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What does the mid-1990s soybean liberalization tell us about the role of foreign investment in China's rural industrialization?

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ABSTRACT

This article reassesses the role of foreign investments in China's rural industrialization in the 1980s and the early 1990s. It draws upon the power disputes between agribusiness transnational corporations (TNCs) and central domestic players in the country's soybean complex. I follow Chris Bramall's argument that food processing infrastructure grew progressively since the Maoist era in the 1960s and 1970s, instead of springing from foreign investments or pro-business local state officials during the reform and opening up. However, I go beyond this assumption by suggesting that foreign investments often had a detrimental role in rural industrialization, depending on their political action. I show through in-depth empirical analyses that due to the Maoist industrial legacy, soybean processors from Northeast China consolidated an endogenous form of accumulation based on local circuits of production and consumption under state protectionism. This specific industrialization trajectory has put them on opposite sides from agribusiness TNCs. The liberalization agenda pushed by the TNCs through bilateral and multilateral levels of influence culminated in the opening of China's soybean imports in the late 1990s, allowing the consolidation of their global trade monopoly to the detriment of domestic players.

KEYWORDS

China; rural industrialization; soybean; foreign investment; endogenous accumulation; liberalization

Introduction

The role played by foreign investments in China's *reform and opening up* (1978 onwards) has provoked contentious discussions within studies of international political economy (IPE). Western mainstream media and academic literature often portray China's 'success' as the result of a radical integration into global capitalism. They recognize Foreign Direct Investments (FDIs) as the driving force behind China's economic expansion, as the establishment of the market economy unfolded alongside a gradual liberalization of trade and investment. There is a consensus among critical scholars, however, that this perspective takes industrialization out of

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context, neglecting the centrality of pro-growth state planning and earlier industrialization efforts. Undoubtedly, China's rise is linked to processes of offshoring production: Since the late 1970s, it counted on transfers of industrial capacity from central capitalist countries seeking new spaces and social conditions for capital accumulation (Harvey, 2005, p. 71). However, this article shows that foreign investments in the early stages of the reform and opening-up period can also have a destructive impact on the domestic economy depending on the pace of economic liberalisation and industrial policies put in place.

To provide a critical assessment of the role of foreign investments, this article points out the need to consider the political influence wielded by TNCs and their ability to shape liberalization policies. The analysis presented herein draws from existing literature, showing how the alliances between Chinese officials and foreign investors have decisively influenced the process of industrial upgrading in China.

As articulated by Chen (2014, 2017), it is evident that foreign oligopolies, which have secured regional political advantages through joint ventures and tax incentives, have flourished at the expense of local enterprises, effectively relegating the latter to lower tiers within the value chain. In contrast, regions where local government officials have aligned themselves with smaller foreign firms have managed to absorb foreign technology and boost competitive industrial capacity. This phenomenon is underscored by the fact that, in the age of globalization, the process of economic integration into global value chains has constrained states in their ability to protect infant industries, different from the developmental initiatives in East Asia during the 1970s and 1980s. This way, foreign capital becomes more permeable within national economies, propelling economic disparities even in a statist developmental model like China (Rolf, 2021).

During the initial stages of China's economic reforms, a significant impetus for modernization was driven by industries situated in rural areas. These rural industries were among the first to catch up with the West and played a pivotal role in mitigating urban-rural disparities. Their expansion led to the creation of non-farm employment opportunities, contributing to increasing incomes among the rural population (Sigurdson, 1975; Chen et al., 2009). Simultaneously, these industries instigated the mechanization of agriculture, further propelling economic development (Ma & Huang, 2023).

To understand the influence of foreign investments on rural industrialization in China, I conducted a detailed sectorial analysis centered on the soybean complex. This complex encompasses feed and food processing and is intricately connected with agricultural production and logistics. The soybean is the most significant crop to open to foreign investment and trade in the early stages of the reforms. The speed and intensity of its integration into global commodity chains had highly detrimental effects on China's agricultural development, raising public concerns on social stability and food security.

