

The Role of Asian Transnational Corporations in Evolving Asian Agri-Food Systems

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ABSTRACT

Much of the literature on globalization, including studies of global reorganizations of agriculture and food, has focused on the United States and Europe. However, a similar reorganization of agriculture and food is proceeding rapidly in East Asia under the auspices of indigenous firms, and in a context where consumption of high-value foods is rising rapidly. This process is being promoted, in part, by increased Foreign Direct Investment by agri-food firms based in Japan and other Asian countries. The developments resulting from these investments are having profound impacts on the people and communities of Asia that grow, process, market and consume the foods that are being produced in this expanding regional food systems.

Our paper details the rise of globalizing Asian transnational food companies, their contribution to the regionalization of food structures, and an analysis of what some of the impacts of this transformation have been. The field research for this study was conducted in Shandong Province, China, in March of 1999, and in South Korea in May of 1999. Participants on the project were drawn from China, Japan, South Korea and the United States.

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INTRODUCTION

Academic investigations into the globalization of production-distribution-consumption systems have grown as rapidly as the global economy. These studies cover a wide ground, from empirical investigations into how manufacturing systems are being re-aligned (Gereffi et al. 1994; Kotabe 1992), to more theoretical discussions of the implications of globalization for national polities (Carnoy 1993; Sweezy and Magdoff 1992). Studies of how agri-food systems have been globalizing are part of this trend (Bonanno, 1991; Goldberg 1988; Kim and Curry 1993; McMichael 1994). There have been a number of intriguing theoretical and practical findings that have emerged out of this research, including an increased interest in understanding how globalization is affecting local people and cultures (Leach and Winson 1995; Whatmore 1994), to identifying niches in the globalizing system that could provide opportunities to small-scale producers, consumer groups, and social movements to resist the domination of production systems by powerful, multinational actors (Mastrostefano 1994; Pacione 1997; Symes 1992).

However, there have been some notable gaps in the study of globalizing agri-food systems. One of these has been the relative paucity, at least in Occidental languages, of studies of how the process of globalization is affecting the agri-food systems that exist within and between Asian nations. This absence is puzzling given the important role that Asian societies are playing in the global economy, and the interest in Asia on the part of scholars who study the globalization of non-food industries. This lack of scholarship is particularly intriguing given the importance of Asian markets in the global agri-food economic system. Furthermore, the ongoing economic crisis has magnified the need for such research.

The objective of this paper is to address this gap and provide an assessment of some of the characteristics of the agri-food system in the Asian region, as well as some of the impacts. Specifically, we focus on analyzing the role that China and South Korea play in the evolving regional agri-food system, as well as presenting some preliminary information on the role that multinational agribusiness firms, especially those of Asian origin, occupy in organizing agri-food systems. In doing so, we hope to develop a conceptual framework for explaining the structural differences that exist between identifiable sub-sectors within the Asian agri-food system.

This analysis represents the results of multinational research project on the evolution and impacts of the transformation of Asian agri-food systems that was sponsored by the Toyota Foundation. The primary goal of this project has been to assess how the activities of states and multinational agribusinesses in developing a more integrated, regional agri-food system are affecting the social, economic, political and environmental conditions among producers and consumers in Asian countries. This includes an interest in understanding how this process is affecting local structures of agriculture, as well as the food security of local populations, particularly those with limited resources who are

most susceptible to hunger and malnutrition. Thus, the research seeks to influence debates on the impacts that agri-food trade is having at all levels of the agri-food chain.

The research team includes scholars from China, Japan, South Korea and the United States. The analysis presented in this paper includes data that each member has collected individually, through interviews that were conducted by the team in Tokyo in the spring of 1998 with Japanese agribusinesses representatives and other researchers, and through field research to China (Shandong Province) and Korea in the spring of 1999.

