

THE STATE REALLY DOES MATTER

Lecture 6

EAS 501

Thursday, September 11, 2025

Structure

- ❑ Dicken Chapter on the State
- ❑ Overview of Agro-Food Sector
- ❑ Agro-Food Supply Chains
 - Use your analytical tools to identify TNC configuration, role of the state, etc.
 - Share with the class

What is the State?

- State – A portion of geographic space within which the resident population is organized by an authority structure
- Nation – a reasonably large group of people with a common culture, sharing one or more cultural traits (religion, language, political institutions, values). A nation is an *imagined community*.
- Nation-State - A nation-state is a nation with a state wrapped around it
- Nations without States – separatist movements in conflict with the state, in which they are embedded (Palestinians in Israel, Basques in Spain and France)

A World of Nation-States

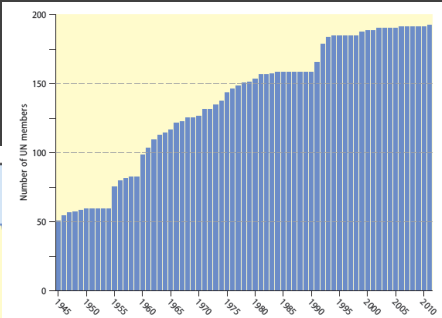


Figure 6.1 The increasing number of nation-states: growth in UN membership
Source: United Nations



Figure 6.2 A world of nation-states

Varieties of Capitalism

- Liberal market economy
- Coordinated market economy
- Neo-liberal market capitalism
 - Market mechanisms to regulate the economy, capital markets decentralized/fluid (US, UK)
- Social market capitalism
 - Social partnership. Capital markets are bank-centered (Germany, Scandinavia)
- Developmental capitalism
 - State plays more central role: social and economic goals, industrial strategy. (Japan, South Korea, Singapore)
- Authoritarian capitalism
 - Centralized political system, with capitalist-market system (China, Russia)

Type of capitalism	Degree of state involvement in the economy	
	Direct	Indirect
Neo-liberal market capitalism	RELATIVELY LOW	HIGH
Social market capitalism		
Developmental capitalism		
Authoritarian capitalism	VERY HIGH	VERY HIGH

