Global Agro-Food Restructuring: The Role of Transnational Corporations and Nation-States

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The objective of this article is to illustrate the concomitant processes of globalization and regionalization in the agro-food sector. This task is accomplished through an emphasis on the comlex interplay between geo-political and geo-economic factors. In this context, the current global restructuring is viewed as the result of deliberate strategies on teh part of pwerful nations and transnational corporations as well as the unwanted consequences of their multiple interrelations.

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Introduction[1]

In all big supermarkets or delicatessen stores at any city worldwide, it is possible to find today the widest variety of food products and beverages typical of no matter what culture or region of the planet. In this "global village," the food products we consume and the way they were produced tend to be progressively similar, even though most of the time we have doubts about the ethnic or culinary authenticity of such products.

Paradoxically, in spite of (or due to) this globalization process, new trade and investment links between neighboring countries strengthen the emergence of the three big regional (geopolitical and commercial) blocs which tend to fragment this new world structure.

How can these two simultaneous processes of globalization and regionalization in the establishment of a new world order be explained, particularly in the agro-food sector? What players and social forces act behind these processes? My statement is that both the transnational corporations and the three superstates that emerged at the end of the cold war (US, Japan and the European Community) actively participate in the establishment of a new world structure; and in the process, they are restructuring the agricultural and food systems.

Transnational corporations, though

different in "national" origins and in the various moments of the globalization process in which they appeared, usually focus their investments towards global sourcing and supplying. However, in an scenario depicted by the establishment of regional blocs, these corporations also develop strategies addressed not only to consolidate their position in their bloc of origin, but also to obtain a solid position in the two other blocs before it is too late.

On the other side, each of the three post cold war super-states keeps a double-strategy in the current juncture: (a) at the multilateral fora, an agenda for building the most convenient global order for its interests as a world power; and, (b) in its own backyard, an agenda for building the enlarged space (economical and geopolitical) in which it believes to be in the best of its capacities to compete in the new global scenarios. To identify these multiple strategies, the way in which they interact, and, how in the development of the events, the new general and agro-food global order is shaped, are the main objectives of this paper.

I am fully aware that these are not the only institutional agents that participate in the establishment of a new global order and in the restructuring of agro-food systems. The small (in economic terms) and weak (in political terms) states surrounding each one of these blocs design and implement their own strategies to avoid being excluded from these processes. Also, the multilateral agencies (e.g. IMF, World Bank, and the regional development agencies) politically strengthened after the debt crisis and the fall of the Berlin Wall, have become important agents in these processes. Finally, but no less important, the different social and political movements (i.e. environmentalists, unions, consumer and neighbor associations), each having their own agenda, also actively participate in these processes. Nevertheless, for reasons of time and space, the analysis of the roles of these agents goes beyond the scope of this paper.

The Role of Transnational Corporations

There are major differences among the type of enterprise that, because of frugality in the use of language, we used to refer to as transnational corporations. Particularly, the agro-food transnational corporations (ATNCs) are differentiated from a **generational** point of view (because of their start in different moments of the globalization process) and by their **national origins** (by the political economy of their country of origin).

Two main points are developed in this part of the paper. First, that the current restructuring of the world agro-food systems is a very complex process that involves not only the restructuring of the ATNCs' first generations, but also the emergence of new and flexible forms of transnational investment and marketing ventures. And, second, that the strategies adopted by each one of these transnational type of organizations vary according to the different and shifting scenarios (in time and space) in which they are immersed.

A Long-term View of the Transnational Phenomenon

United Fruit Company, founded in 1899, is a typical example of a type of venture oriented to supply an increasing demand of the industrialized countries for tropical products (banana, coffee, tea, rubber, jute and sisal) coming from the plantation agricultures of the colonial or neo-colonial regions at the end of the 19th century. This represented the **first generation** of agro-food transnational corporations (ATNCs). The point I want to stress is that although "global" in their market orientation, the geographical domain of their supply was determined by their country of origin's area of geopolitical influence (colonial or neo-colonial) (Borner, 1986; Cantwell, 1987).

The end of World War II radically transformed the economic and political environment in which the globalization process was proceeding, creating the conditions for the emergence of the **second generation** of ATNCs. On one hand, the Bretton Woods and GATT agreements--fixed exchange rates and gradual tariff barrier reductions--set up the rules of the post-war economic order (1945-1972). On the other hand, the Yalta agreement and the post-war European and Japanese reconstruction under the umbrella of the US military and political influence, secured the political framework in which the US transnational corporations reached their unquestionable world hegemony. Furthermore, although rhetoric and practice were largely divorced, the United States--as a world hegemonic power--promoted a global order based on the principles of national sovereignty, free trade, and unobstructed mobility of capital and private initiative. Within this framework, taking advantage of the US State's economic and political hegemony, US transnational corporations successfully exported their agricultural technical package--which was originally developed to serve the needs of its country of origin; and, their food consumption patterns--which were gradually associated with "development" and the "American way of life."[2]

The typical form of this **second generation** of ATNCs was the large grain-based trading conglomerate (feed grains and oilseeds)[3]. What is important to note here is that, whereas the "banana" trading corporation was typically oriented to domestically and globally supply a commodity produced in a "third world" plantation economy, from the beginning, grain-based conglomerates were focused on satisfying global demand by marketing a product which is mainly produced under the conditions established by the post-war industrialized world (cf. Borner, 1986).