PREMISES

Our analysis of the evolving Asian agri-food system is based upon a number of premises, or assumptions, that we hold in common, but which may be based upon an understanding of agricultural production and food consumption in Asia that is not shared with those who are unfamiliar with Asia. For this reason, we think that it is important to review some of the more pivotal assumptions that drives our study of Asian agri-food systems, and which we have tested empirically with our research.

The first of these assumptions is that, as the most industrialized state, Japan is the most affluent consuming society in the region. Japanese food consumption patterns have proceeded far through the transition that is referred to in the food economics literature as Engelization and Bennettization, by which is meant that the absolute amount of money spent on food has risen through the post-WWII era, while the percentage of disposable income spent on food has declined. As part of this trend, consumption of fruits, vegetables and animal proteins has increased, while the percentage of calories derived from starchy staples has declined (Tokoyama and Egaitso 1994). This economic trend also has a sociological context, namely, the restructuring of food consumption patterns as Japanese society was reshaped by favoring manufacturing over farming. Much of this occurred within the U.S. dominated cold war framework. A central feature of this framework was the rebuilding of Japanese capitalism, including the internationalization of the Japanese political economy. Concessions to Japan's industrial export drive, which were complemented with U.S. managed supplies of oil and food, were an important context for the growing consumption of 'affluent' foods (Tokoyama and Egaitso 1994).

In addition, as the Japanese agricultural resource base is limited, particularly from the perspective of producing feed grains, the growing affluence of the Japanese diet has led to a situation where Japan has become the dominant food importer in the world. If one counts domestic meats that are produced with imported feed grains as imported calories, then over 60 percent of all calories consumed in Japan are imported, by far the highest rate of any nation in the world. Thus, Japan is a primary export target for all countries, including many Asian ones, which seek to generate earnings

through agri-food exports. In addition, the technologically advanced nature of Japanese retail and distribution systems means that Japan is viewed as a source of technology in the agri-food sector, and many local states are convinced that Japanese agribusinesses can be a source for acquiring these technologies, as well as capital investment for developing agri-food export systems.

A second assumption that we share, and one that is common in Sociology of Agriculture circles, is that there is a great deal of variability in agri-food systems that is driven by what we would refer to as "commodity specificity." Each agricultural commodity and food product is characterized by distinctive elements in its production system that is related to biological, geographical, climactic and other constraints. In the case of Asian agri-food systems, this variability is further complicated by the long history of the region, as well as the existence of a number of unique "Asian" food crops that are in high demand in the region, such as bamboo shoots, lotus root, edible soybeans and many others. These conditions help to account for the variability in institutional frameworks that exist in the region's agri-food sector.

A third assumption we share is our understanding of who the key players are that currently are shaping the transformation of Asian agri-food systems. Among these, we believe that the restructuring of state policies, pressure from domestic social forces and evolving business strategies may be most crucial. As a result of various political pressures, including those derived from multilateral state institutions (such as the IMF and the GATT/WTO), major agri-food exporting states (such as the United States), and domestic forces that are most interested in promoting cheap food policies (such as the Japanese Federation of Employers), national policies designed to promote and support local agricultural producers have been and continue to be dismantled throughout the region. This dismantling also reflects the steady decline in political power of agricultural interests (Franks 1998). In contrast, one of the major political voices that has arisen in support of local agriculture and that expresses concern about liberalizing agri-food trading regimes, are consumer groups, who are concerned about food safety issues, which are seen as being threatened in part by modern agricultural and food processing practices.

Agribusiness firms necessarily develop strategies in response to these changing conditions. We further assume that the role of agribusiness in developing more regionalized and globalized agri-food systems has grown during the past two decades. In part, this is because of the "space" provided by the weakening of state agricultural policies. However, particularly from the standpoint of Asian based agribusinesses, the development and integration of Asian economies, and the expansion and growing affluence of a regional middle class, have provided firms with an opportunity to expand and become more multinational in character. This is exemplified by the rapid growth in Foreign Direct Investments by Japanese agribusiness firms all over the world in the 1980s and 1990s. The growing influence of Asian agribusinesses in the region is not only a premise of our research, but learning more about the character and impacts of these patterns of investment is a major motivation

behind the research project.