Figure 6.6 State economic involvement in different types of capitalism

The Competition State

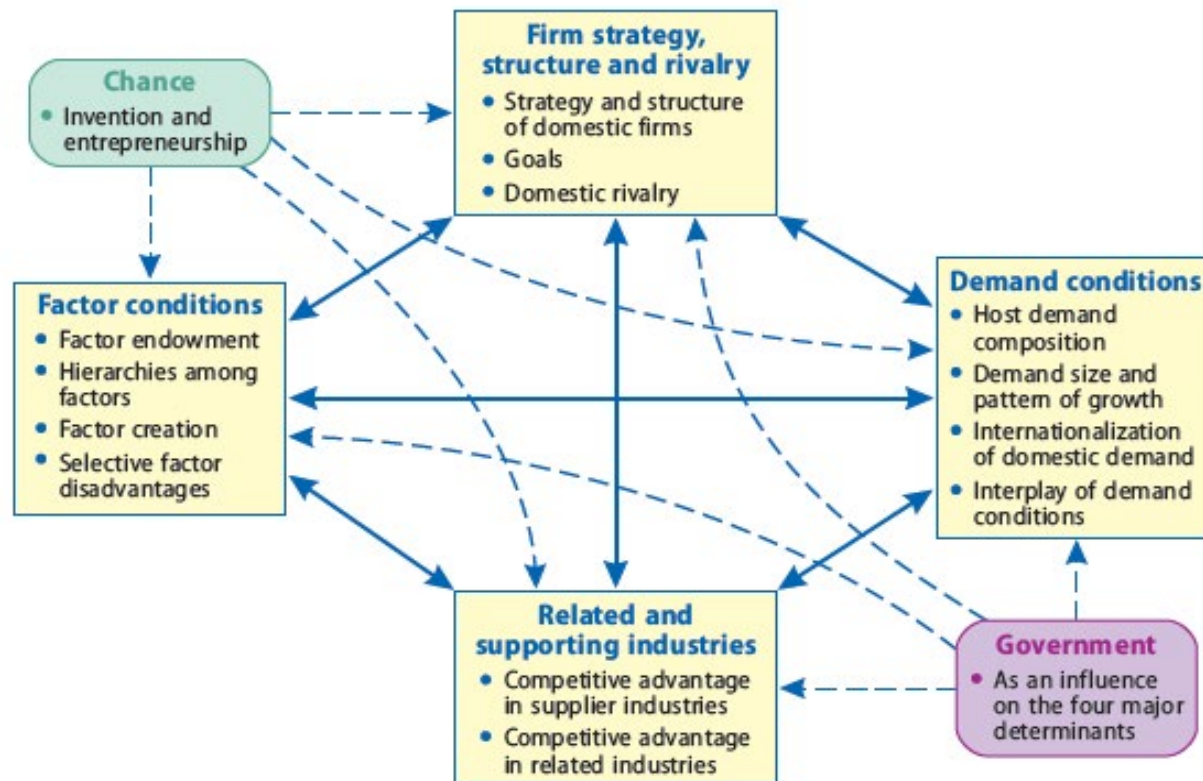


Figure 6.5 National competitive advantage: the Porter 'diamond'

Source: based on material in Porter, 1990: chapter 3

Major Instruments: Fiscal Policy and Monetary Policy

- ❑ Fiscal: taxes, government expenditures (for infrastructure, education, etc)
- ❑ Monetary: interest rates, quantitative easing vs tightening

