions!

These questions remain. Firstly, how can one balance the downward price pressure on the labour-intensive segments of global value chains with the need for decent labour conditions? Secondly, who are the agents responsible for ensuring decent conditions? Thirdly, how can one regulate the global value chain in a way that is both socially and economically viable for developing countries? Would you like to enter your ideas on these three questions? Please leave your comments on our Facebook page.
Behind the B(r)A(z)(i)LL

Matheus Aguiar Leal
Brazil (33)

EtC: Do you expect a long term economic effect? In what way?
Matheus: If the organisers manage to deliver what was promised and initially planned, I expect a long term economic effect in matters of logistics and urban mobility. Should the infrastructure for transport of people and goods really improve, it will naturally have an impact on the competitiveness of the country as the cost of transportation will decrease and the final price of goods will likely follow this tendency. It will also improve citizens’ quality of life, thereby increasing their productivity. I believe that the effect on the sectors of accommodation, catering and entertainment will be entirely limited to the duration of the event. For real estate, it is uncertain, though I am personally a bit more sceptical as there is currently a debate on whether we are experiencing a real estate bubble or not.

Let us look at the social effects of the World Cup. Several international human rights organizations have criticized Brazil's policy towards the weaker in society, in the name of the gains. Tens of thousands of people, if not more, have been forcibly removed from their homes for construction projects. The government defends itself by saying that the displaced families will be relocated. However, several reports show that the building of new accommodation has been delayed, causing even more-poverty and criminality in those areas.

EtC: Do you agree with the critics? What, in your opinion, could be a solution?
Matheus: Yes, I agree with the critics. To begin with, I firmly believe that this population should not be evicted from their homes at all, but, if this is to happen, only after they have received a fair compensation for it – namely new homes in similar or better conditions to those they had. We need to think, as a society, if we want to be a decent society that respects human dignity or if we want to be a society where money reigns supreme. Nevertheless, from a more realistic perspective, what the state could do to address this problem is to provide the evicted families with monthly financial support to rent somewhere to live until their new homes are made available to them. Bearing in mind that we have a housing deficit of approximately 16 million homes, I highly doubt that fair compensation will ever be provided, sadly.

In addition to the above social costs, critics say that the infrastructural developments for the World Cup, of which 70% is paid for with public money, has already caused a rise in the cost of living. Last year the government proposed a rise in bus fares, again hitting the poorest in the country. Demonstrations flared up all over Brazil, some of them turning violent, with an excessive use of force by police.

EtC: Do you see a direct link between the World Cup and the demonstrations? How could the government have reacted more appropriately to the demonstrators?
Matheus: Yes, I do. The World Cup symbolises public power’s inability to make good decisions for the whole of the population, as well as indicating corruption and abuse of power.

“The World Cup symbolises public power’s inability to make good decisions for the whole of the population, as well as indicating corruption and abuse of power.”
Let us have a closer look at South Africa, the country that hosted the previous World Cup. It was expected that media exposure would boost the tourist industry, although South Africa was already a major tourist destination before hosting the games. Eventually the World Cup is estimated to have boosted South Africa’s economy by 0.5%. Moreover South Africa is now saddled with so new or newly renovated football stadiums that are much too large for domestic demand and require a large amount of public money for maintenance.

EtC: Do you think that that pride should not blind me to what needs to and can be improved in my country

Matheus: Yes, I am proud to be Brazilian, but I think that a new law will change that at least for now. One could also see it this way: since the eyes of the world are currently turned towards Brazil the government is particularly loath to portray itself as authoritarian to the international community.

EtC: Do you think that that pride should not blind me to what needs to and can be improved in my country

Matheus: Yes, I think that this comparison is appropriate. A number of articles and experts have affirmed that some stadiums, especially those in smaller or more isolated cities (such as the one in Manaus) would not be profitable as local demand would not pay back the investments or allow the city to maintain it. Even if we take into account the example of the 2007 Pan-American Games, which took place in Río de Janeiro City (a very large and rich city, not isolated at all), we can see that many of the buildings and facilities did not continue to be used after the Games. They are deteriorating. Brazil should already have learnt that these mega events are not a priority, especially not when public money is financing the bulk of it.

EtC: Do you agree that the freedom of individuals and social movements is being put at risk? How?

Matheus: Based on the last draft of the law that I read, it did indeed seem extreme given the reality in Brazil. I therefore understand the concerns about freedom of speech, and of individuals and associations. Social movements have always been looked down on in Brazil – it usually takes decades for their claims to be considered even in passing by society more broadly and by the authorities. However, I do not believe that individual freedom is at risk at this moment given the intensity and magnitude of the demonstrations. The government tried to suppress them by force and failed, so I doubt that a new law will change that – at least for now. One could also see it this way: since the eyes of the world are currently turned towards Brazil the government is particularly loath to portray itself as authoritarian to the international community.