Accordingly, between 1995 and 1996, the central government reduced the import tariffs on raw soybeans from 114% to 3% with a multiple-column tariff (Yan et al., 2016, p. 380).¹ It also temporarily lifted import barriers on soybean meal and other feed materials (Gale, 2015, p. 5; Schmidhuber, 2001, p. 25).² Furthermore, in 1999, during the preparation for China's accession to the World Trade Organization (WTO), the government adopted a single-column tariff of 3% and eliminated soybean import quotas (Gale, 2015, p. 4; Nepstad, 2017, p. 10). As a result, China's

imports grew rapidly, following the rise in domestic demand, becoming the world's largest soybean buyer. As cheap soybeans from abroad flooded the domestic market, it hit farmers and made the domestic processors over-reliant on imports. This became most evident in the mid-2000s, when abrupt global price fluctuations brought China's soybean processing industry to a collapse, followed by the aggressive expansion of North Atlantic-based TNCs (Wang et al., 2013; Wen, 2008). The harsh consequences of prematurely opening China's agricultural market set an example for the government not to follow in most other agricultural sectors (Schneider, 2016, pp. 9, 14).

Nevertheless, the mainstream literature considers the opening as an effort to modernize the feed processing and livestock industry. The soybean is a multi-functional crop historically used for different purposes in China, such as vegetable oil, food ingredients, and biodiesel. During recent decades, though, this crop has become an essential component of animal feed (Sharma, 2014). Related authors (Gale, 2015; Hsu, 2001; Liu, 2001; McKee, 2004) point out that the decline of grain production during the 1990s curbed the country's supply of feed resources. At the same time, the rising meat consumption in urban areas increased the demand for animal feed. According to these authors, the government saw outsourcing soybean supply as a feasible solution to China's constrained food supply.

Yet, Yan et al. (2016) argue that, on behalf of industrial modernization, mainstream scholars have downplayed the effects of imported soybeans on China's domestic agriculture. In their words (p. 374), 'While this type of narrative represents China as an avaricious monolith scrambling for food, it evades the fact that the colossal soybean trade has made it difficult for soybean farmers in China to sustain their production.' Yan et al. (2016) suggest that instead of a consensual (and inevitable) political initiative, soybean liberalization corresponds primarily to the interests of agribusiness TNCs during China's integration into global value chains. However, as these scholars focus on the effects of the soybean crisis on food security, they leave an open question about the role of these TNCs in pushing forward import liberalization in the first place.

To address this gap, I engage with Bramall's (2007) assessment of China's rural industrialization. Bramall counteracts two different approaches that see China's main early industrial driver as FDI or administrative decentralization. Instead, he stresses the legacy of Maoist policies in promoting growth in the 1980s and early 1990s. I support Bramall's argument by looking at the bases of capitalist accumulation and the political influence of leading players in the sector. I show that even though administrative decentralization allowed the expansion of Chinese soybean processors with local state officials willing to develop the market economy, they emerged from industrial bases built before the reforms. Three leading enterprises were prominent in the processing sector: The state-owned Beidahuang (北大荒) and the private-owned Dalian Hualiang (大连华粮) and Dalian Huanong (大连华农), all based in Northeast China. I show that as they inherited (or appropriated) the Maoist-era's industrial infrastructure, they developed an endogenous capital accumulation based on domestic production and consumption supported by protectionist agricultural policies.

This article moves one step forward on Bramall's critique when it comes to the role of FDI in China's early rural industrialization. It examines the agency of agribusiness TNCs as central players in China's policy change, contrasting their

economic interests with the leading domestic soybean processors. Therefore, I find that foreign enterprises not only played a minor role in industrial growth but were, at times, detrimental to industrial growth. Considering its endogenous nature, China's soybean processing industry was hostile to import liberalization and supported increasing links with domestic farmers (and consumers). On the other hand, in a global scenario of assured American neoliberal hegemony, a group of North Atlantic-based enterprises counted on bilateral and multinational influence to pressure the Chinese government for free trade. These were mainly the so-called ABCD (Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus), which have traditionally dominated global commodity trade markets.