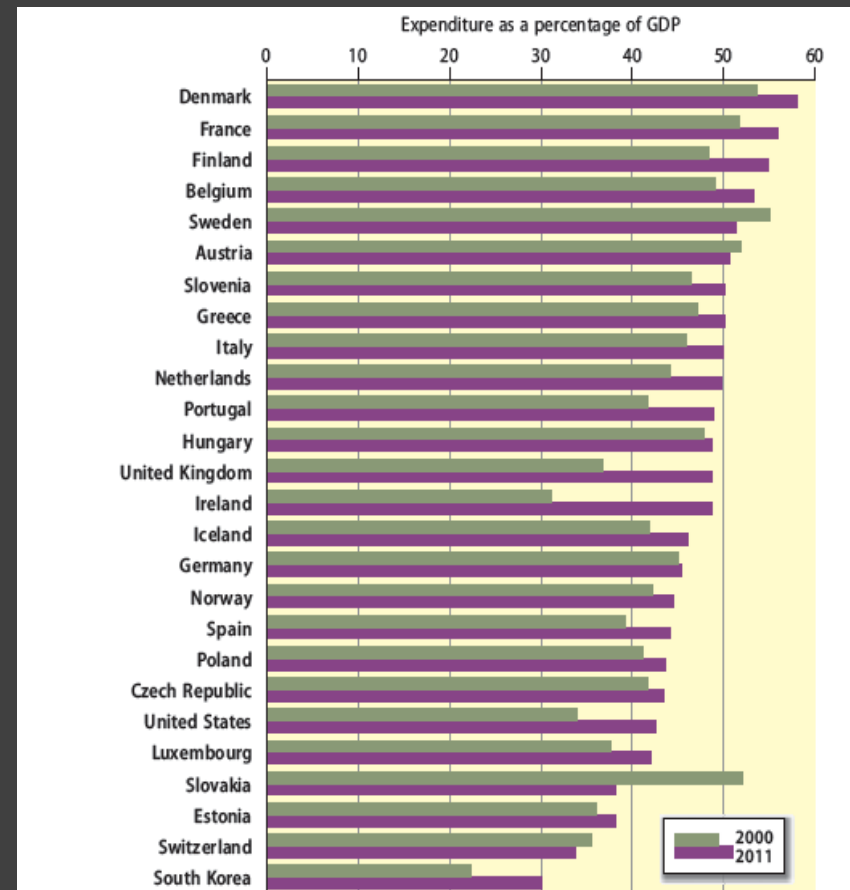


Figure 6.7 Central government spending as a share of GDP

Source: OECD data

Trade Policy

Policies towards imports	Policies towards exports
1. Tariffs	Financial and fiscal incentives to export producers
2. Non-tariff barriers	Export credits and guarantees
Import quotas (e.g. 'voluntary export restraint,' 'orderly marketing agreements')	Setting of export targets
Import licences	Operation of overseas export promotion agencies
Import deposit schemes	Establishment of Export Processing Zones and/or Free Trade Zones
Import surcharges	'Voluntary export restraint'
Rules of origin	Embargo on strategic exports
Anti-dumping measures	Exchange rate manipulation
Special labelling and packaging regulations	
Health and safety regulations	
Customs procedures and documentation requirements	
Subsidies to domestic producers of import-competing goods	
Countervailing duties on subsidised imports	
Local content requirements	
Government contracts awarded only to domestic producers	
Exchange rate manipulation	

Figure 6.8 Major types of trade policy

Foreign Direct Investment (FDI) Policy

Policies relating to inward investment by foreign firms	
Entry	Government screening of investment proposals. Exclusion of foreign firms from certain sectors or restriction on the extent of foreign involvement permitted. Restriction on the degree of foreign ownership of domestic enterprises. Compliance with national codes of business conduct (including information disclosure).
Operations	Insistence on involvement of local personnel in managerial positions. Insistence on a certain level of local content in the firm's activities. Insistence on a minimum level of exports. Requirements relating to the transfer of technology. Locational restrictions on foreign investment.
Finance	Restrictions on the remittance of profits and/or capital abroad. Level and methods of taxing profits of foreign firms.
Incentives	Direct encouragement of foreign investment: competitive bidding via overseas promotional agencies and investment incentives.
Policies relating to outward investment by domestic firms	
	Restrictions on the export of capital (e.g. exchange control regulations). Necessity for government approval of overseas investment projects.

Figure 6.9 Major types of FDI policy

Industry and Technology Policy

The range of potential industry and technology policies

- Investment incentives
- Taxation policies
- Technology policies
- Labour market policies
- State procurement policies
- Small firm policies
- Policies to encourage industrial restructuring
- Policies to promote investment
- Merger and competition policies
- Company legislation
- National technical and product standards
- State ownership of production assets
- Environmental regulations
- Health and safety regulations

Some or all of these policies may be applied either generally or, more commonly, selectively. Selectivity may be based on several criteria:

1. **Particular geographical areas, e.g.**
 - (a) economically depressed areas,
 - (b) areas of 'growth potential' ('cluster policies').
2. **Particular sectors of industry, e.g.**
 - (a) to bolster declining industries,
 - (b) to stimulate new industries,
 - (c) to preserve key strategic industries.
3. **Particular types of firm, e.g.**
 - (a) to encourage entrepreneurship and new firm formation,
 - (b) to attract foreign firms,
 - (c) to help domestic firms against foreign competition,
 - (d) to encourage firms in import-substituting or export activities.

Figure 6.11 Major types of industry and technology policy

Labor Market Policy

The range of potential labour market policies

- The use of more temporary and fixed term contracts
- The introduction of different forms of flexible working time
- Moves to encourage greater wage flexibility by getting the long-term unemployed and the young to take low-paid jobs
- Increased vocational training to provide more transferable skills
- Reforms in state employment services
- Incentives to employers to take on workers
- Measures to encourage workers to leave the labour market
- Reductions in the non-wage labour cost burdens on employers
- Specific schemes to target the long-term unemployed

Figure 6.12 Elements of labour market policies

From Import Substitution to Export Orientation

Latin America

Mexico: 1880–1930

Brazil: 1880–1930

Mexico: 1930–1955

Brazil: 1930–1955

Mexico: 1955–1970

Brazil: 1955–1968

Mexico: 1970–

Brazil: 1968–

Commodity exports

Unrefined/semiprocessed raw materials
(agricultural goods, minerals, oil, etc.)