Our final assumption is that firms, rather than states, are the more significant players in the construction of these new Asian agri-food systems. Certainly a large proportion of food is still produced and consumed locally. However, overlaying, and sometimes undermining, local food systems is the regional agri-food system. The emergence of this food system is correlated with urbanization and associated changes in dietary patterns. The rise of multinational agribusinesses, then, is related to the sustained economic growth in East Asia over the past 40 years. Japan has acted as the core of this regional food system, which emerged in large part to supply rising Japanese dependence on food imports, and replicating the same kind of international division of labor that, for example, Britain promoted as a result of its global specialization as 'Workshop of the world' In the nineteenth century. As other parts of the region, such as South Korea and south China, have industrialized, so this regional division of labor in food production has spread. While nation-states still matter, the more affluent members of their populations participate in this regional agri-food system, which is organized by multinational agribusinesses. Some states, like Thailand and Indonesia, have become agri-export platforms for the region, and development strategies invite investment in export facilities; and others, like Japan and South Korea, have tended to be the main destination of such agri-exports. We recognize however, that the organization of food production and trade networks are becoming even more complex such that the divisions are not simply among nations in the Asian region, but rather among sub-national regions across the Asian region. In sum, much like the regional divisions of labor that have accompanied the rise of the European Union and the North American trading blocs, we propose that a regional agri-food division of labor is forming in Asia. We contend that agribusiness strategies are an important element in the development of a regional agri-food division of labor, in which the production of certain food products and inputs for processed foods is located and organized cross-nationally.

BACKGROUND ON FOOD SITUATION IN ASIA

Until recently, the political-economies of Asia were experiencing a prolonged period of rapid economic growth and a concomitant change in food consumption patterns, particularly among the middle classes. As has been observed in other cultural settings as incomes have expanded, "During the last three decades (in the Pacific Rim) . . . there has been a move away from diets heavily reliant on food grains toward greater consumption of red meat, fish, poultry, dairy products, fruits and vegetables" (Nielson et al. 1992: 33). This shift began earliest, and has been most pronounced, in Japan. Although there has been a steady shift from grains to more high valued food products throughout the post-war period in that country, the change has been particularly prominent over the

past three decades (Tokoyama and Egaitso 1994), and has led to major changes in agro-food production and distribution. The changes began later, and have been as yet less dramatic, in other Asian countries. Yet, there are clear indications that many consumers in Asia are moving towards diets that rely more on meats produce and processed foods. In China, for example, particularly in eastern regions of the country, the market for non-staple, high-value food items has been growing considerably in recent years (Wu et al. 1995).

These changes do not mean that food consumption patterns in each of the countries in the region have lost all of their cultural specificity. Although certain changes in Asian diets, including an interest to experiment with non-traditional foods, and a movement towards greater consumption of processed and ready-to-eat foods, have been interpreted as a sign of "Westernization" (Nielson et al. 1992), such an interpretation represents a narrow and over-simplified notion of the manner in which food consumption patterns in these countries is evolving. For example, while it is true that Japanese consumers eat a far greater variety of foods now than was the case a generation or two ago, the influence of culture and tradition can be observed in the greater propensity to consume vegetables and fish than is the case in the United States (Ashkenazi 1991; Judson and Jussaume 1991).

In Asia, this rise of a complex and unique food consumption pattern that is a mix of traditional and modern practices, has led to the development of an interesting pattern of inter-regional and intra-regional agri-food trade. Tables 1, 2, 4 and 6 list the top ten agro-food imports in 1986 and 1996 for Japan, South Korea, China and Thailand. Although the data collection categories vary by country, it can be noted that, based on value terms, the top agro-food commodities imported into the region are (with the notable exception of seafood imports into Japan) continue dominated by imports of meats, cereals and feed grains, which are for the most part imported from the United States, Canada and Australia.