Section 1 of this article (Reviewing the Orthodox and Revisionist Approaches) will evaluate the early economic changes of the soybean complex through the lenses of Bramall's work. It explains in detail the orthodox and revisionist interpretations of rural industrialization while examining the accumulation strategies adopted by leading enterprises in the sector. Section 2 (The Endogenous Accumulation) elaborates on the economic formation and political agenda of leading Chinese soybean processors. It assesses the conflicting dynamic between China's endogenous accumulation and the liberal agenda pushed by agribusiness TNCs. Section 3 (Politicizing Soybean Liberalization) discusses the causes of the sector's policy change in a critique of the mainstream interpretation. Section 4 (The ABCD's Political Influence) examines the mechanisms used by the ABCD to influence the Chinese state toward soybean liberalization. Finally, Section 5 (The Outcome of China's Soybean Liberalization) presents the aftermath of the sector's policy change, indicating the detrimental impact of the ABCD's liberalization agenda.

I use extensive qualitative data collected during 18 months of fieldwork research in China and information collected through online sources. The data includes personal interviews with business executives, corporate reports, and credit ratings showing the economic performance and strategies of the leading Chinese soybean processors. It also includes official and semi-official documents and census data showing trade indicators and state policies in the sector. I also count on dozens of multilingual newspaper and magazine articles, which provide a more detailed picture of the historical changes. Lastly, I have triangulated primary and secondary sources to attest to the veracity of the information provided.

Reviewing the orthodox and the revisionist approaches

Rural industrialization refers to the development of rural enterprises and associated processes of agricultural modernization (Chen et al., 2009). In China, its eminence in the early stages of the reform and opening up (in the 1980s and early 1990s) generated an emerging economy based on consumer-oriented light industries, mostly from coastal towns and geared towards exports. When analyzing the literature on China's rural industrialization, Chris Bramall (2007) identifies two significant groups of scholars drawing upon the main drivers of such economic growth: The orthodox and the revisionists. The former (Lin & Yao, 2001; Sachs et al., 1994; Wong, 1991; Wu, 2005) associates the idea of industrial modernization with China's integration into global markets. They are inspired by neoclassic economic theories and consider foreign investments and the deregulation of ownership control as

China's primary industrial drivers.³ They argue that opening the market in the coastal regions during the 1980s increased production efficiency and stimulated China's emerging private economy. Replacing a supposedly inefficient state industry with private and foreign enterprises allowed the formation of a labor-intensive export industry, which became the basis of China's initial economic growth.

In turn, the revisionists (Oi, 1999, 1992; Shirk, 1996, 1993; see also Huang, 2012) emphasize the role of local governments as prominent industrial drivers. According to them, fiscal and administrative decentralization reforms in the 1980s, and the hardening of provincial budget constraints encouraged local SOEs and Township and Village Enterprises (TVEs) to develop corporate management capacity in alliance with both private and foreign entrepreneurs.⁴ They argue that those reforms provoked the rise of 'local state corporatism', as provincial governments gained considerable autonomy to formulate and execute trade and investment policies. State officials at the provincial level overcame the lack of transfer of ministerial revenues by seeking profits through industrial efficiency gains, following rural de-collectivization and the opening of coastal zones and economic sectors to open market (Oi, 1992, p. 124). They established preferential finance and industrial management regimes for private businesses and propelled the emergence of a dynamic and competitive state-led economy (Shirk, 1996, pp. 42–43).

When applying the debate over China's early rural industrialization to the agri-food sector, one could support the orthodox argument by stressing the technological upgrades and improvements in processing infrastructure led by agribusiness TNCs. For example, Cargill and ADM invested in food production plants and logistics in the late 1980s and early 1990s, facilitated by the progressive removal of state control over the industrial ownership (Gao & Huang, 2012).⁵ ADM established joint ventures to build three large-scale soybean crushing facilities in China's coastal provinces, becoming the first North Atlantic-based TNC to invest in the sector.⁶ It also acquired a pre-mix plant for processing animal feed in Dalian, having part of its ingredients produced in Northeast China (ADM, 2019, 2003).

