Agricultural Trade, Firms and the State: Extrapolations From the Case of Japanese Beef Imports*

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1 Introduction

Until recently, much of the research on beef trade with Japan was focused on analyzing the role of the Japanese state in the importation of beef into that country. Until beef import liberalization began on April 1, 1991 (Mori and Lin 1994), the national government directly managed these imports by having the quasi-governmental Livestock Industry Promotion Corporation (LIPC) purchase and warehouse frozen imported beef (Mori et al. 1988; p. 3). Many researchers, particularly non-Japanese scholars, criticized this practice by arguing that it restricted free trade and was detrimental to overseas suppliers and Japanese consumers (for example, Anderson and Hayami 1986; Lloyd et al. 1987). When, after more than a decade of resisting political pressures from exporting countries, particularly the United States, to liberalize imports of agro-food products (Mori and Lin 1994), the Japanese government announced that it would open up beef imports as part of a broader liberalization policy, the focus of scholarly attention shifted towards discussion of the relationship between prices and demand for various types and quality grades of beef in the Japanese market (Wahl et al. 1992; Furuya and Kusakari 1992). Nonetheless, academicians and journalists alike continue to refer to "American" and "Australian" beef exports to Japan, as in "Last year, the U.S. exported to Japan 185,000 tons of beef, and the U.S. share of the Japanese market was up some 2 percentage points from a year earlier" (Nikkei Weekly 1993).

The objective of this paper is to contribute to the formation of a new approach for analyzing agro-food trade by examining the new institutional structures that are arising to manage beef trade with Japan now that the direct role of the Japanese state has been terminated. This analysis is built upon theoretical concepts of the relationship between firms and markets (Coase 1937; Stinchcombe 1990; Williamson 1985), as well as (Bernard 1994; Bonnano et al. 1994; Jussaume 1991; Marsden 1992). Utilizing this framework, I maintain that it is time to desist in conceptualizing trade as though it takes place between countries and use an approach that identifies the actual actors and market institutions through which this trade is conducted. In other words, I contend that while it is true that commodities, finished goods, services and capital are increasingly being transported across international borders, this trade is managed primarily by profit-making firms. Therefore, more emphasis needs to be placed on understanding the role of firms in controlling international trade and what this means for socio-economic development at both the macro and the micro levels.

To develop this argument, this paper is divided into three subsequent sections. The first briefly reviews the academic literature on firms and hierarchies. The purpose is to show that there is a strong theoretical foundation in the social sciences for developing a research methodology on international trade that conceptualizes that trade as taking place between firms. This section concludes by developing a hypothesis that access to markets around the world may become more difficult for small or new firms to access as the global, capitalist economy matures. The second section utilizes the case of the liberalization of beef imports into Japan to test this hypothesis and to show how this change in Japanese governmental policy has led to the formation of business ties between large Japanese and small non-Japanese firms. The final analytical section features a case study that describes the effort of some American producers to raise *Wagyu* beef as part of a strategy to gain a foothold in the Japanese market. The paper concludes with a discussion about the nature of inter-firm competition in the contemporary global economy.

2 Theoretical Background

Many contemporary economists focus their research on understanding how prices are determined by various supply and demand characteristics. Consequently, much of the research on international trade ostensibly is based on the assumption that buyers and sellers conduct their transactions in an open, global market, and thus examines how trade flows between nations. There is rarely any discussion of the actors who conduct this trade and dedicate themselves to expanding and preserving their "market share," which in numerous cases translates into a privileged access those markets. This is curious given that there is a research tradition in the social sciences that investigates how economic transactions take place in socially constructed markets.

Discussions of how firms remove economic transactions from the marketplace are commonly accepted to have originated with the work of Coase (1937), a Nobel-prize laureate who proposed that there were costs associated with using market price mechanisms when they became greater than the costs associated with internalizing those same transactions within the firm. In other words, one could assert, as Adams (1992) has, that Coase was like Polanyi in arguing that firms are in the business of removing transactions from the market place. Williamson (1975) re-framed this proposition nearly four decades later in terms of markets and hierarchies. One of his principal research objectives has been to uncover the environmental and human factors that determine whether it is more efficient for a firm to execute a transaction within its own bureaucratic structure or to utilize the market. Recently, Williamson has developed this idea further by arguing that "Not only are there a variety of market nodes, which is to say that the study of hybrids is pertinent, but there are a variety of ways to organize hierarchies" (Williamson 1985; p. 344). In other words, markets are socially constructed, take various forms, and are controlled to one extent or another by the participating organizations.