However, particularly over the last decade, a significant inter-Asian agro-food trade has emerged in the region. Once again, with the exception of seafood products (the trade of which, into Japan, is beyond the scope of our project), is focused on the white meats (pork, chicken and shrimp), fresh and processed fruits and vegetables, and processed foods. For example, South Korea is active in exports of Confectionery items (to Hong Kong and Russia), Noodles, Mushrooms (Japan), Apples and Pears (Taiwan), and Cucumbers (Japan) (see Table 3). Much of China's agro-food exports are to Japan (chicken, fish and vegetables), as well as to Hong Kong, the two Koreas and Taiwan (Table 5). Thailand is a major exporter of rice (to China and Southeast Asia), shrimp and chicken (Japan and the United States), Cassava and Tapioca, Pineapple and other fresh fruits (Table 7).

This is not to suggest that there are no significant imports of white meats, fruits or vegetables from outside of the region into the area. Nonetheless, we would argue that those commodities (wheat, corn, soybeans) that are most likely to be produced within large-scale production systems, particular in the "settler" states of the United States, Australia and Canada, and

were central in the development of the "first food regime" (Friedmann and McMichael 1989), are not traded in significant quantities within the region. There is a long history of trade of these commodities into the region, a trade that has been managed in part by the traditional, multinational grain trading firms. However, firms like Cargill and Continental Grain have not acted independently in the region. They have developed relationships with local capitals, which are now becoming increasingly influential in sponsoring the development of inter-regional agri-food trade.

One case example of how the agro-food trade regime in the region has evolved has been the Mitsui trading company. Mitsui is one of the major trading companies (*sogo shosha*) that has a direct historical antecedent in the pre-war zaibatsu. Their primary role in agro-food trade for much of this century has been in imports, and principally in commodities like corn, sugar, soybeans, wheat, milo and barley. Thus, in the year ending March 1998, imports of those commodities into Japan by Mitsui totaled US\$3.46 billion, or about 80 percent of all of the food imports handled by Mitsui into Japan (Mitsui Co Ltd. 1998).

However, besides their direct involvement in trade, Japanese trading companies have also been specialists in economic development (Hasegawa 1990; Kojima and Ozawa 1984; Yoshino and Lifson 1986). Their work in this area has begun to expand as more and more Japanese firms, including agribusinesses, have started to move beyond thinking of foreign countries as sources of raw material imports and have begun to consider overseas production for overseas markets as well as export back to Japan (Itami 1994; Saitoh 1992). The formation of this business strategy is exemplified by Mitsui's recent investment activities in the agro-food sector in the Asia region.

Table 8 indicates the types of foreign direct investments Mitsui has been making in recent years in the Asia region. A number of interesting insights can be garnered from this table. The first is that these investments cover a wide range of commodities and products, including canned oranges, instant noodles and baby formula. The second point is that Mitsui develops partnerships, often with a Japanese agribusiness that specializes in the product in question, and a local partner. In addition, Mitsui's capital investment is generally small. Finally, the target markets for these products are frequently not Japan. China, in particular, is a favorite target for investments that are geared towards taking advantage of the capital and technological resources that Japanese firms have as a strategy for expanding sales into China.

Individual Japanese agribusinesses tend to be a more cautious and focused in their investments, but they too have been globalizing in recent years. One type of firm that has become active throughout Asia, and the rest of the world, are Japanese noodle manufacturers. Another are beer manufacturers, who have become aggressive in China, where beer makers from all over the world, including Budweiser, Carlsberg, Heineken and the other three major Japanese beer manufacturers. Originally, Sapporo was not interested in producing beer in China for the local market, and was primarily interested in China as an alternative source of hops for import into Japan.

However, in the last few years, Sapporo has begun to develop joint brewing ventures in China and Taiwan (Table 9). This represents a shift in philosophy for Sapporo.

