

The Role of Asian Transnational Corporations in Evolving Asian Agri-Food Systems:
A Preliminary Report

Presented at the Mini-Conference on
THE GLOBAL AGRI-FOOD SECTOR AND TRANSNATIONAL CORPORATIONS
Research Committee on Agriculture (RC-40),
International Sociological Association
Montreal, Quebec, Canada,
26-27 July 1998

Jasper Goss (Griffith University)
Shuji Hisano (Hokkaido University)
Raymond A. Jussaume Jr. (Washington State University)
Chul-Kyoo Kim (Korea University)
Philip McMichael (Cornell University)
Shigeru Otsuka (Shimane Prefectural Women's College)
Yoshimitsu Taniguchi (Akita Prefectural Agricultural College)
Lin Zhibin (China Agricultural University)

This paper is a DRAFT. Do not cite, please.

This paper is based upon research that is being supported by the Toyota Foundation, and by the Colleges and Universities of each of the authors. Any opinions, findings, and conclusions or recommendations expressed in this publication are those of the authors and do not necessarily reflect those of these institutions.

All communications should be sent to Ray Jussaume.

The Role of Asian Transnational Corporations in Evolving Asian Agri-Food Systems: A Preliminary Report

I. 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, 1994 #447; Kotabe, 1992 #295], to more theoretical discussions of the implications of globalization for national politics [Carnoy, 1993 #507; Sweezy, 1992 #435]. Studies of how agri-food systems have been globalizing are part of this trend [Bonanno, 1991 #87; Goldberg, 1988 #52; Kim, 1993 #242; McMichael, 1994 #408]. 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, 1995 #491; Whatmore, 1994 #498], 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 #94; Pacione, 1997 #626; Symes, 1992 #239].

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 a preliminary assessment of some of the characteristics of the agri-food system in the Asian region. Specifically, we focus on analyzing the role that selected Asian countries 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 initial stage of a longer, multinational research project on the evolution and impacts of the transformation of Asian agri-food systems. The primary goal of this project is 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 Australia, China, Japan, South Korea and the United States. The analysis presented in this paper includes data that each member has collected individually, as well as through interviews that were conducted by the team in Tokyo in the spring of

1998 with Japanese agribusinesses representatives and other researchers. In addition to providing insights into the role of nations and firms in the reorganization of Asian agri-food systems, the paper also establishes a foundation for a future round of research, to be based on case studies, that the team will conduct in early 1999.

II. 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 we utilize to outline the context within which evolving Asian agri-food systems are embedded.

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 starch staples has declined [Tokoyama, 1994 #550]. 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, 1994 #550].

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, that 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 are related to biological, geographical, climatic 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 [Francks, 1998 #615]. 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 related to our recognition of the declining importance of nation states, and the rising importance of multinational agribusinesses, in constructing new Asian agri-food systems. Based on our appreciation for the literature on the National Division of Labor in the global economy (Carnoy 1993; Sweezy 1992), which in part recognizes that the role of states in a global political economy may be to regulate competition [Wallerstein, 1991 #196], we assume that such a division of labor is likely to be taking place in Asia, and have as a further motivation of our study the empirical investigation of what type of national division of labor in Asian agri-food systems is being created. 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.

III. 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, 1992 #247] (p. 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, 1994#550], 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, 1995 #614].

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 #48; Judson, 1991#45].

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, 1989 #433], 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, that 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 #18; Kojima, 1984 #8; Yoshino, 1986 #14]. 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 #504; Saitoh, 1992 #12]. 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 market 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 in this paper 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 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. How these patterns and markets develop in the near future will be an interesting process to watch and analyze.

IV. Implications

The brief outline of how agri-food trade is evolving in the Asian region, and what firms are involved, is the result of preliminary research which is still unfolding. More empirical information on the complexes we list above, and how they are being managed, is needed. Thus, it is difficult for us to develop any firm conclusions at this time. However, we believe that the trends we have sketched out suggest a number of important implications for our work as we develop it in the future.

The first has to do with the nature and role of firms that manage cross-national agro-food trade and investments. Our work suggests that it is not individual firms that are the managers. Rather, firms are frequently developing joint ventures for managing these business. Given this, we wonder whether and how these partnerships will lead to the creation of new and interesting corporate strategies for the production, distribution and marketing of food products.

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 "safe" 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 can be expected. Thus, we would anticipate that trade and investment patterns will become increasingly complex in the region, with a focus on 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 agenda. 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 agro-food trade relations will exacerbate or mitigate the distribution of food to lower income groups will be an area where increased research will be needed.

Finally, and of particular importance to us, is the question of local impacts. This question also has been relatively understudied. Little is known of the affects of foreign direct investment and trade on the regions in which they take place, including political, economic, and social impacts. This is one question, in particular, that we hope to investigate in the near future.