From the 1950s on, the US food processing industry, initially oriented to supply the domestic market, started to experience a profound restructuring giving rise to a **third generation** of ATNCs. Since the beginning of the century, some local food processing firms successfully organized national processing and distributing networks, due to the rapid expansion of the country's transportation systems and achievements in food storage and distribution in the US. Yet, at the end of the decade, only a few companies had ventured abroad, most still retaining a strong domestic orientation. However, with the passage of the Clayton Act, anti-trust legislation was strictly enforced. As a consequence, many large US corporations, being increasingly constrained at home, began to search for opportunities of investment and market abroad (Barlett, 1979). Gerber, Del Monte, Campbell's and Heinz are examples of ATNCs, that after the '50s--during the period of import-substitution industrialization--decided to locate canneries in Latin America through supply contracts with local growers.

In Europe, by contrast, food processing evolved in a completely different way. The diversity of culinary cultures and the numerical significance of small-scale family farms avoided the development of large US-style agro-food conglomerates. Exceptions to this general statement are agro-food transnationals from Switzerland (e.g. Nestlé) or from the Netherlands (e.g. Unilever), which, probably because of their small home markets, were globally-oriented from the start (ILO, 1989).

The Transnational Phenomenon within the Current Agro-Food Restructuring

Two main trends influence the current restructuring of the global agro-food system: first, the **industrial restructuring** of the first three ATNC's generations; and second, the emergence of a **fourth generation**, constituted by extremely flexible and de-centralized forms of organization (i.e. the new export networks of fresh fruits and vegetables).

Industrial Restructuring of "Traditional" Agro-food Transnational Ventures.

Two recent events in economic policy have exerted an enormous influence in the process of industrial restructuring of the "traditional" agro-food transnational ventures. On one side is the deregulation of world markets (financial and commodity) due to the rise of neo-liberal doctrines in the highly industrialized countries. And, on the other side, **are market openings** in the indebted countries of the third world and former socialist economies resulting from the implementation of structural adjustment policies endorsed by the multilateral agencies of the new global order.

In this new scenario, the strategy of "traditional" corporations has changed, with the purpose now being to achieve an increased market share in local, regional or global markets, even if it is necessary to waive short-term profits. Mergers, acquisitions and leveraged by-outs, as opposed to expanding horizontally through direct foreign investments, have become the preferred tools for a rapid industrial restructuring.

This growing pattern is not new in the agro-food sector. During the 1920s, the US food processing industry went through a period of mergers and acquisitions in which many of today's large food conglomerates were formed. Mergers were also the hallmark of the industrial restructuring movement in the late '60's (Kohls and Uhl, 1990; ILO, 1989). What is new within the current juncture, however, is the large scale and the global dimension of the majority of these takeovers.

Let's take some examples. Three firms, Kohlberg, Kravis & Roberts, Philip Morris and R.J. Reynolds [4], through a series of takeovers during the 1980s, have now acquired gigantic size. According to Kneen (1989:110),

> Until late in 1988, the biggest leveraged take-over in history was that of Beatrice Foods by Kohlberg, Kravis and Roberts, a private New York company, for $6.2 billion, in the summer of 1986. Shortly afterwards, the same private firm bought Safeway (USA and Canada) for $4.2 billion. These records were broken in the fall of 1988 with the purchase of Kraft by Philip Morris for $13.1 billion, creating the world's biggest consumer products company. In the same vein, Nestlé bought Carnation for $3 billion in 1985, Weston bought Cadbury, and the list goes on. Finally, in December 1988, Kohlberg, Kravis & Roberts succeeded in buying RJR-Nabisco for $25 billion.

ATNCs' Fourth Generation: Flexible Networks of Trade and Investment.

Another important transformation of the transnational phenomenon, within this new period of the globalization process, is the emergence of the ATNCs' **fourth generation.** Opposed to the "traditional" transnational ventures (which tended to disperse their assets through multiple locations), these new transnational ventures--adapting to today's risky market environment--prefer to follow a more cautious approach to enter new markets. The typical approach is to establish, at first, trade relationships only through local agents or brokers. Later, and gradually, the next step is to move to rather flexible forms of investment like franchises, long-term contracts, or joint-ventures with local firms. These flexible combinations--frequently, corporative networks of a transnational nature--allow new risk and profit sharing arrangements, while taking advantage of the domestic firms' access to local resources and knowledge plus the expertise of transnational corporations in the organization of global markets (Handy and Epps, 1990; Giger and

O'Brien, 1989; Borner, 1986).

Laura Raynolds (1991:14) illustrates this type of transnational operations in her article on the recently created agro-exporter sector in Dominican Republic:

> Oriental vegetables, including such crops as Chinese eggplants and yenchoy, were first introduced by entrepreneurial capitalists of Asian origin who by the early 1980s had established over a dozen small export enterprises. These export firms were able to maintain relatively low levels of investment, ranging from less than US$ 150 thousands to US$ 3 million, by limiting their direct costs for land and labor. While a few firms produced part of their own supply of vegetables, most relied on production contracts with a total of 2-3 thousand peasant producers .... Through these contracts, exporting firms were able to control their produce supply and take advantage of ecologically diverse land areas, while limiting their exposure to the high production risks and heavy labor requirements of vegetable cultivation .... Oriental vegetables were shipped to brokers in the major eastern ports of the US to be sold through minority marketing connections to growing Asian migrant communities and ethnic restaurants.