Of course, other capitals in the region are also involved. The CP group in Thailand is a frequently cited example. Certainly, many Asian countries aggressively pursue Japanese firms as a source of capital and technology; any Japanese firms are a major engine in the development of regional agro-food trading systems. However, as can be seen from Table 8, this does not diminish the importance of local capital as well. Participation by local capital in these business ventures has obvious financial, political and marketing benefits.

To summarize, what we have tried to illustrate so far is how agro-food trade and investments within Asia are growing. Many of these investments are partnership arrangements between various capitals in the region, and tend to be focused on commodities and products that are relatively "new" to international trade, including fruit, vegetables and various processed foods. This suggests to us that there may be a variety of "complexes" in agri-food trade in the Asia region. This includes commodities like wheat, corn, soybeans and beef, which are imported primarily from the Americas and Australia and where the role of "outside" firms is very prominent. The second are the white meats, what we label the P/P/P (pork, poultry and prawns) complex, which are being produced in new regional export platforms, often on feed grains imported into the region, and may include partnerships between Asian and non-Asian capital. The third complex is fresh fruits and vegetables from Asia and abroad, including both "global" fruits and vegetables (tomatoes, bananas, etc.) and "Asian" vegetables like lotus root, bamboo shoots and the like. We consider the final complex to be heavily dependent processed foods, which in some cases were originally developed for export to Japan and other external markets, but which are increasingly being destined for local markets as well. It is this final complex, that of the production of fresh fruits and vegetables, which appears to have the most "Asian" character, and which is the focus of the empirical research which the team carried out in the spring of 1999.

FIELD RESEARCH FINDINGS

In order to conduct our field research, we divided our team into two groups. The first group, which was assisted by colleagues at the Center for Integrated Agriculture Development at China Agricultural University, undertook a one-week field study in the rural areas surrounding Laixi and Laiyang cities, Shandong Prefecture. Shandong Prefecture is located in northeast China, and its climate and location make it an excellent site to become a major regional agri-food export platform for fruits and vegetables. The second group, which was assisted by staff from Korea University, visited not only several vegetable producers, including three paprika producers, one mini-tomato plant area,

one egg-plant farm, but two trading companies and agricultural import/export department of National Agricultural Cooperative Federation. Some of these farms and companies are situated in and around Seoul, but others are in Chulabuk-Do.

In both locations, the teams conducted interviews with representatives of agri-food businesses, including agricultural cooperatives in Korea, that are active in the export of fruits and vegetables, as well as farm household members who produce fruits and vegetables, some of which are exported through these firms. Given limited time and financial resources, these interviews were necessarily preliminary in nature, and some of the findings suggest hypotheses for more in-depth future research. However, a number of interesting insights, some of which added depth to our understanding of the evolving Asian agri-food system, were uncovered.

One clear finding from our research was to confirm the central importance of the Japanese market in determining the development of commercial fruit and vegetable production for export markets in East Asia, although other Asian countries are beginning to grow in importance. For example, Yantai Longda Foodstuffs Inc., one of the biggest processed vegetable exporters in China, manufactures about 40,000 tons of processed food per year. Of that, 17,000 tons are exported to Japan, 8,000 tons to other Asian countries, particularly South Korea and Singapore, and 15,000 tons are sold on the domestic market. However, in the case of South Korean farmers, domestic sales are often as important as exporting to Japan. The value of Japan as a high price market is far more important for China than South Korea.

Similarly, other processing firms in China and South Korea informed us that anywhere from 80 to 90 percent of their current exports are designated for the Japanese market. The Japanese market drives the standards that are set, and Japanese partners provide capital, genetic material (seeds), technology and management skills to indigenous partners. In the case of the Wanfu food group (China) approximately 40 percent of the group's capital originates from Japanese firms, and Japanese partners frequently send technical experts to China to instruct the farmers who sell to Wanfu in proper techniques for growing vegetables for the demanding Japanese market. Nonetheless, it is important to note that we did not find any case of a Japanese firm establishing a wholly-owned subsidiary in either of these countries. The common pattern is for Japanese firms to partner with local firms, leaving much of the day-to-day management to locals, although the level of technological sophistication and management is different in China and South Korea.