The notion that there are a variety of institutionalized settings in the global capitalist economy within which economic transactions occur is becoming increasingly popular in sociology as well. For example, both Granovetter (1985) and Clegg (1990) have pointed out that economic activity is a category of social action that is "embedded" within an intricate web of social relations. Their work suggests that firms make explicit efforts to bring economic transactions under their control, thus restricting "market access" to other actors. Stinchcombe (1990) has analyzed why some businesses create intra-firm hierarchies and others inter-firm hierarchies. In either case, the end result is the same, i.e. transactions are taken out of the open market. All of this research has contributed to the development of a theoretical orientation that maintains that there are various types of business transactions, and that most of these do not take place in a free market where a large number of perfectly informed buyers and sellers exist.

Research coming out of this tradition argues that the growth of large firms is a defining feature of 20th Century Capitalism (Wier 1991), which intimates that the percentage of transactions taking place within firms and integrated firm hierarchies is growing while the proportion of open market transactions is declining. This viewpoint is compatible with the theoretical orientation surrounding discussions about the globalization of capitalism and the change to a "post-fordist" political economic regime (Bonanno et al. 1994). It is argued that in this post-fordist era, a new form of transnational capitalism is emerging, which is made possible by "the production of new, more varied markets and consumption practices associated with increased levels of mobility of capital, labour and most importantly, consumers" (Marsden 1992; p. 214). To respond to these varied "niche market" opportunities, production is diversified across firms that are no longer part of giant conglomerates that are identified with a specific country of origin, but are part of multinational interfirm networks, which are increasingly able to by-pass State authority at the national level (Bonanno 1991). In other words, as the power of the State to regulate markets declines, diverse networks of firms are expected to increase their ability to develop "market share" in global markets.

The growth in the percentage of non-market transactions taking place on a global scale, which has been referred to as the globalization and consolidation of business activities, has been occurring in food and agriculture (Goldberg 1988), as in other industries. Based on these trends and the theoretical arguments presented above, one might hypothesize that as the direct role of the Japanese government in organizing beef imports into that country was eliminated, that private firms would take the opportunity to enter into that business activity with the objective of changing beef trade with Japan from a form of transaction based on sales between firms with the state acting as an intermediary into inter-firm or intra-firm transactions. One might also hypothesize that as firms sought to solidify and expand market shares, that the liberalization of beef imports into Japan would ultimately lead to a gradual reduction in the number of overseas firms that had access to Japanese domestic beef markets. In other words, one possibility is that the long-term impact of trade liberalization would be an increasingly restricted and controlled market for beef exports to Japan.

3 Oligopolies in the Japanese and American Beef Industries

The contemporary American meats industry is well known for being dominated by a small number of large, multinational firms (Niiyama 1992). In the 1980's, in particular, the same companies came to dominate feed milling and the slaughtering and fabrication of beef, pork and poultry (Heffernan and Constance 1991). This was done not only through business expansion, but also through an aggressive strategy of mergers and acquisitions, a number of which violated the Reagan administration's own anti-trust guidelines (Marion and Kim 1991). Two of the biggest such firms are ConAgra and Iowa Beef Processors (IBP). As of 1990, ConAgra was the 3rd largest food processing firm in the world with processed food sales of $15.3 billion, while IBP was number 8 with $9.5 billion in sales (Gallo et al. 1992). IBP is popularly known in many regions of the United States as an uncompromising, low-price purchaser of fed cattle. It is also an exporter of beef products to Japan, having been active in the export of frozen beef to Japan since the pre-liberalization era. While accurate data on current IBP sales to Japan by market channel are not readily available, reports from various issues of the Japanese meat industry newspaper *Shokuniku Tsushin* indicate that IBP is a major purveyor of imported beef in that country's publicly administered beef wholesale markets. In other words, IBP has been successful at penetrating the Japanese beef marketing system.

Of course, the same tendency towards concentration in meat production can be noted in Japan, although it has not progressed to the same extent that it has in the United States. While vertical concentration in the egg (Sugiyama 1993) and broiler (Nagasaka 1991 & 1993) industries has been established, integration of beef production is not very pronounced. This is due in part to the fact that the Japanese beef industry is much smaller than the American industry in both relative and absolute terms, and also because the bulk of slaughtering in Japan is still done in government supervised wholesale auction markets and meat centers, which makes it economically less attractive for private firms to enter the packing industry. Nonetheless, the 38th (Nippon Meat Packers) and 50th (Itoham) largest food processing firms in the world (Gallo et al. 1992) are Japanese based, multinational meat processors. While both of these firms have traditionally been prominent in the manufacture and sale of processed meats, both have begun to recruit small butcher shops in Japan into distribution networks as part of a strategy of expanding sales of fresh beef. How effective this strategy will be is as yet unknown, but is an indication of how firms attempt to expand their "market shares" by limiting access to that market to other actors.