However, contrary to the orthodox approach, the early investments of agribusiness TNCs in China show that the provincial governments played a central role in breaking deals in return for economic advantages. For example, Louis Dreyfus' representatives in Shanghai Free Trade Pilot Zone developed close ties with the head of the local Business Management Department, Chen Xiaojiang (陈晓江) (Finance. Sina, 2019; Liao, 2020). The company relied on this type of political relationship under local corporatism to obtain trading and financial contracts since the early 1990s (Wu, 2019). At the same time, it coexisted with food processing firms that also experienced efficiency gains under the support of local governments.

Moreover, although foreign agribusiness TNCs launched early investments in soybean processing, they were also heavily engaged in import operations as China progressively opened cross-border trade.⁷ They built commercial networks by settling shops and representative offices in mainland China, allowing future gains with trade price speculation.⁸

The ABCD's trade focus contrasted with leading Chinese companies in the sector. For instance, Beidahuang was based in the northeastern Heilongjiang province, where most of China's soybean farming is concentrated (Figure 1). Dalian Huanong and Dalian Hualiang were founded upon TVEs in Dalian, an industrial center and seaport located on the banks of the Yellow Sea (Figure 1). Dalian's transportation

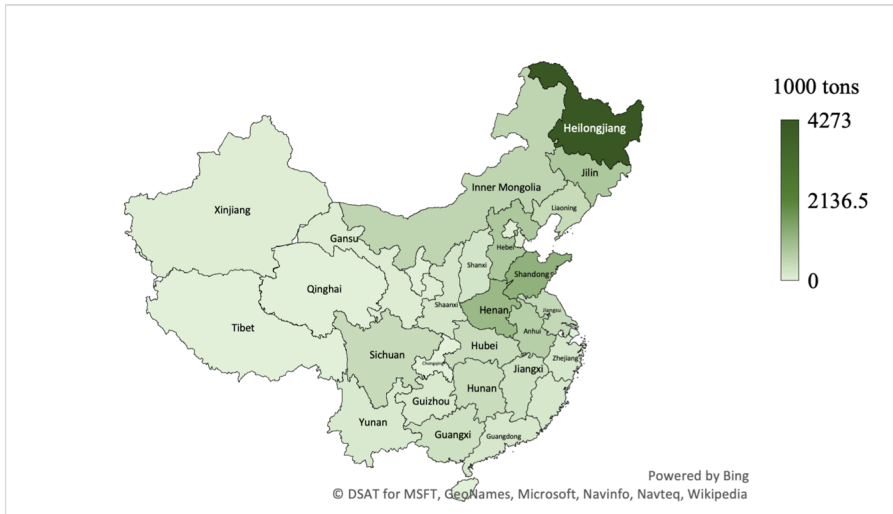


Figure 1. China's soybean production by region (1995). *Source:* National Bureau of Statistics of China (2009, table 2-3-48).

system connected at the same time the region's soybean supply resources and foreign markets, which enabled occasional exports to Japan and other Asian countries. However, more important than its commercial centrality, Dalian was China's soybean processing hub with a productive-oriented industry (Dominy, 2003; Haumann, 1985).

The growth of these leading soybean processors resembles, in part, the revisionists' view of China's rural industrialization. Accordingly, Dalian Hualiang and Dalian Huanong grew and won over smaller competitors through the rise of Dalian's private economy and urban growth. Beidahuang, in turn, emerged from the corporate restructuring within the Heilongjiang Agricultural Reclamation Bureau (HARB)—an administrative body responsible for most of the province's agricultural production.⁹ With a higher degree of managerial autonomy from the central government and an urge to increase revenues, the Bureau created the company in 1994 as its corporate arm. Beidahuang was one of the only Chinese enterprises with abundant farmland and directly engaged in agricultural production. It incorporated several TVEs engaged in soybean meal and soybean oil processing businesses, which would, at a later stage, form the subsidiary Jiusan Cereals and Oils Industrial Group (九三粮油工业集团有限公司).¹⁰

The three enterprises benefited from close state-market relations, which characterizes local state corporatism described in the revisionist literature. The Heilongjiang government directly supported Beidahuang's business operations, and the Dalian private processors accessed high-level positions in local political and entrepreneurial circles. This is the case of Huanong's chief executive Li Guangfu who, from the 1990s, took several official positions, such as Director of China Enterprise Confederation, Director of China Vegetable Oil Industry Association, and Representative of Dalian Municipal People's Congress (Huang, 2006).¹¹ Through this dynamic state-market relations, the three soybean processing enterprises benefited from state-driven industrial modernization, which enabled

reducing the cost of raw materials, management fees, transportation costs, personal costs, and storage fees, among other benefits (Lu, 2002).