The unstable nature and possible risks for "host" countries of this type of transnational ventures, are also illustrated by Raynolds' article:

> At its height in 1987, oriental vegetables accounted for roughly one-quarter of the total non-traditional agricultural export earnings of the Dominican Republic; now legal exports have virtually disappeared. The majority of oriental vegetables produced in the Dominican Republic have been restricted from entry into the US, their major market, due to a persistent failure to meet standardized import requirements .... The [Dominican Republic] has done little to respond to growing pest and pesticide residue problems in oriental vegetables .... In contrast, oriental vegetable exporting firms have acted quickly, demonstrating their production flexibility and mobility. Since firms have limited fixed investments in land or direct employment, most operations were able to close down virtually overnight. Enterprises run by ethnic minorities with few local ties had left the country within a year to set up in another Caribbean Basin country from which oriental vegetable exports are not restricted. (Raynolds, 1991:14-16)

The Role of Nation-States

Since 1971, when the US abandoned the Bretton Woods agreement, all nation-states--despite their size--were forced to adjust their policies to a now uncertain and highly unstable global scenario. Similarly, they were forced to implement their own strategies to be part of the emerging new global order. Only those powers that emerged at the end of the cold war (the US, the European Community and Japan) have the strategic capability to effectively exert some influence in the development of events.

In the agro-food sector, the design of the new rules and relations of the game at the global level constitutes one of the main components of this story [5]. The other element is the gradual development, by each one of the nation-states, of their own enlarged agricultural space; a process which, after 1982, accomplished its consolidation with the gradual shaping of the three global/regional blocs.

United States: In Search of Lost Hegemony

Rise and Downfall of the Post-World War II Agro-food Hegemony

With the purpose of fully understanding the US strategy (agro-food and general) within the current juncture, it is necessary to take a brief look at the agro-food history of the post-World War II period.

US post-war global agro-food hegemony was decided in 1947, when it was granted a GATT waiver for article 22 of the Agricultural Trade Act of 1935 authorizing protective measures against imports allegedly endangering US domestic policies. In other words, the US short-term national interest was able to prevail over the long-term international agreement to create a global economic order based on the classic free trade doctrine.

Every once in a while, however, history surprises the winners. The same GATT loophole opened by the US allowed the European Community (EC) to design its own food security policy: the Common Agricultural Policy (CAP). Results were rapidly seen. By the end of the 1960s, the EC achieved food self-sufficiency and intra-EC agricultural trade rapidly developed. The CAP, however, opened a gap in the US post-war agro-food hegemony. By the same token, it also started the US-EC agro-food rivalry to define the rules of the global agro-food markets (Friedmann, 1987, 1991; Friedmann and McMichael, 1989).

Since the mid-1960s, Japan has also become self-sufficient in rice production--its basic food staple--as a consequence of the 1961 Agricultural Basic Law guaranteeing a captive market to the Japanese farmers. However, despite this food security policy, Japan had to unwillingly accept dependence on the feed grain (especially soybeans) imports from the US. In 1973, the tension created by this double food policy (grain security/feed dependence) was manifested, when the US imposed an embargo on its oilseed exports to assure domestic supply to its poultry producers. Even though US soybean exports to Japan were never interrupted, the embargo caused panic in Japan. As a result, the protectionist legislation already in force was strengthened and a new policy for diversifying import supplies was gradually implemented, creating a new challenge to the US agro-food supremacy (Hillman and Rothenberg, 1988).

During the 1970s and 1980s, other success stories--this time within the third world--also challenged the US market supremacy in the global post-war agro-food system. First came the so-called Green Revolution, which was, in fact, a food security policy through which various Asian and Latin American countries--former grain importers--rapidly became self-sufficient in basic wheat, corn or rice staples. Second was the emergence of what Harriet Friedmann (1991, 1992) termed NACs -new agricultural countries- that became dangerous competitors with the US in important world agro-food markets[6].

As a result of these hazards, early in the 1970s, the US started designing a big-push offensive to recover its lost hegemony in these markets. In 1971, the dollar devaluation, a consequence of the Bretton Woods disclaimer, was meant to increase foreign demand. In 1972, massive grain exports to the USSR confirmed the US' intentions to strike back. At last, in 1973, the Agricultural Act, linking US farm loan rates to world market prices and providing "deficiency payments" when those prices were below a target or support level, became part of the agro-exporting offensive (McMichael, 1992; Watkins, 1991; Seevers, 1991; Kohls and Uhl, 1990).

Despite these efforts, the dollar's upsurge between 1979 and 1985--plus the hike in interest rates of the 1979-82 period--simultaneously wiped out the farmers' position domestically as well as the US market share in most agricultural commodities worldwide (Hiemstra and Shane, 1988). At the same time in Europe, agricultural surpluses continued to accumulate as a consequence of the CAP, leading the EC to finance dumping into world markets through export subsidies. In doing so, the CAP, originally a domestically-oriented food security program, became an aggressive export program, challenging once again the

US post-war agro-food hegemony.