One advantage of such a system appears to be the flexibility it gives Japanese partners for sourcing product. The Japanese market for food products is not only demanding, but volatile. Part of this volatility may be attributable to changing tasters, but also to vagaries in supplies from other producing areas (both home and abroad), changes in demand due to the weakening of consumer demand in Japan, and exchange rate volatility. This volatility is being matched by volatility in the Chinese production sector. One striking feature of the regions we visited was the rapidity with

which many farm households have adapted to the commercial production of fruits and vegetables. For example, according to our interviewees, at the beginning of the 1990s, most farmers in the Laixi and Laiyang areas were producing grains, a percentage of which was sold to government buyers. It is only within the last 10 years that tremendous numbers of growers have switched to vegetable farming. We were informed that an estimated 20 to 30 thousand farm households in Shandong and Jiangsu provinces are now producing vegetables, the great majority of whom began producing vegetables after 1992. In the case of paprika production in South Korea, growers switched from rose to paprika in 1994 due to the recession in Korea.

Given this volatility, it was thus not surprising for us to discover that there is also a great degree of volatility in procurement systems. In our discussions with firm representatives and farmers, we discovered that while there are numerous examples of contract farming, that firms also procure a large percentage of their crop on the "open market," which can range from purchases at a local wholesale market to direct purchases from farmers by firm agents during the growing season. We heard of some cases where firms moved away from contract farming, as well as opposite examples. Clearly, this is an area where additional research is needed. However, it does appear as though contract farming is more common for commodities where there is little or no possibility for selling excess crop, or product that does not meet standards, in local markets.

Two examples are organic vegetables and burdock root. While burdock root is consumed in Japan, in preparations such as *kinpiragobo* and *chikuzeni*, it is not consumed in China. Thus, growers are unlikely to plant this crop without promise of a sale at the end of the growing season. As for organic production, a considerable investment in time and resources is necessary for success, and once again few farmers are unwilling to undertake such risks alone. For example, a three-year transition period is required under internationally regulated standards for organic production, as well as access to specified inputs, such as organic fertilizer. Thus, firms like Wanfu have found it necessary to enter into long-term contractual relationships with growers to develop their capacity to produce organic vegetables. In Korea, contracts were used in the case of eggplant production, where the variety grown for export to Japan is different than the variety that Korean consumers normally purchase.

Clearly, great transformations have taken place, and continue to take place, in East Asia as a result of the continued regionalization of the agri-food system. But these changes have been much greater in China, where producing for the market is a great transformation. On balance, the Chinese farm householders we interviewed felt that this has been a positive transformation in their life. In particular, they refer to their increased household incomes, and the concurrent modernization of their lifestyles, as a benefit, although income differences between households are also increase. In addition, respondents talked about the change in gender relations that is taking place. In many cases, farms that have moved into vegetable production are too small to depend solely on agriculture for the

household's income. Thus, many of the agricultural tasks are women's work, and much of the income has become women's income. Therefore, while the work burden of women has increased, as women are expected to continue with their traditional household work, their roles in the household have also improved. Thus, as some Chinese women related, "Although we feel tired, we are tired with happiness."

However, households are also feeling an increased vulnerability as well. In particular, as the economic situation in Asia has deteriorated in recent years, and as more and more households seek to cash in on the commercialization of fruit and vegetable production, overproduction, and the resulting decrease in prices, has become an issue. In China, we heard stories of vegetables being plowed back into the ground because prices were lower than the cost of production, and many farm householders were expressing concern about the future of vegetable prices. Chinese farm householders were particularly emphatic about their need for independent price and demand information about Asian vegetable markets so that they could make informed planting decisions. Currently, Chinese farm households are dependent on company middlemen for information on what to plant. This information is not viewed as objective, and we were informed of incidences of a crop being planted and then not being sold because the company no longer had the need for that commodity. Clearly, farmers need to have access to objective sources of information on overseas markets if they are to maintain their recent successes into the future. This is contrasted by one case in Korea, where the farmers we met had traveled to Japan to learn more about the Japanese market.