Primary import-substituting industrialization (ISI)

Shift from imports to local manufacture of **basic consumer goods** (textiles, clothing, footwear, food processing)

Secondary ISI

Substitution of domestic production for imports of capital- and technology-intensive manufactures such as **consumer durables** (e.g. autos), **intermediate goods** (e.g. petrochemicals, steel) and **capital goods** (e.g. heavy machinery)

Diversified export promotion and continued secondary ISI

East Asia

Taiwan: 1895–1945

Korea: 1910–1945

Taiwan: 1950–1959

S. Korea: 1953–1960

Taiwan: 1960–1972

S. Korea: 1961–1972

Taiwan: 1973–

S. Korea: 1973–

Primary export-oriented industrialization (EOI)

Emphasis on exports of manufactures, especially labour-intensive products

Secondary ISI

(Heavy and chemical industrialization) and

Secondary EOI

(Higher value-added and skill-intensive products which require a more fully-developed local industrial base)

Figure 6.13 Paths of industrialization in Latin America and East Asia: common and divergent features

Source: based on material in Gereffi, 1990: Figure 1.1; p. 17

Special Economic Zones in China



Figure 6.15 The geography of China's 'open policy'

States as Collaborators

The proliferation of regional trade agreements

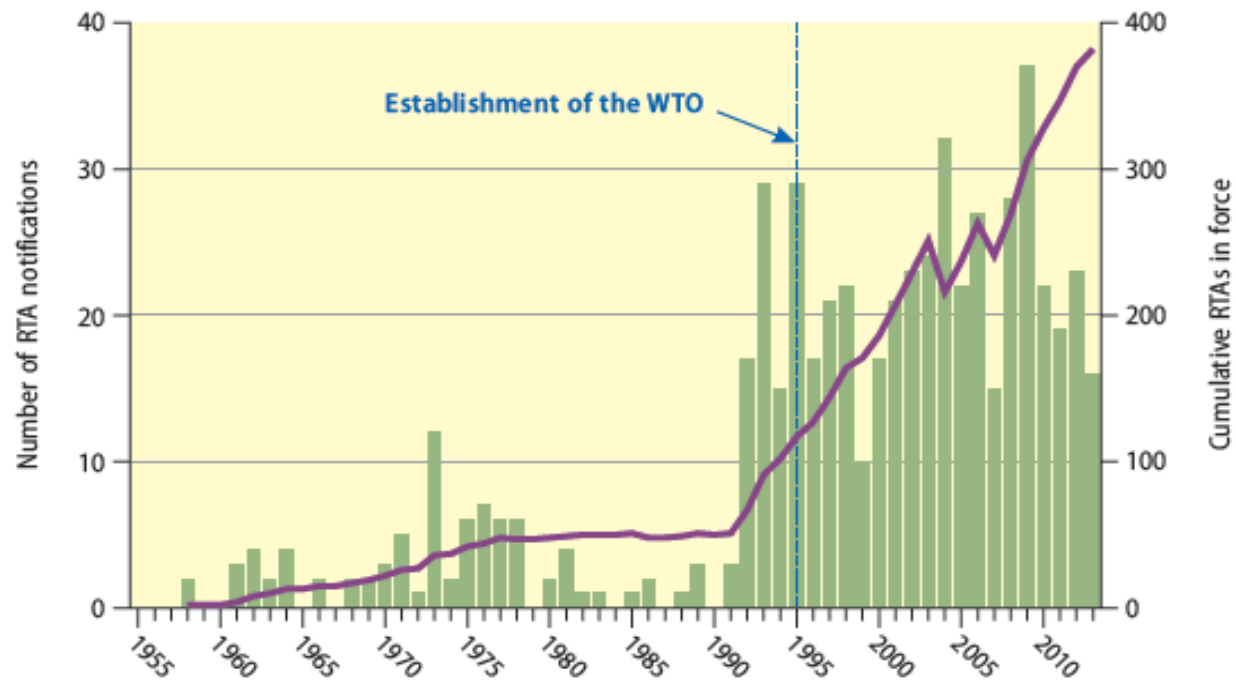


Figure 6.16 The acceleration in RTAs

Source: WTO data

Types of Regional Economic Integration

Levels of economic integration	Free Trade Area	Customs Union	Common Market	Economic Union
Removal of trade restrictions between member states	✓	✓	✓	✓
Common external trade policy towards non-members		✓	✓	✓
Free movement of factors of production between member states			✓	✓
Harmonization of economic policies under supra-national control				✓