The years 1985 and 1986 marked a turning point. In 1985, the Congress of the US passed the Food Security Act, creating an export subsidy--the Export Enhancement Program (EEP)--with well-defined economic and geopolitical goals. First, declaring a subsidy war on the EC's export dumping, the EEP made the CAP more costly thus strengthening US bargaining positions in bilateral and multilateral negotiations. Second, by targeting North African and Middle East markets (considered part of the EC's economic sphere), the program directly challenged the EC's export policy. Finally, by granting priority to target markets like the third world, China and the USSR, the program was intended to dissuade food self-sufficiency and food security policies, thus reinforcing these countries' dependence on US grain imports (Watkins, 1991; Ackerman, 1991). Complementing the EEP's export offensive, the US foreign economic diplomacy also initiated a series of unilateral pressures to open up key Asian and Middle East markets. Increasing US rice exports to Iran and Saudi Arabia, as well as recent market opening agreements with Japan (citrus and meat), and South Korea (meat), confirm these efforts (Handy and Epps, 1990; Kohls and Uhl, 1990; Grub and King, 1991).

Moreover, in 1988, the Congress of the US approved an amendment to the Trade Act of 1974 (known as Super 301), authorizing the US Government to **unilaterally** impose penalties against exports of those countries that supposedly violate US laws. Super 301 is a domestic legal artifice, without any international legitimacy, which--according to most countries--violates the principles and directives of GATT, at least as currently known.

But the key tactics of the US export offensive were the summons to the Uruguay Round of Multilateral Trade Negotiations at GATT, and the parallel bilateral negotiations to create a hemispheric free trade zone (the Caribbean Basin Initiative, the FTA with Canada, and NAFTA). The latter is both a goal in itself and a weapon to achieve a better bargaining position at GATT.

The US Strategy at GATT

In 1986, on the pretext of seemingly increasing non-tariff barriers to world trade, the US called for bilateral negotiations at GATT. Unlike previous rounds, this time the main US target was not to bargain new reductions in trade tariffs for manufactured goods. From the US point of view, trade tariffs were neither the main barrier for world trade nor the cause of its financial and trade deficit. There were two new priorities on the US agenda. One was the deregulation of "agricultural" markets, "agriculture" meaning only those commodities in which the industrialized countries had acquired competitive advantages during the post-war period (grains, oilseeds, meat and dairy products). The second was the addition of three new fields to GATT regulations: services (banking, insurance, telecommunications, etc.), foreign investments and intellectual property rights. Other significant areas of negotiation for the rest of GATT's members were conveniently declared separate "Negotiation Groups" (e.g. tropical products, natural resources and textiles). Major concessions in these areas were linked to progress in the groups of real concern to the US.

The US agricultural proposal includes:

> A complete phase out of all agricultural subsidies within 10 years, including an immediate freeze on the quantities that can be exported under subsidies; a 10-year phase out of all import barriers; [and] harmonization of health and sanitary regulations, based on internationally determined standards and processing/production methods. (Avery, 1992:25).

Excluded from these proposals were direct subsidies paid to the farmers as compensation for lost incomes, de-linked from incentives to production or marketing; and domestic and international food aid programs.

The US proposal of adding services to the GATT agreement basically involves granting "national treatment" and "rights of presence" to foreign firms. With the negotiating groups "Trade Related Investment Measures" (TRIMS) and "Trade Related Intellectual Property Rights" (TRIPS), the US has a double-purpose; on one hand, it is trying to gain international recognition for its own royalty laws while on the other hand trying to nullify all the regulations that currently limit direct foreign investment at national or sub-national levels.

The US move could not be wiser. In a single stroke it proposes to the EC and Japan to make a common cause to get rid of the budgetary burden conveyed by their domestic agricultural policies, in exchange for direct compensation to their farmers. On the other hand, to the temperate "Southern" countries [7]--endowed with comparative advantages in these commodities, but unable to equal the generous subsidies that "Northern" countries offer to their farmers--the US offers a rapid international market liberalization in return for the opening of their domestic markets and resources (including labor force and genetic materials) to foreign investments, as well as guaranteeing royalty payment in high-tech products.

The US is playing for high stakes, but what economic and geopolitical calculus is behind this gamble? First, if its proposal is approved, GATT would become a new global regulatory framework on investments, services and technical knowledge; instead of just a multilateral agreement on trade and tariffs (McMichael, 1993). Second, the US proposes a new international division of labor, in which it will gain access to world markets for its knowledge-intensive and service sectors--precisely those activities in which the US assumes it holds the greatest comparative advantages (biotechnology, new materials, telecommunications, software, etc.), in exchange for resigning some of its international market share in "agricultural" commodities (especially grains and oilseeds). Third, GATT would become the institutional axis of a new global order in which national regulations would be subject to decisions made by a central authority controlled by the three super-states [8].

Role of a Hemispheric Bloc within the US Strategy

The North-American Free Trade Agreement (NAFTA), signed in December 1992 by the Presidents of the US, Mexico and Canada [9], clinches the US global strategy to recover its lost hegemony.

NAFTA principles and US proposals at GATT are remarkably similar. In NAFTA, the three countries accept following the same rules regarding: access to markets, tariffs, quantitative restrictions, marketing standards, support to domestic producers, export subsidies, food safety standards, and plant and animal health requirements. Depending on the product, tariffs and quantity restrictions would be eliminated immediately or gradually--from 5 to 15 years. Programs supporting domestic producers would be temporarily translated into tariffs. Food safety standards and animal and plant health requirements would be adapted to the criteria provided by the World Health Organization and FAO's "Codex Alimentarius" [10].