The meat industries in the U.S. and Japan are becoming increasingly integrated, i.e. more and more transactions in the marketing chain from production through retailing are being removed from the market place by large firms and networks of firms. Interestingly, Japanese and American firms active in the production and trade of meat products have begun to develop inter-firm linkages with each other in a number of third country settings. For example, Tyson foods has established a joint venture with the Japanese trading giant Itochu and a Mexican partner to establish a joint broiler production facility in Mexico (Tuten and Amy 1987). Nippon Meat Packers, on the other hand, has been importing beef from the U.S., Canada, the U.K., Russia, Brazil, Mexico, Australia, New Zealand, Thailand, Singapore, China, Sweden and Denmark, and operates a joint venture in Thailand with Cargill to produce broilers (Heffernan & Constance op. cit.). Such evidence, when interpreted in light of the theoretical literature reviewed above, would lead one to suppose that as the post-liberalization era in beef trade with Japan proceeds, it would become characterized by competition between U.S.-Japan firm pairs rather than a trade that takes place in an open market between independent American sellers and Japanese buyers.

The data presented in Tables 1 and 2 support this hypothesis. These tables list some of the different inter-firm linkages that have been developed between Japanese, American and Australian firms.

TABLE 1

Japanese Participation in American Beef Packing

American Packer	Japanese Firm(s)	Type of Participation
Washington Beef (WA)	Tokyu Foods/Sun Rex	Ownership
St. Helen's (WA)	Tokyu Foods/Sun Rex	Ownership
Oregon Beef (OR)	Takizawa Ham	Marketing Agreement with C&B Ranch
Oregon Beef (OR)	Yokkaichi Ranch Beef	Ownership
Idaho Beef (ID)	Nichirei	Joint Venture with J.R. Simplot
FBC (NE)	Stamina Shokuhin/Marubeni	Ownership
Harris Ranch Beef (CA)	Nichimen/Fujichiku	Marketing Agreement
Manning (CA)	Zenchiku	Ownership
High Plains Dressed Beef (KS)	Nissho Iwai	Marketing Agreement with Carver
Sanders Key (OH)	Nissho Iwai/Amai	Marketing Agreement
Bras (IL)	Pacific Overseas	Marketing Agreement
Aurora Packing (IL)	Itochu	Marketing Agreement
Liberty Bell/Colonial Beef (PA)	Marudai Foods	Ownership
Hitch Packing (IN)	Sumisho Prime Meat	Ownership
Cattle Exporter (NE)	Ron Bokujyou	Marketing Agreement with O'Neil Packing

Source: *Shokuniku Tsushin.* 1993; p. 26

TABLE 2

Japanese Participation in Australian Beef Packing

Australian Packer	Japanese Firm	Type of Participation
Remu Zabu (QLD)	Hannan	Marketing Agreement
Kilkoy/Mirror Brook /Royal Crown Kilkoy (QLD)	Nagasaki Sangyou/Toshoku Ser. /Sakai Shoten	MarketingAgreement/Joint Venture
Oaky/Stockyard Meat (QLD)	Nippon Ham	Joint Venture with Whyalla*
Deeds (QLD)	Prima Ham and Others	Ownership
Mid-coast/Killara Beef (NSW)	Mitsubishi Shoji	Ownership (70%)
CBP (NSW)	Nippon Ham	Ownership
Ganeda Shire Abbertoir /Ranger's Valley (NSW)	Marubeni/Snow Foods	Marketing/Joint Venture
-OBX (NSW)	-Marubeni	Marketing Agreement
ICM/Berima (NSW)	Marubeni	Marketing Agreement
-Highland Beef (NSW)	-Marubeni	Marketing Agreement
Lackley Meat (NSW)	Hannan	Ownership
-Rockdale (NSW)	-Itoh Ham	Ownership