Figure 6.18 Types of regional economic integration

Regional group	Membership	Date(s)	Type
EU (European Union)	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK	1957 (European Common Market) 1992 (European Union)	Economic union
NAFTA (North American Free Trade Agreement)	Canada, Mexico, US	1994	Free trade area
EFTA (European Free Trade Association)	Iceland, Lichtenstein, Norway, Switzerland	1960	Free trade area
Mercosur (Southern Cone Common Market)	Argentina, Brazil, Paraguay, Uruguay, Venezuela (2006)	1991	Common market
ANCOM (Andean Common Market)	Bolivia, Colombia, Ecuador, Peru, Venezuela	1969 (revived 1990)	Customs union
CARICOM (Caribbean Community)	Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, Trinidad and Tobago	1973	Common market
AFTA (ASEAN Free Trade Agreement)	Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	1967 (ASEAN) 1992 (AFTA)	Free trade area
China-ASEAN Free Trade Agreement	Brunei Darussalam, Cambodia, China, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	2010	Free trade area

Figure 6.19 Major RTAs



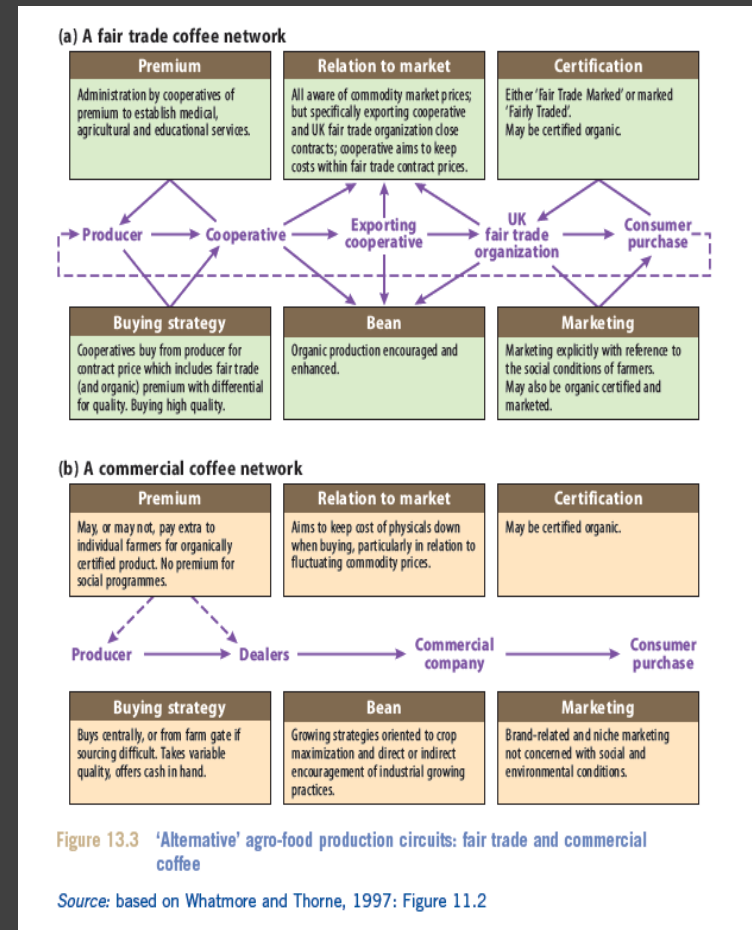
Figure 6.20 The EU: from 6 to 28 members (and beyond?)



Figure 6.21 The mosaic of RTAs in the Americas

Agro-Food Industries: Key Characteristics

- ❑ Food Production intensively local process, but distribution and consumption is increasingly global
 - Permanent Global Summertime
- ❑ Transnational food producers and big retailers immense power due to huge capital investment
- ❑ Food safety has large impact on GPNs and livelihoods
- ❑ Production networks are highly varied
- ❑ Standardized-specialized production vs localized-specialized



The Market

- The Consumer
 - Although most people struggle to survive, consumers in industrialised world are spoilt for choice
 - Food choices complex and embedded
 - Embrace diversity of new food products
 - Rise of ethical consumer movement
- Branding
 - Dominated by branded products
 - Products sold as global brands, also simultaneously sold under a local label
 - Identity is key

'Local' is not always more environmentally Sustainability

New Zealand Milk sold in the UK is produced with less than half as much energy than milk produced in the U.K.