NAFTA also creates a new supra-national institution, the Free Trade Commission, that will supervise the execution of the agreement, decide on future reformulations and establish the rules and procedures to avoid conflicts. Concurring with similar proposals at GATT, the NAFTA Commission will have the power to create boards of experts to solve conflicts without the mediation of any other authority or national tribunal of these three countries involved (McAllister, 1993). Regardless of the results at the Uruguay Round, NAFTA reaches, at a regional level, some of the US strategy targets at GATT.

NAFTA is a fine-tuned weapon aiming at two different targets. At a global level, the Agreement serves as a warning to the EC and Japan on the risks of delaying an agreement at GATT (Greenway et al., 1989). At the hemispheric level, NAFTA and an eventual FTA belong to a strategy aimed at reinforcing the structural adjustment programs imposed in Latin America by the IMF and the World Bank during the last decade, as well as redefining the international division of labor between the North and South American countries.

It is evident, as Pantoja-García (1993:) states, that:

> Success in the NAFTA and throughout the Western Hemisphere would in turn have increased their [US] leverage in the GATT negotiations, as European and Asian international service and financial companies would be put at a disadvantage in competing throughout the American Hemisphere.

On the other hand, a decade of structural adjustments in Latin America--frequent currency devaluations, plus deregulations of labor, financial and land markets--has been redefining each country's international competitiveness, which is based not only on geographical location criterion, but also on the downfall of actual wages.

One wonders, however, if these are the best conditions for the insertion of Latin America into the new global and hemispheric economic order currently developing. In the recent past, this experience has not been very encouraging.

As an example, let's take a look at the contradictory results of the Caribbean Basin Initiative (CBI), the first attempt by the US Government to organize a regional economic space and the only one whose impacts can be fully assessed so far. The CBI preferential trade agreement, signed in 1986, provided duty-free treatment to the exports of twenty-four Central American and Caribbean countries (Ballenger et al., 1991). In a preliminary evaluation of the whole CBI agreement, Hillcoat and Quenan (1989:57) concluded that:

> The process has not produced positive results in the external trade sector of the Caribbean economies in general.... In fact, there has been a sharp decline in CBI exports, in value terms, due to the fall of the raw material export crisis, particularly in commodities such as oil and sugar. There has been, however, a radical shift in the structure of exports and in the nature of foreign investment in the region.... While traditional primary exports fell, a vigorous upsurge of nontraditional exports occurred in products which were already exported such as textiles but which have experienced a considerable boom, or in new exports which were practically nonexistent in 1983 such as jewels.

It is true, however, that the US imports of some horticultural exports from a rather small number of CBI countries (e.g. Dominican Republic, Costa Rica, Guatemala and Honduras) rapidly grew. Nevertheless, even in these cases, the agricultural net balance has been negative. A significant element in the explanation of this phenomenon is the fall of sugar world prices. Let us consider why.

Sugar was by far the most important export commodity for many Caribbean economies. A system of quotas regulates US imports of the sweetener since 1934. After 1959, the US reallocated the former Cuban quota to other Central American and Caribbean countries, generating an economic boom throughout this sub-region. Coincidentally, during the 1960s, the EC was becoming a net sugar exporter. At the same time, corn sweeteners and artificial sweeteners were making major inroads into the US market, particularly in the production of soft drinks. As a result, according to Nakamoto (1990:25), "CBI countries have seen their allocated quota for US sales cut by 75% between 1984 and 1988."

The issue, therefore, becomes whether non-traditional fruit and vegetable exports-- where the comparative advantages of most Latin American countries lie, according to both the IMF and the World Bank--will experience in the short-term the same fate as that which made traditional exports collapse.

It could be argued that the extreme economic imbalance between the US and the CBI countries is not a good example to illustrate the difficulties inherent to a US-centered economic bloc in the Americas. Yet, some Canadian criticisms to the Canada-US Free Trade Agreement (FTA) also point to similar concerns.

Canada's natural resources economy [11] benefits from an agreement like the FTA, which provides a secured access to the huge US market, particularly in the event of increased US protectionism (Wilkinson, 1991). From a Canadian point of view, the problem is that "[t]he US exerts much greater leverage over Canada than vice versa.... Because of its much greater size and lesser dependence on Canada than Canada has on it, the US is in the strongest position." (Wilkinson, 1991:64).

This assessment discloses the main barrier that, in my opinion, the construction of a US-centered regional bloc in the Americas would have to face. Particularly, it expresses the concerns of any less developed and politically weaker country to become more dependent on a stronger political and economic neighbor, and in the process losing its cultural identity and national sovereignty.

The European Community: Atlantic Rivalry and Construction of an "European" Enlarged Space

The European global strategy of the last decades embraces two main projects. The first is to constrain the US influence at home. The second part is to develop an enlarged space (economic and geopolitical) in its own backyard.

The signing of the 1957 Treaty of Rome started the process. The French-German alliance aimed not only at overcoming old quarrels that divided the continent, but also at developing a domestic political coherence and economic scale capable to hinder US assets' offensive and military presence.

The Common Agricultural Policy (CAP) was part of this strategy of "domestic" security of an economic and geopolitical nature. Thus, when the US called the Uruguay Round of GATT, with the explicit purpose of resisting the European challenge to world agro-food markets by eliminating the CAP, the EC delayed the process by trying to shape it to their own interests.