The endogenous accumulation

Bramall's (2007) critique of China's rural industrialization literature recognizes that the role of local state corporatism outflanked the industrial push by foreign capital. Indeed, industries driven by provincial governments became the most important vector of economic growth during the early period of China's reform and opening up. By 1996, the production of TVEs alone accounted for 26% of the country's GDP and responded to increasing rural incomes (Naughton, 2007, p. 286). TVEs were structured through collective and individual ownership, and their corporate governance was primarily fostered and guided by local officials (Oi, 1999, p. 25).

However, Bramall argues that decentralization reforms advocated by the revisionists do not explain rural industrialization alone. Despite the structural economic changes of China's open-door policy, localized industrial growth started earlier (Bramall, 2007, p. 74). The country experienced instead gradual industrialization since the Maoist revolution, when 'the growth rate began to accelerate, and continued to do so during the 1970s and the 1980s, in most parts of China. The process, in other words, was one of trend acceleration' (Bramall, 2007, p. 142).

From this perspective, the Maoist industrial endeavour was a crucial engine of rural growth—which does not necessarily mean that it drove improvements in efficiency. They allowed localized manufacturing to flourish already before market opening and local state corporatism. The first effort in this direction was made in the late 1950s. The Chinese Communist Party (CCP) encouraged newly created rural communes to establish local factories and construction teams. The results were at first a fiasco due to the crisis following the Great Leap Forward. However, after a short hiatus in the early 1960s, commune-managed enterprises increased in China's hinterland. They followed the orientation for economic self-reliance amidst perceived war threats with the US and the Soviet Union. In the 1970s, the CCP supported agricultural collectives in building decentralized and capital-intensive industries, providing subsidies and allowing them to retain profits. These industries aimed at establishing local supply lines and boosting local markets to overcome the stagnation of the rural earnings (Bramall, 2007, pp. 10–20; see also Chen, 1997).

The early phases of China's rural industrialization centered on farm-related production, incrementing agricultural equipment, fertilizers, and food processing. In the 1970s, though, the CCP shifted its efforts to electricity generation and iron and steel production (Riskin, 1978; cited in Bramall, 2007, p. 20). Even so, the scaling up of China's food industry gradually took effect. It followed gains in agricultural production that persisted in the reform period. As Eisenman (2018) indicates, with an approach similar to Chris Bramall, Mao-era communes enabled labor and resource mobilization to improve drainage and irrigation systems and promote mechanization and technological innovation in the countryside. These initiatives were responsible for a green revolution in 'red China', contradicting the mainstream idea that replacing rural communes with individual household farming kickstarted agricultural growth (see also Gürel, 2023; Han, 2008).

The progressing economic performance in both farming and food processing brought early advantages to China's soybean complex. Crushing and refining infrastructure for oil extraction became popularized in the 1970s, laying the foundation for further expansion (Wang, 2000, pp. 2, 7). Although most processing infrastructure was based on small and middle-sized plants, the sector already formed a modern agri-food industrial park (Zhan, 2017, p. 151). In the following decade, the Heilongjiang government raised a public debate about scaling up soybean processing for export and domestic sales (Ma, 2005, p. 7; Shurtleff & Aoyagi, 1984; cited in Shurtleff & Aoyagi, 2016, p. 2854). The province's processing plants were then restructured into market-led enterprises and modernized through technological upgrades with enormous financial incentives from the state (China State Farm, 1989; Fan et al., 1990).¹²

However, as I examine the forms of accumulation and political action of the three leading Chinese soybean processors, I go beyond Bramall's critique. I find that China's industrial push since before the reform and opening up not only outweighed, but was also often opposed to foreign capital. Such autonomous industrial growth consolidated an endogenous accumulation indifferent to global value chains and politically hostile towards foreign investors. By endogenous accumulation, I refer to domestic processes of expansion in both the spheres of circulation and capital. Regarding the sphere of circulation, even though soy-food enterprises developed commercial networks with Japan and other Asian countries through exports from the port of Dalian, they heavily relied on local consumption. They produced soybean oil, which is traditionally part of China's Northern and Northeastern diet (Bray, 1984). From the 1980s onwards, they progressively adapted crushing facilities to soybean meal production for animal-feed supply (Fan et al., 1990).

