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## Value Chains in Developing Countries: Research Situation and Relevance to Development Policy

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### Abstract

In international trade anonymous transactions negotiated in a market are becoming less and less frequent. An ever growing share of the worldwide exchange of goods and services is handled through long-term agreements on quantities, delivery periods as well as product and process standards. At the same time, there is a global concentration process going on in most markets. As a result, large production and trade firms (“lead firms”) have more buying power and therefore more opportunities to enforce compliance with their wishes in international value chains. They define standards and enforce them over their value chain partners. Frequently, they push the concentration process within the different supply levels in order to make economies of scale and reduce coordination costs. They often use their predominance in order to beat down their partners’ margins, thus increasing their own profits.

Higher standards, increasing necessities for coordination, progressing concentration of enterprises and increase in power of the lead firms raise the barriers to market access for enterprises. Especially small firms from developing countries run the risk of being excluded from international value chains or, at least, having their share in the profits from value adding processes reduced. On the other hand, global value chains offer chances to gain access to big international markets and to state-of-the-art know-how. Some of the lead firms contribute considerably to technology transfer.

As a consequence of these processes, new approaches including new partnership constellations have to be promoted in development cooperation. The new tasks are, amongst others, the setting-up of socially non-exclusive certification systems or the support of developing countries in international negotiation processes. The presentation gives an overview of the structural changes in selected agro-industrial value chains and their implications for integrating smallholders, addressing equity issues and initiating technological learning processes.

**Keywords:** Development cooperation, global value chains, governance, international trade, lead firms, smallholders, technology transfer