What are the main discrepancies in the long conflict between the US and EC at the Uruguay Round? First of all is the approach to the international agricultural trade issues of temperate countries. Aware of the need for a truce in the subsidies war in order to reduce their fiscal deficit, the EC agreed to decrease their supply and to offer direct transference to producers to compensate their income loss. However, unlike the US extreme neo-liberal position during the past administration, the EC proposes domestic stabilization measures and multilaterally coordinated market mechanisms.

In contrast, regarding "tropical" products negotiations, the EC proposes a dramatic liberalization of international markets, except for the products (e.g. bananas, palm oil, rice and roots and tubers) in which it tries to protect preferential trade agreements with former colonies.

However, in several other areas there is an implied consensus between the EC and the US. In topics like the inclusion of services, foreign investments and intellectual property rights, a coherent common front has been developing among the three super powers versus the rest of the world.

The second European strategic goal is the reconstruction of an "European" enlarged space beyond their boundaries. During the 1970s and 1980s, through "preferential trade agreements" with their former colonies, the EC achieved the consolidation of a series of concentric layers of peripheral association with a Western European core. In 1972, the "Mediterranean policy" granted preferential market access to the North African (Maghreb) and Middle East (Mashrek) countries. Between 1975 and 1984, the Lomé Conventions created a preferential trade area, including some former Asian, Caribbean and Pacific colonies (the ACP), although excluding others [12]. In both cases, the agreements outlasted the former, ancient divisions of labor between metropolis and colony.

Agro-food relations are one of the deciding pieces of this undertaking. The "Mediterranean policy," for instance, provided duty-free access to tropical commodities like citrus, tomatoes and olive oil from countries like Israel, Tunisia or Morocco, which have an extraordinary significance in the regional geopolitical European scenario (Schraeder, 1990). The Lomé Conventions, also provided preferential access to European markets to other key agricultural products. The "sugar protocol," for instance, allocated a quota of 1.3 million tons of white sugar (or its equivalent) to different countries within those three continents. This fact did not restrain the EC from becoming a net sugar exporter, even through the re-exportation at dumping prices of the product imported from ACP countries. Similarly with the "meat protocol", Botswana, Kenya, Madagascar, Swaziland and Zimbabwe became big suppliers of the common market, although these countries complain about the EC dump the same commodity to other African and Middle East countries.

Agro-food exports also contribute to reinforcing a geopolitical presence, hampering eventual competitors. Wheat, dairy and poultry products have strengthened the European influence in Persia Gulf oil countries and Mediterranean nations (Mobius, 1988). Geopolitical interests also are frequently associated with food aid. US wheat flour sales to Egypt, after the Camp David agreements in 1978 illustrate this statement. Raikes (1988:129), for instance, claims that:

> An integral part of the US policy [in the area] is to facilitate the Egyptian government its [domestic] "cheap bread" policy, provided that in its relations with Israel it will 'honor' correct positions.

At the beginning of the 1990s, the end of the cold war and the now evident emergence of competitive blocs in America and Asia made the EC face a new predicament; should growth be "horizontal"--as proposed by Margaret Thatcher to neutralize the movement towards an increased political integration--or "in-depth" --moving forward to reinforce an authentic multinational state (e.g. Maastricht)? Who must be integrated and who must be left out is the quandary of the new European strategy. Should east European countries be integrated as member states of the Community? Or, at least temporarily, should they become associated members of an "enlarged economic space"?

The second strategy was adopted, and between 1991 and 1992, the EC signed association agreements with Poland, Hungary, Romania and Bulgaria (The Economist, 1993). One of the most well-known outcomes of the so-called "European Agreements" was the progress made towards an agricultural "European" space. Fruits, vegetables, meat and dairy products from Western Europe gained gradual access to the common market, a 10 per cent annual increase for a period of ten years (The Economist, 1993).

Despite all these agreements, most EC agro-food trade--particularly tropical products--is not disclosed in the "formal" framework of its enlarged economic space. For instance, Brazil and Colombia are still the main coffee suppliers of the Community without mediation of any treaty [13]. There is evidence, however, that this situation might be changing. In February 1993, the European Agricultural Council resolved to establish an annual 2.2 million ton quota on banana imports from Latin American countries, granting priority to banana imports from ACP countries. This fact denotes tendencies toward the reinforcement of an enlarged European space, in dismissal of trade with the rest of the world. *Fortress Europe* vs. global opening seems to be the new European predicament.

Japan: National Security and Rivalry for the Pacific Rim Hegemony

The Second World War military defeat gave the Japanese a sharp perception of their own vulnerability as a nation, plus a powerful political will to restore their geopolitical and economic influence in world scenarios. Again, two national aims are the thread weaving the Japanese strategy into the current world juncture. First, internal security is being strengthened with the purpose of neutralizing the inherent vulnerability of the extremely limited supply of natural resources in Japan. The second aim is to reassemble the enlarged economic space most convenient to Japanese geopolitical interests in the Pacific (and globally).