As for the sphere of capital, Chinese soybean processing enterprises expanded through domestic circuits of production. They integrated soybean farming and processing activities in line with the later formation and proliferation of dragonhead enterprises—a specific type of agribusiness that intensified commodity relations through agro-industrial modernization and industrial scaling up (Schneider, 2016; Zhang & Donaldson, 2008). Therefore, the three leading processing enterprises relied on locally supplied soybeans, primarily from state farming in the agricultural reclamation area in Heilongjiang.¹³

This form of endogenous accumulation cemented a political inclination towards industrial protectionism, contrary to what the orthodox approach (and, to a certain extent, the revisionists) see as key to China's industrial growth. For example, since the 1970s, Chinese state departments have promoted special investigations on technological improvements in soy milk and foodstuff production to catch up with the West (Li et al., 2001, p. 21; Zhang, 1996, p. 35). In the 1980s, the Heilongjiang Agricultural Reclamation Bureau, Harbin Commercial College, and China's Ministry of Commerce organized research delegations to the United States, Japan, and Western Europe. During talks with the American Soybean Association (ASA) and other soybean producer organizations in the US, it became clear that the Chinese delegation was more interested in studying modern techniques and importing modern machinery for farming and processing soybeans than establishing trading partnerships (Fan et al., 1990; Foley, 1983).

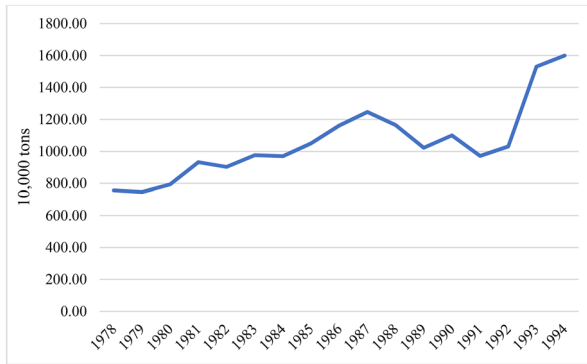


Figure 2. China's soybean production (1978–1994). *Source:* China Grain Yearbook (2017).

Such a political inclination contradicted the interests of agribusiness TNCs in the sector. This is particularly evident if analyzed from a global perspective in which the North American world sales shrunk during the 1980s and struggled to keep their trade prominence.¹⁴ As the endogenous expansion potentially appropriated their soybean market shares, agribusiness TNCs advocated for trade liberalization in China, coinciding with the need to curb China's domestic production. For instance, during 1986–1988 and 1993–1994, China achieved record outputs (Figure 2), accounting for around 9% of the world's soybean production (Wittenburg, 1993, p. 20). The domestic growth did not only meet China's internal market but also allowed it to compete with the US in the Japanese and Asian markets.¹⁵

During the 1990s, the leading Chinese companies consolidated their market position by controlling larger chunks of domestic sales—including through futures hedging—and increasing their share in agricultural commodity exports (Huang, 2006; Jiusan Group, n.d.). They were a potential threat to the ABCD's monopoly over global agricultural trade as the latter manifested concern about losing soybean exports to most Asian markets (Ma, 2003, p. 20; Journal of the American Oil Chemists' Society, 1987; cited in Shurtleff & Aoyagi, 2016, p. 2964).