We also enquired about environmental impacts of the change in production systems, but farm householders do not appear to have noticed any significant environmental problems to date. Of course, the transformation has been so recent, and agricultural production in this region intensified for so long, that some environmental problems may not have been noticed to date. However, water is becoming an important environmental and production issue, particularly in northeast China. The rainy season in this part of China is short, and fruit and vegetable production demands greater water inputs than grain production. Careful monitoring of the water situation is needed to determine if this will become a major detriment to further agricultural production, and to the local environment, in future years. In Korea, however, we heard of environmental problems related to agricultural production, many of which are caused by greenhouse production where continued use of chemicals seems to have polluted soil and water. But at the same time, efforts have been made to recover the soil deterioration by using organic fertilizer or other organic farming techniques. These efforts are seemingly done mainly on the individual level.

Finally, we recognize that there are limitations to what we learned during our research. Our efforts were brief and limited. However, we believe they were useful for confirming the immense changes that are unfolding in Asia as a result of the regionalization of the agri-food system. In particular, we believe that many of the effects of this change are yet to be determined, as the shift to

producing for offshore markets in the fruit and vegetable market is very recent. In addition, we expect that as consumer markets develop in other Asian countries, the regional agri-food system will become increasingly complex and heterogeneous. Thus, our study can only be viewed as an initial step in understanding what will become an even more diverse and dynamic agri-food system.

IMPLICATIONS

The result of our research on how agri-food trade is evolving in the Asian region is the product of research that is still unfolding. More empirical information on the complexes we list above, and how they affecting farm householders and their community is needed. However, we believe that the trends we have sketched out suggest a number of important implications.

The first has to do with the nature and role of firms that manage cross-national agri-food trade and investments. Our work suggests that it is not individual firms that are the managers. Rather, firms are frequently developing joint ventures and creating networks for achieving their objectives. Given this, we wonder how these partnerships will lead to the creation of new and interesting shared corporate strategies for the production, distribution and marketing of food products, and how local governments should interact with networks that are multinational in character.

Second, although the primary export target in the region clearly is Japan, the saturation of food demand in that country (per capita caloric consumption in Japan has been stable for a quarter century) and the ageing of the Japanese population suggests that there is little potential for overall growth in food exports into Japan, although the shift to more high quality food products, including "organic" foods, will undoubtedly continue. Meanwhile, the current Asian economic recession notwithstanding, a long-term shift to more high-value food items in many Asian countries is unfolding. This was emphasized in our interviews with firm managers, who talked openly about their desire to expand the markets for processed foods in other Asian countries, particularly China. The development of the regional, Asian agri-food system has played an important role in the development of "Asian style capitalism" in the region over the last 40 odd years. Thus, we would anticipate that trade and investment patterns will become increasingly complex in the region, with a focus on expanding various markets with products that are highly perishable and/or culturally specific.

Thirdly, there is a clear move in the Asia region to increased liberalization of agro-food trade. Such a move is part of the APEC and WTO agendas. However, most public and even academic discussions about such a trend are often devoid of references to monopolization of resources and distribution problems, including poverty, hunger and malnutrition. Recent events in Indonesia and elsewhere in the region suggest that these issues can only be ignored for so long. The degree to which evolving agri-food trade relations will exacerbate or mitigate the distribution of food

to lower income groups is an issue not addressed in our research and is an area where research is desperately needed for the future.

A related issue is what will happen to national structures of agriculture and affected farm populations, as grain imports into the region increase and more farmers seek to be active in regional export markets. More research is also needed in this area.

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