The performance of Japanese negotiators in the agricultural bargaining at the Uruguay Round shows that Japan is completely aware of the US dual approach at the global level, which is to call for a complete deregulation of international agricultural markets, while the subsidy war and bilateral pressures to open Asian markets are intensified. This dual approach is a strategy addressed not only at collapsing the European CAP, but also toward opening deep gaps in Japanese domestic food security policies. Nevertheless, the Japanese negotiators' low profile scarcely conceals a strategy no less decided than the European one. Japan considers its subsidy policy to rice producers--absolutely necessary to continue the domestic supply of their basic food staple--an intrinsic element of its food security policy. Therefore, even though they unwillingly accepted an immediate subsidy freezing, they only agreed to make gradual cuts in the short-term depending on progress made in other areas negotiated. In this sense, Japan is Europeans' best ally. In contrast, at the negotiations on the insertion of services, foreign investments and intellectual property rights into the agreement, "maximalist" Japanese positions are highly supported by the US, with only some endorsement from the EC.

The other major Japanese aim-- reassembling an enlarged economic space in Asia and the Pacific rim--also brings Japan into conflict with the US, its military enemy of World War II. In this scenario, Japan intends to rebuild its former economic and geopolitical hegemony, while the US is reluctant to give up its global hegemony, which has been declining for a long time. The current agro-food restructuring process in the Asian/Pacific region is a significant element of this story.

The post-war economic "miracle" in Japan was significantly supported by a cheap food policy--sustained by US grain and oilseeds imports at preferential costs--which aimed at obtaining a low-priced labor force with the purpose of increasing international competitiveness of Japanese industry. Aware of its shortage of natural resources, its trade deficit with the US and the geopolitical conditions of the period, Japan assumed a calculated risk by accepting dependency on US grain and oilseeds imports (McMichael and Kim, 1992).

In 1973, the US soybeans embargo gave Japan a pretext to start an agricultural supply diversification policy. This new policy made Japan less vulnerable in its food dependency on the US, while increasing its presence in regional and world markets. In short, the new South East Asian agro-exporters (NACs) and, recently, China, became major suppliers of soybeans, corn and some other agricultural raw materials cutting back the former US undisputed supremacy at domestic markets [14].

In 1986, after launching the Uruguay Round, the US started unilateral pressures on Japan to remove some restrictions on its domestic food markets. In 1990, the US obtained some unilateral opening of the Japanese market in meat and citrus, although Japan has kept so far its rice policy virtually intact and its "opening markets" regional strategy firmly in place (Grub and King, 1991; Riethmuller, 1992).

Today's US "Pacific Rim" strategy highly contrasts with Japan's global/regional hegemonic project. From a US perspective, worldwide sluggish growth, Japan's large trade and financial surpluses, and the South East Asian NACs are the pretext to stress the economic opening of exports to US goods and services in order to reestablish a delicate balance.

On its own, the Japanese state tries to recycle its trade and financial surpluses boosting intra-regional trade [15]. However, Japanese initiatives in the region are not without hindrance. Most Asians still remember Japan's aggression in World War II and therefore feel threatened by the eventual emergence of a Japan-centered bloc. However, whether a formal bloc is created or not is largely irrelevant because a *de facto* trading bloc is already developing (Nanto, 1990).

In particular, Japan's food processing enterprises and its general trading corporations (*sogo sosha*) have played major roles in the emergence of the ASEAN [16] NACs (cf. Cooper, 1990; Langhammer and Rieger, 1988). The increase in Japan's high production costs with each yen revaluation, together with ASEAN countries' low wages, cheap natural resources and geographic proximity, are incentives for Japanese food firms to establish production facilities abroad, basically geared toward exporting the Japanese market. The Japanese government also actively encourages these trends through tax rebates, subsidized loans, and the provision of technical inputs by state-owned research institutes (Pearce, 1987; Fransman, 1988; Goodloe and Normile, 1988; Nanto, 1990; Riethmuller, 1992).

Thailand is probably the best South-East Asian success story of a farm-based export-oriented growth strategy. During the 1960s, Thailand became the world's leading exporter of rice and in the mid-1970s of cassava. In the 1980s, however, increased market protectionism and lower commodity prices encouraged government initiatives to provide incentives for joint-ventures with foreign capitals to boost non-traditional exports, mainly addressed to the Japanese market [17](Langhammer and Rieger, 1988, Barghouti et al., 1990, Riethmuller, 1992).

In addition, Australia and New Zealand, being left out of the large regional blocs, are re-designing their economic strategies and re-orienting their exports toward Japan and its enlarged economic space. As a result of these policies, today--in spite of US export subsidies--Australia shares the Japanese wheat market with the US. In 1988, trade agreements signed by Japan, Australia and the US, prompted Japanese investments in feed lots, slaughterhouses and processing facilities in Australia geared to South and South East Asian markets. This trend stirs concern among some Australians about their country's future role as a provider of cheap raw materials within an emerging Japan-centered regional bloc (Hayes et al., 1991).

Conclusion

Finally, I would like to pull out some theoretical considerations and obtain possible practical implications of this long trek through the recent history of agro-food restructuring. International markets are not, as suggested by theoretical statements, self-regulated mechanisms determined by abstract supply and demand rules. They are institutions actively built-up by the main social agents of each historical period. In particular, since the end of World War II until this point, world agro-food systems have been the result of deliberate actions of nation-states and powerful transnational capitals. Also, to some extent, world agro-food systems have been the non-intentional result of the complex interaction of previously mentioned deliberate actions.