* Whyalla (feedlot) is a wholly-owned subsidiary of Nippon Ham

QLD = Queensland
NSW = New South Wales

Source: *Shokuniku Tsushin*. 1993; p. 27

The types of tie-ups range from joint management and marketing arrangements to complete ownership by the Japanese firm. In particular, the movement of Japanese capital into Australia immediately preceding and following the implementation of Japanese beef import liberalization has been a major force in the re-development of the beef industry in Australia, particularly for beef bound for Japan (Hattori 1992). Traditionally, Australian consumers have preferred grass-fed beef. Thus, the feedlot industry in that country was virtually non-existent a couple of decades ago. It was only the expansion and eventual liberation of Japanese beef imports that stimulated the creation of a feedlot industry in Australia as Japanese consumers prefer heavily marbled beef, even more heavily marbled that American consumers. Thus, as the Japanese state removed itself from a direct role in beef imports, Japanese firms helped develop a feedlot industry in Australia in order to position themselves in the Japanese beef market.

Two additional observations can be made based on these data. One has to do with the types of Japanese firms that have become active in the American and Australian beef packing industries. Many of the Japanese firms listed are either multinational trading companies (Marubeni, Nissho Iwai, Itochu, Mitsubishi), who pioneered the technological development and integration of the poultry industry in Japan (Nagasaka 1993) and who have a vested interest in protecting their traditional role in managing Japanese imports, or large meat processors (Prima Ham, Nippon Ham, Itoh Ham). Interestingly, these two types of firms appear to be more active in Australia than the U.S., where comparatively smaller Japanese firms are more likely to be found investing (Sun Rex, Takizawa Ham, Sumisho Prime Meat). The second interesting trend to note is that, contrary to what one might predict based on the tie-ups taking place in third country settings, most of the Japanese investments in Australia and the United States are in or with smaller, regional firms, rather than with companies like IBP, ConAgra, or Excell in the U.S. and Gilbertson, Smoagan or AMH in Australia. This confirms information obtained in interviews I have conducted with Japanese meat industry executives, who have stated a preference to invest it or work with smaller feedlots and packing houses in the U.S. One reason often given for this preference is that the large, integrated meat firms in these two countries are less flexible and less willing to adapt their production practices to meet the idiosyncracies of the Japanese market.

It is important to be skeptical about these data until they can be verified by other sources. Some investments may be unreported, and many of the smaller firms listed may in fact be subsidiaries of larger companies. Nonetheless, it is not improbable that large Japanese firms would be more likely to invest in regional packers. Factors that could be influencing such a trend could be lower entry costs, more flexibility on the part of a regional firm, and lack of interest on the part of a major domestic firm to enter into a joint venture with an outside partner on its own domestic turf. Put more simply, a marriage between a dominant, multinational firm and a regional partner may be easier to manage than one between two multinationals that may find themselves in competition with each other in other product markets.

This leaves us with an intriguing finding. The liberalization of the Japanese beef market may indeed have contributed, at least in the short run, to improved market access for small, non-Japanese firms that have the opportunity and willingness to link up with a large Japanese partner. In other words, the competitiveness of small producers in global markets may not determined by the former's ability to be competitive in a free and open market, but rather may be a consequence of their having the possibility and the flexibility to enter into an inter-firm hierarchy. The importance of being flexible, and of having access to an overseas consumer market through a partnership with a firm that is already established in that market, is further demonstrated by the following case study.

4 American *WAGYU*

Two breeds of cattle account for virtually all of the domestic production of beef in Japan. Approximately two-thirds is fed dairy cattle, primarily dairy steers that are weaned from their mothers shortly after birth. The remaining one-third comes from cattle that are called *Wagyu* in Japanese. This breed is descended from an original breed of cattle that was indigenous to Japan and was mixed with imported European genetics earlier this century

(Longworth 1983). *Wagyu* cattle have a different physical conformation than beef cattle breeds commonly found in the United States or Australia, and are known for a number of peculiar genetic eccentricities, including the ability to marble extensively with comparatively little backfat. This characteristic is desirable as Japanese consumers prefer to consume heavily marbled beef, particularly in dishes like *Shabu-Shabu* and *Sukiyaki*, where thinly sliced beef is boiled briefly before being eaten.

In 1976, four *Wagyu* bulls were imported into the United States. At that time, they were viewed as a curiosity that might be useful for developing a new breed of beef cattle. There was virtually no interest in producing a type of beef that was more comparable to what Japanese farmers were producing domestically. All this has changed as a result of liberalization of beef imports into Japan. There is now an increasing interest among selected producers in the United States and Australia in developing a beef product that is more suited to Japanese consumer tastes and that will hopefully command a higher price than standard quality beef exports. This interest appears to be strongest among comparatively smaller players in the American and Australian beef industries who have difficulties competing against large multinational firms in mass consumption been markets.