4 lbs of lamb from New Zealand can be produced with the same energy required to produce 1 lb of lamb in the U.K.

Footprint of food is not in the transport, but usually upstream in growing and harvesting.

Governance in the Fresh Vegetable Production Network

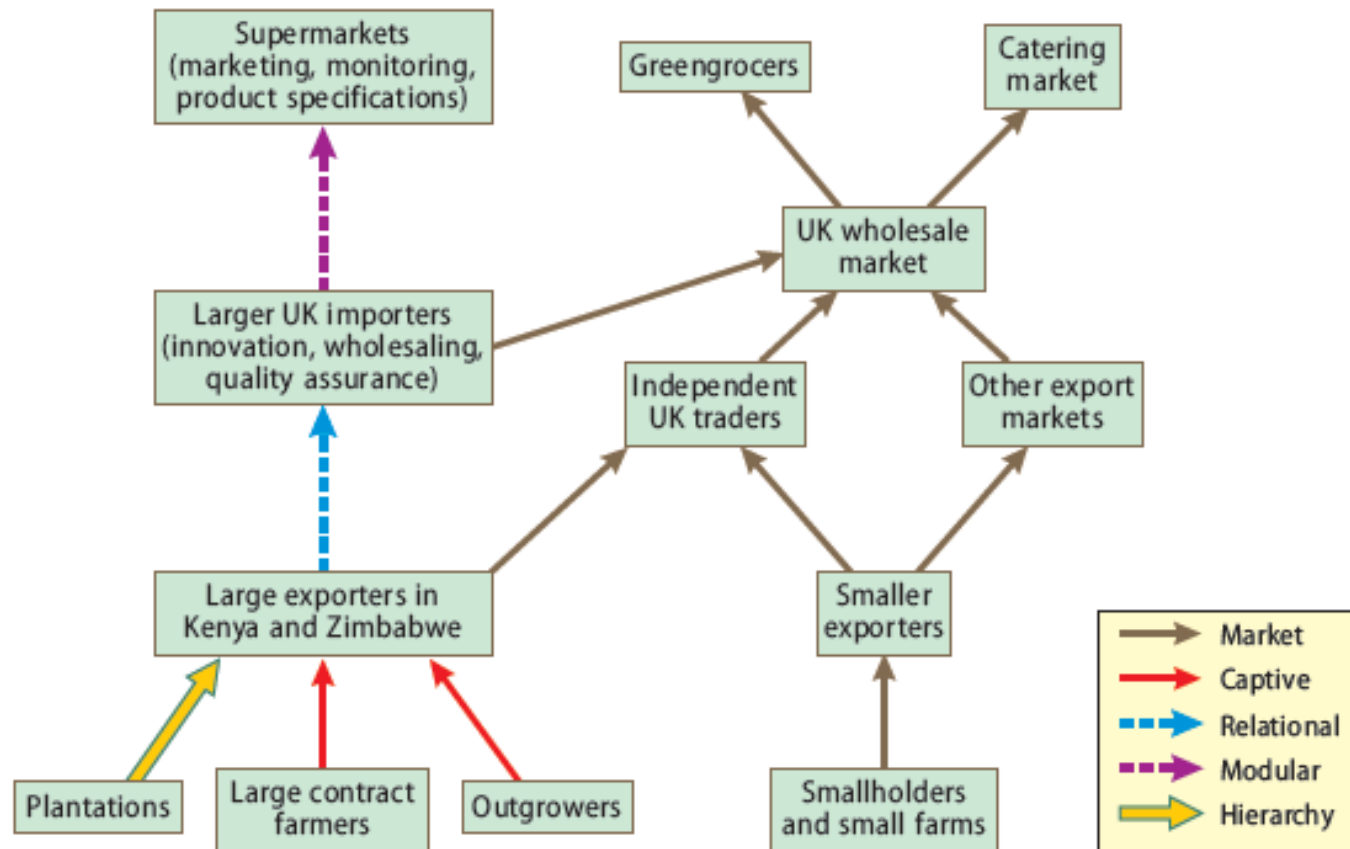


Figure 13.2 The fresh vegetable production circuit

Source: based on Dolan and Humphrey, 2002: Figure 3

Production is often Centered in Specific Geographies

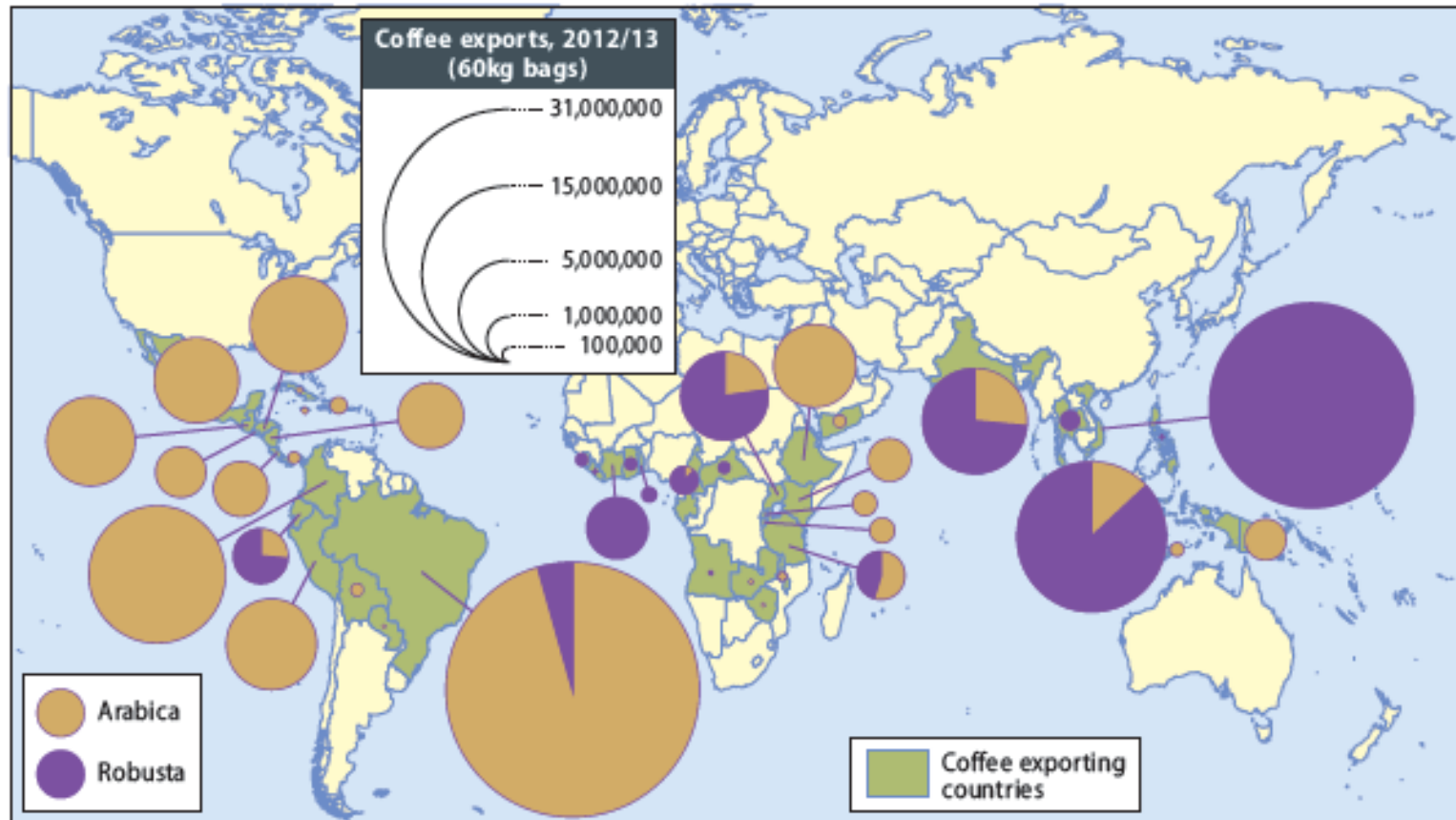


Figure 13.7 Exporters of coffee

Source: International Coffee Organization data, 2013

Concentration and Consolidation in Agro-Food

Top 10 seed companies		\$m sales 2007
1. Monsanto	US	4,964
2. DuPont	US	3,300
3. Syngenta	Switzerland	2,018
4. Groupe Limagrain	France	1,226
5. Land O'Lakes	US	917
6. KWS AG	Germany	702
7. Bayer Crop Science	Germany	524