At the current juncture, if the European Community--particularly France--is successful in its efforts to nullify, or at least lessen, the market liberalization proposed by the US at GATT, it is highly feasible that a long period of neo-protectionism based in three large blocs will shape the new world order (cf. Constance et al., 1992). On the contrary, if GATT reforms--as proposed by the US--are approved, the ATNCs will have much more favorable conditions to move their capital to whatever region or location of the world in search of lower production, financial and trade costs damaging any other social, environmental or political consideration (Commings, 1992).

Within this framework, multilateral development agencies and the US promote a free trade doctrine according to which all countries will be favored specializing in those export commodities for which they have short-term comparative advantages, while purchasing abroad foreign goods and services that cannot be "efficiently" produced domestically at a lower cost.

Food, however, as found out by Japanese and Europeans not long ago, has a strategic significance that goes beyond short-term economic "efficiency". It is connected to society's relationship with nature, to the survival of cultural values that might be dear to a nation, and--definitively--to a society's ability to control its own destiny. Therefore, supposing that the "free play" of market forces should determine the allocation of resources among the economic activities--particularly in such a strategic sector as the agro-food relationships--is not only naive but suicidal. Paraphrasing Robert Reich (1990), President Clinton's Economic Assistant: "To clearly establish our priorities requires an essential change in our way to view things...."

Notes

1. The author thanks the valuable comments and suggestions made by Philip McMichael, Lourdes Gouveia and Laura Raynolds to previous versions of this paper. However, failures are the author's sole responsibility. I also want to thank Noela Cartaya de Herrero for her translation from Spanish to English.

2. Harriet Friedmann's (1982, 1991, 1992) seminal works on international food relations

identified two "food regimes" during the 20th century. The first, based on grain and meat exports from the settler states (US, Canada, Argentina, Australia, New Zealand), started to displace tropical exports, and along with them, the previous colonial system between 1870 and 1914. The second regime, sponsored by the US, gave rise to a "durable foods" complex, to the "intensive meat production" complex, and to the dumping of food surpluses throughout the world under the disguise of food aid programs.

3. It is important to point out that currently 85% of the world grain market (feed grains and oilseed) is handled by six big corporations: Cargill (US), Continental (US), Louis Dreyful (France), André/Garnac (Swiss), Bunge & Born (Brazil/Argentina) and Mitsui/Cook (Japan) (cf. Friedland 1991).

4. It is important to notice that these two latter firms, anxious to diversify their investments in the tobacco industry, became leading agro-food corporations (ILO, 1989).

5. Harriet Friedmann names this group of rules and relationships a "food regime" (cf. Friedmann, 1992:1)

6. Thailand, for instance, became the world's leading rice exporter and the largest cassava exporter for livestock feed; while Brazil beat the US in the leadership of the soybeans and frozen concentrated orange juice markets.

7. Associated in the Cairns Group are Australia, New Zealand, Argentina, Brazil, Chile, Uruguay, Colombia, Fiji, Indonesia, Malaysia, the Philippines, Thailand, Canada and Hungary. Note that these last two countries are not geographically located in the Southern Hemisphere; however, they share similar concerns with the rest as non-subsidizing agricultural exporters.

8. This statement coincides with Arthur Dunkel's (former GATT General Director) 1991 proposal, in which he suggests creating a World Trade Organization to guarantee the accomplishment of new agreements. In this document Dunkel particularly emphasized a proposed mechanism to solve conflicts in the heart of the institution. Under this proposal, decisions would be made through boards of experts appointed *ad hoc*, who could only be revoked unanimously by all the members of the organization.

9. At the time of writing, it was not sanctioned by the corresponding Congresses.

10. The Codex establishes standards of voluntary accomplishment by the signing countries; standards that according to US environmentalist groups and consumer associations are below those adopted by the different national regulating organizations.

11. According to Cohen (1991:88), "natural resources account for about one-half the value of all (Canadian) exports."

12. Well-known cases of exclusion were Australia and New Zealand in the Pacific, Canada in North-America, and India and Pakistan in Asia.

13. This commodity is equivalent to 30 percent of the EC agro-food imports.

14. Nevertheless, these changes should not be overstated. The US continues to be a major supplier of wheat, corn and soybeans to Japan, but the US agro-food preeminence in post-war Japan seems to be an episode of the past.

15. Take, for instance, the New Asian Industries Development Plan, sponsored by MITI, and the ASEAN Development Fund addressed, respectively, to East and South East Asia (cf. The Economist, July 15, 1989).

16. South East Asian Economic Cooperation Agreement, signed by Singapore, Malaysia, the Philippines, Thailand, Indonesia, and Brunei.

17. Exports of canned pineapples, frozen fruit and vegetables and dried fish became important foreign currency earners for Thailand.

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RESUMEN

Reestructuraciones mundiales de la agricultura y la alimentación: el papel de las transnacionales y los grandes Estados

El objetivo de este artículo es explicar los simultáneos procesos de globalización y regionalización particularmente en el sector agroalimentario. El artículo provee una explicación no-economicista de este doble proceso. Una explicación que enfatiza la compleja interrelación entre los factores geopolíticos y los geoeconómicos. La actual reestructuración mundial es vista como el resultado tanto de las estrategias y acciones deliberadas de los grandes estados y de las empresas transnacionales como de los resultados no-intencionados de sus múltiples interrelaciones.

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