Politicizing soybean liberalization

As described in the introductory section, the liberalization of soybeans is generally understood by the mainstream literature as a way China assures food security by offshoring feed crops. This view reflects the prognostic of the report 'Who Will Feed China?' published in 1994 by Lester Brown, the head of the Worldwatch Institute (Zhan, 2017, p. 151). The report suggested that China's increasing food consumption would inevitably follow the paths of Japan, South Korea, and Taiwan—countries that also outsourced agricultural supply to meet their population's growing consumption of animal protein (Brown, 1995, 1994).¹⁶

During the 1990s, the CCP approved a series of policies protecting staple grains while allowing feed imports.¹⁷ They correspond to China's long-term inclination to raise the per capita consumption of animal-based protein.¹⁸ They also correspond to the growth of China's livestock industry through specialized and large-scale commercial farms following the expansion of the capitalist economy in the

countryside (Schneider & Sharma, 2014). From this perspective, increased soybean and soybean meal imports could contribute to the feed and livestock scaling up by reducing production costs with an abundant resource supply.

However, the pro-liberalization perspective often neglects the centrality of soybeans in China's soy-meat commodity chain. For instance, none of the feed ingredients liberalized during the 1990s was as extensively produced in China as soybeans. This crop had the largest sown area in Heilongjiang when the government opened its import (National Bureau of Statistics of China, n.d.). As an intermediary industrial segment, soybean crushing sets quality standards and influences the buying and selling prices of animal feed. It also has a high-value addition compared to feed mills, given that it applies high technology with intricate processing engineering—let alone its broad market coverage that reaches both feed meal and soybean oil.

Considering its significant economic relevance and the protective character of endogenous accumulation, the CCP increased its support for soybean agriculture in 1993 and continued including the crop as part of the country's self-sufficiency targets (Chang, 2000, p. 6; Myers & Guo, 2015, p. 6). The CCP also encouraged soybean use not only as animal feed but also for direct human consumption.¹⁹

By framing soybean liberalization as a rational and inevitable action, the pro-liberalization literature downplays the political disputes behind agricultural and food processing modernization (Yan et al., 2016). China's rural development strategy during the 1990s was far from technical and apolitical, as it affected 60% of the Chinese population, among which the poorer social strata. Trade tariffs on most crops fell significantly in the 1990s—although not as much as soybeans—accompanying the decentralization of state traders and the loosening of licensing procedures (Huang et al., 2003, pp. 99–102). However, the speed and sectors to be opened were not a consensus as state officials had growing concerns about the social unrest and political instability this policy could bring (Huang & Rozelle, 2003, p. 116).

One could still argue that the policy change in China's soybean complex reflects a pattern of improvisation. According to Ang (2016), state institutions follow a coevolutionary process, learning from their own mistakes and adjusting their policies corresponding to varying economic contexts. From this perspective, pro-liberalization segments of the state could have prevailed in opening the domestic soybean market as a trade-off of China's WTO negotiations in the late 1990s. The CCP leadership agreed to a dramatic reduction of trade tariffs to enter the WTO, aiming to gain access to global markets and boost Chinese exports (Breslin, 2007, p. 93). As the risks of fiscal opening to Heilongjiang's soybean farming and processing were already well assessed by the existing literature (Li et al., 2001, p. 22; Zhou et al., 2000), sacrificing this sector could be worthwhile in bringing potential benefits to export-oriented industries.²⁰

The improvising character of Chinese policymaking is undoubtedly part of the reform and opening up of its historical process. However, looking at it alone can still downplay the role of the divergent economic interests and political rivalry between dominant actors. As opening the Chinese market contradicted the endogenous accumulation, how did power relations in the soybean sector play against the interests of its leading players?

Yan et al. (2016) take the first step in addressing this issue. They point out that soybean liberalization allowed North Atlantic-based TNCs to enter the domestic market at the expense of China's agri-food production. They also build a parallel between these TNCs' role in China and their influence on the opening of other Asian food markets. Accordingly, the US hegemonic and regional geopolitical conditions were essential in generating food deficits in Japan, South Korea, and Taiwan in the 1980s and 1990s. Under North American influence, these countries abandoned previous self-sufficiency policies and implemented structural adjustments that included agricultural liberalization (see also Ma, 2003). By refuting the pro-liberalization literature, Yan, Chen, and Ku indicate that China follows a similar trajectory to its Asian neighbors. However, these authors focus on the effects rather than the reasons for policy change.

To address how the sector's power struggle played out in favor of the ABCD, the following section dives into their political agenda, providing further evidence of the detrimental role of foreign investments in China's early rural industrialization.