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Opportunities & events

On the 19th May 2014, Sara Geenen, IOB researcher, successfully defended her IOB doctoral thesis: ‘The periphery revisited: Understanding local urban governance in the context of rapid urban expansion and weak state institutions in Kinshasa.’

On the 15th of May 2014, Joseph Aounia (Ghana), IOB alumnus, successfully defended his doctoral thesis: ‘The Sources of Non-discretionary Distributive Politics in Africa’ at the University of California, Los Angeles (UCLA) in the United States.

On the 5th May 2014, Romain Houssa, Johan Swinnen and Marijke Verpoorten | Filip Reyntjens | Rwanda, twenty years after the genocide (IOB alumnus) as Co-Founder and Director, has been granted the ‘Most promising Evaluation Initiative from the Middle East and North African Region’ award for its first open and (global) Evaluation Database that the PEA created and presented during the EvalMENA conference: www.evalunitdatabase.com. Congratulations!

On the 17th June 2014, Sara Geenen, IOB researcher, successfully defended her IOB doctoral thesis: ‘The political economy of gold mining and trade in South Kivu, DRC.

Take Arjen Robben, one of the Dutch team’s more talented players. The Netherlands beat Mexico to a place in the quarter finals after they were granted a penalty following Robben being tackled in the final minutes of the game. The day after, Robben more or less publicly avowed that he had feigned being injured. Nonetheless FIFA declined to take any measures – either against him, or against the Netherlands, who eventually won the match as a direct consequence of Robben’s deceptive move. One can only conclude that the ‘rules of the game’ isn’t always that clear cut: in many cases, the “rules of the game” are not just the framework determining players’ actions, they are also subject to players’ actions. The World Cup in Brazil again demonstrates this quite well: football players of course have different talents and are also subject to players’ actions. The World Cup in Brazil again demonstrates this quite well: football players of course have different talents and are also subject to players’ actions. The World Cup in Brazil again demonstrates this quite well: football players of course have different talents and are also subject to players’ actions.

In the social sciences the metaphor of the game is quite popular: in economics game theory is not just a branch, it is an entire family of branches; in sociology, the language of “players”, who interact has long since been established; and the expression “rules of the game” is nowadays part of the standard definition of institutions. The metaphor certainly has its value: it facilitates social analysis by introducing basic distinctions between “players”, the rules they play by, and the processes by which these rules might be changed. Metaphors are also just metaphors, however – although they highlight particular aspects of reality, they don’t capture reality itself. One of the aspects one might easily ignore for example is that the distinction between “players” and the “rules of the game” isn’t always that clear cut: in many cases, the “rules of the game” are not just the framework determining players’ actions, they are also subject to players’ actions. The metaphor certainly has its value: it facilitates social analysis by introducing basic distinctions between “players”, the rules they play by, and the processes by which these rules might be changed. Metaphors are also just metaphors, however – although they highlight particular aspects of reality, they don’t capture reality itself. One of the aspects one might easily ignore for example is that the distinction between “players” and the “rules of the game” isn’t always that clear cut: in many cases, the “rules of the game” are not just the framework determining players’ actions, they are also subject to players’ actions. The metaphor certainly has its value: it facilitates social analysis by introducing basic distinctions between “players”, the rules they play by, and the processes by which these rules might be changed. Metaphors are also just metaphors, however – although they highlight particular aspects of reality, they don’t capture reality itself. One of the aspects one might easily ignore for example is that the distinction between “players” and the “rules of the game” isn’t always that clear cut: in many cases, the “rules of the game” are not just the framework determining players’ actions, they are also subject to players’ actions. The metaphor certainly has its value: it facilitates social analysis by introducing basic distinctions between “players”, the rules they play by, and the processes by which these rules might be changed. Metaphors are also just metaphors, however – although they highlight particular aspects of reality, they don’t capture reality itself. One of the aspects one might easily ignore for example is that the distinction between “players” and the “rules of the game” isn’t always that clear cut: in many cases, the “rules of the game” are not just the framework determining players’ actions, they are also subject to players’ actions. The metaphor certainly has its value: it facilitates social analysis by introducing basic distinctions between “players”, the rules they play by, and the processes by which these rules might be changed. Metaphors are also just metaphors, however – although they highlight particular aspects of reality, they don’t capture reality itself. One of the aspects one might easily ignore for example is that the distinction between “players” and the “rules of the game” isn’t always that clear cut: in many cases, the “rules of the game” are not just the framework determining players’ actions, they are also subject to players’ actions.
of 61% Brazilians think hosting the World cup is a bad thing for Brazil because it takes money away from schools, health care and other public services. … [http://www.pewglobal.org/2014/06/03/brazilian-discontent-ahead-of-world-cup/](http://www.pewglobal.org/2014/06/03/brazilian-discontent-ahead-of-world-cup/)