This is not to say that large firms have been completely absent from the picture. One of the first and most interested parties that invested capital in the development of an American *Wagyu* herd was a California firm by the name of Calco. This firm not only began to purchase semen, but also became the prime sponsor of *Wagyu* research at Texas A&M University, the first University to do such research in the U.S. Calco also sponsored the development of a herd of F1 *Wagyu* beef cattle with the intention of discovering whether it was feasible to produce highly marbled beef for the Japanese market in an American production system. Calco is a 100 percent subsidiary of Itoham, the second largest meat processing company in Japan.

In other words, one of the major early players in the development of *Wagyu* in the United States was a member of a Japanese based, cross-national, inter-firm hierarchy. As can be noted in Table 2, this firm has also established a beef producing subsidiary in Australia. It's interest in developing a *Wagyu* production system was part of an understandable attempt by a Japanese firm to gain direct control over the production of an overseas supply of high quality beef for sale in it's domestic distribution network. Interestingly, Itoham's involvement was kept relatively secret, and may have been one reason Itoham operated through a 100 percent subsidiary. There was virtually no reporting of Calco's sponsorship of *Wagyu* in the United States or Japanese media. This is a possible indication of Itoham's understandable desire to keep Japanese beef producers uninformed about their participation in project that could lead to the import of *Wagyu* style beef into Japan.

Calco has since dropped it's sponsorship of *Wagyu* research at Texas A&M. Whether this is an indication that Calco does not feel the project is potentially profitable or a consequence of the current recession in Japan and Itoham's subsequent decline in profits is unclear. What is interesting is that none of the major American meat packers, nor any of the other large Japanese meat processors, have expressed an interest in developing *Wagyu*, while a number of smaller American and Japanese firms have and continue to do so. In the State of Washington, where IBP maintains a quasi-monopolistic market position for fed cattle, a number of small ranchers, a regional feedlot firm, and a local beef packer that is the only significant competition to IBP in the State, are actively engaged in the development of a *Wagyu* production system.

As of 1993, 29 ranchers and feedlot operators in the State of Washington and an additional nine individuals/businesses from the neighboring States of Idaho and Oregon have purchased *Wagyu* genetics for use in local herds. One of the largest purchases, and one of the more aggressive supporters of the project, is the owner of the regional cattle production/feedlot business referred to in the previous paragraph. This firm has developed business ties with a subsidiary of Mitsubishi, a large Japanese trading company that is listed in Table 2 as the majority owner in an Australian meat packer. Also liked into this network is the meat packing firm, Washington Beef, listed in Table 1 as a subsidiary of a small Japanese firm known as SunRex, which in turn has an ongoing marketing relationship with Tokyu Foods, a regional supermarket chain operating in the greater Tokyo area.

The story of Washington Beef and its role in the development of a *Wagyu* production system highlights how local ranchers and feedlot operators have a sophisticated understanding of the relationship between markets, power and social networks. Washington Beef was founded by a handful of local feedlot operators who were distressed over the large number of feedlot and slaughterhouse bankruptcies that had been occurring in their region. They purchased a slaughterhouse and established a firm in order to avoid a monopolistic market for fed cattle in the state by providing an alternative to IBP. While they were unable to generate a profit, they were fortunate enough to maintain the operation long enough to find a Japanese firm to buy it. This helped to preserve competition as well as provide an opportunity for local cattle ranchers and feedlot operators to develop strategies, in cooperation with foreign capital, for gaining access to overseas niche market opportunities that large domestic firms were not interested in exploring.

Discussion and Conclusion

The evidence presented in this paper is insufficient for making grand claims about the role of firms in international beef trade and the impact firms have on wholesale and retail prices. Data that can be used to develop and test such hypotheses are very difficult to obtain. Private firms, particularly multinational corporations, are very protective of the information they own about their business transactions. This is certainly one reason why analyses of trade between countries instead of between firms are common, and is one of the challenges scientists face as they seek to research the relationship between firms, hierarchies and markets.