8. Sakata	Japan	396
9. DLF-Trifolium	Denmark	391
10. Taikii	Japan	347

Top 10 pesticide companies		\$m sales 2007
1. Bayer	Germany	7,458
2. Syngenta	Switzerland	7,285
3. BASF	Germany	4,297
4. Dow AgroSciences	US	3,779
5. Monsanto	US	3,599
6. DuPont	US	2,369
7. Makhteshim Agan	Israel	1,895
8. Nufarm	Australia	1,470
9. Sumitomo Chemical	Japan	1,209
10. Arysta Lifescience	Japan	1,035

Top 10 food & beverage companies		\$m sales 2007
1. Nestlé	Switzerland	83,600
2. Pepsi Co.	US	39,474
3. Kraft Foods	US	37,241
4. Coca-Cola	US	28,857
5. Unilever	UK/Netherlands	26,985
6. Tyson Foods	US	26,900
7. Cargill	US	26,500
8. Mars	US	25,000
9. ADM Co.	US	24,219
10. Danone	France	19,975

Top 10 food retailers		\$m sales 2007
1. Wal-Mart	US	180,621
2. Carrefour	France	104,151
3. Tesco	UK	72,970
4. Schwarz Group	Germany	58,753
5. Aldi	Germany	55,966
6. Kroger	US	52,082
7. Ahold	UK	50,556
8. Rewe Group	Germany	49,651
9. Metro Group	Germany	49,483
10. Edeka	Germany	45,397

Figure 13.8 Dominant firms in the global agro-food industries

Source: based on data in ETC Group, 2008

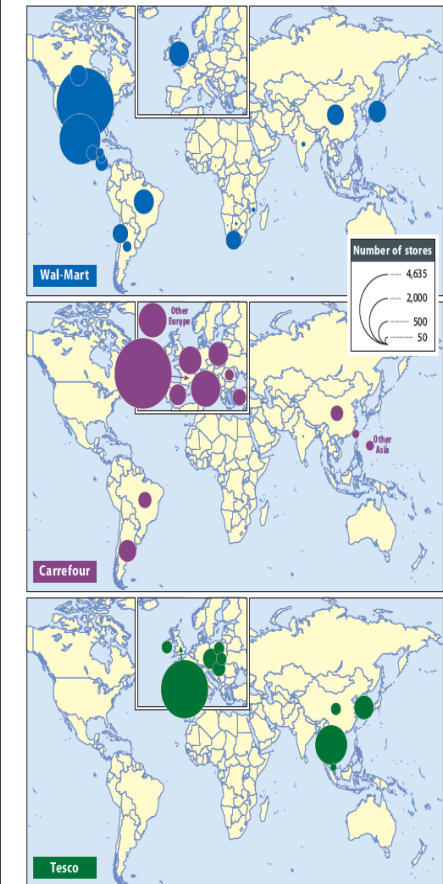


Figure 13.9 The global geographies of leading transnational food retailers

Source: company reports

Role of the State

- ❑ Industry – Highly regulated, heavily subsidized, and vigorously protected
- ❑ Role of state often ubiquitous
- ❑ Food regulations – regional, national, and international
- ❑ Protecting industry is major source of trade conflict
- ❑ State land grabs – state-supported actions to acquire agricultural land in foreign countries
- ❑ China by far largest investor

Work in Groups

- Use your analytical tools to identify TNC configuration, role of the state, etc.
- Share with the class