Nonetheless, some preliminary conclusions can be drawn from the above analysis. The first is to verify that it is inappropriate to talk about "Japanese" and "American" goods in international trade. This is as true in beef as it is in automobiles and semiconductors. If, for example, an American based and operated firm with Japanese owners works with local ranchers with Japanese genetics to develop a beef product to satisfy the demands of Japanese consumers, should we consider this Japanese or American beef? More importantly, does it really matter? Soska and Hudson (1990) have written about the need to investigate the relationship between Foreign Direct Investment, competitiveness and local economic development in order to ascertain under what conditions Foreign Investment is locally beneficial or detrimental. The case of *Wagyu* suggests that plugging into a multinational, inter-firm network is a strategy that smaller firms may be using to access markets that are dominated by oligopolistic firms. The possibilities for employing such a strategy may be enhanced in those cases where more flexible production strategies are needed. More research on how such networks, and the small firms within them, fare over an extended time period is needed to determine if such a strategy can be viable over the long term.

A second conclusion to be drawn from the above analysis is that the withdrawal of the Japanese government from an active role in managing beef imports did not lead to the creation of a "free market" in the classical sense. This is the point that the so-called "new institutional economists" (Adams op. cit.) have been making. The *Wagyu* example demonstrates the awareness that managers of small businesses have about the difficulties inherent in being competitive in global markets, which have a tendency to be dominated by multinational corporations. As mentioned above, one strategy that small and medium sized firms may be taking to gain access to foreign markets is to become integrated within inter-firm networks, rather than to attempt to directly place their products in the "free market." This is a particularly important insight for those in developing countries, such as Africa, where the movement to have governments give up their roles in marketing commodities is growing (Manu 1992; Selassie and Hill 1993).

A final issue that needs to be addressed, and one not adequately covered in this paper, is the impact of the development of inter-firm and intra-firm trading networks on producers and consumers. Another assumption underlying many analyses of international trade that needs to be challenged is that retail and wholesale prices naturally move in tandem. "Restaurants and retailers may not change their customer prices drastically on a regular basis because their main concerns are how to maintain or increase their net marketing margins rather than increase their sales volume" (Mori 1992; p. 11). In related work, Mori (1993) has demonstrated that the wholesale price of imported beef in Japan declined between 30 and 50 percent, depending on cut and source, between 1988 and 1992, while the average retail price for imported beef rose between 1988 and 1991. In other words, the changeover to beef trade liberalization and a reliance on the "marketplace," rather than the state, to determine prices may be creating an environment within which some firms are increasing their profit margins rather than passing along cheaper prices to consumers on a permanent basis.

Firms in the meat industry are becoming more interconnected and involved in directly managing trade across international boundaries. This is hardly surprising given that the same trend is occurring in other industries. For example, it has been noted in the popular press that American computer chip manufacturers are no longer interested in having the Clinton administration pressure the Japanese government to expand their share of the Japanese computer chip market because virtually all of the former now have production and marketing agreements with Japanese counterparts (Harbrecht et al. 1993). What is surprising is that social scientists continue to analyze international trade as if it takes place between countries. This is particularly ironic given that ongoing efforts by national governments to liberalize trade has the effect of decreasing their role in regulating that trade and thus opening up the possibility for large firms to expand their influence by placing international transactions within inter-firm or intra-firm hierarchies. The problem of transfer pricing, wherein overseas subsidiaries "export" goods to parent firms at cost in order to minimize tariffs, is an example of how firms utilize this strategy to their advantage. It is also important to recognize that the advantages large firms have over small ones within countries is more prominent in international marketing and trade due to their access to global information networks and their ability to move capital internationally. These are the "market conditions" that small and medium sized businesses face in the contemporary global economy.

The tendency for firms to internalize economic transactions in inter-firm networks should not be surprising. "The free-enterprise myth notwithstanding, in the U.S. economy, little production is under-taken in markets where hundreds of thousands of decision makers are responding spontaneously and immediately to prices for output and supplies and contracting and recontracting accordingly" (Adams op. cit.; p. 402). With the diversity of market opportunities that exist on a global scale and the difficulties that are inherent in managing multinational organizations, inter-firm relationships may offer the most reasonable and "flexible" approach to internalizing market transactions in the so-called post-fordist global economy.

Given this situation, the issues facing social scientists is how to develop methodologies to effectively study this process and help local peoples cope and survive in the globalizing political economy. A first step is to more aggressively challenge the assumption that international trade takes place between nations and in open markets. International trade takes place between and for the benefit of private firms that are slowly moving towards establishing more sophisticated forms of inter-firm and intra-firm integration. Only by understanding this process will scientists be able to uncover possible strategies, such as the organization of alternative social and business networks, for assisting local people and revitalizing local communities.

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Notes

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