The ABCD's political influence

The soybean liberalization coincided with an aggressive political lobby by the ABCD to open the Chinese trade system. Such a political influence lends support to the idea that industrial upgrading in a globalized world relates to how different forms of foreign investments play out according to domestic political and economic contexts (Chen, 2014, 2017). From this perspective, rural industrialization (and deindustrialization) is also shaped by the relationship between Chinese officials and Western companies, as well as the latter's capacity to push for policies in their favor.

Considering the deep integration of China's soybean complex into global value chains and reliance on foreign trade, the ABCD had significant economic leverage and were keen on downplaying the presence of domestic soybean enterprises in domestic and Asian markets. Whereas the latter influenced state institutions at the regional and national levels, the ABCD counted on bilateral and multinational influence to efficiently pressure the Chinese government. At the bilateral level, they participated and benefited from institutional mechanisms facilitated by the US government, such as 1) US-China diplomatic negotiations; 2) official and semi-official bilateral institutions; and 3) campaigns from government agencies and related associations to promote the US economic interests in China.

The first mechanism can be traced back to the diplomatic rapprochement in the early 1970s when some North Atlantic-based TNCs joined negotiations that led to the American recognition of the People's Republic of China. Within the context of this *rapprochement*, both Louis Dreyfus and Cargill signed commercial agreements with the Chinese central agencies even before Deng Xiaoping's launch of economic reforms. Despite being the only European player among the ABCD, Louis Dreyfus joined Nixon's official delegation to China in 1972. The following year, the company reached an agreement for the cross-border trade of cotton (Louis Dreyfus Group, n.d.). In addition, Cargill, a close ally of the Nixon government, began to export Chinese corn and to sell sporadically North American and Australian wheat to China right after the 1972 US-China Joint Communiqué (Cargill China, n.d.; IV. Cargill: Harvest of Profits, 1975). During the following twenty years, it obtained

rights from the Chinese government to use domestic storage and to expand trading relations on agricultural, protein, and feed products (Cargill China, n.d.; Gao & Huang, 2012).

Regarding the official and semi-official bilateral agenda, John L. Holden, the Chief Executive of Cargill in China from 1985 to 1998, played a central role in amplifying the ABCD's interests in China. In 1997, he also worked as the Chairman of the China-American Chamber of Commerce. One year later, he left this position to become the President of the National Committee on US-China Relations (in office until 2005) (McLarty Associates, n.d.). Unsurprisingly, Holden promoted a political agenda favoring agricultural market liberalization. As he said in an interview with the magazine *China Business Update* (中国经贸画报) in Beijing,

Although in the near term, China can produce most of the grains it needs, this is not the most suitable model for its agricultural development (...) China should implement an open, market-oriented agrarian policy based on the following four principles: aligning domestic prices with international prices; opening the agricultural and food system to free trade and investment; formulating rural economic development strategies based on comparative advantages of natural resources; accessing multilateral food supply on a non-discriminatory basis to accommodate the domestic market (Zhang, 1997, pp. 46, 47).²¹

Cargill's investments in China's agri-food sector coincided with the period when Holden occupied the US-China bilateral institutional positions. Alongside increasing economic influence, Holden associated with pro-business segments of the Chinese state. He held talks with senior government officials since the 1980s and joined US parliamentary delegations when he lived in Beijing from 1994 to 1998 (Wang, 1997, pp. 49, 50; Zhou, 1998). Among the officials that Holden contacted in China, the one he appreciated the most was Wu Yi (吴仪) (Wang, 1997, p. 50). As the Minister of Foreign Trade and Economic Cooperation (1993–1998) and a long-standing central figure in Chinese politics, Wu Yi headed the WTO negotiations and advocated for market reforms in the agricultural sector (Hou & Li, 2000; Zhu, 1999).

Regarding the third aspect, relatively vast public information is available concerning the North American state's agenda favoring the ABCD. For instance, since the early 1990s, the US government has coordinated efforts with the American Soybean Association (ASA), the country's most representative soybean industry organization, to increase exports to China and curb China's sales in Asia. In 1990, amidst a sharp decrease in North American soybean exports, the US Congress approved the Soybean Checkoff, an official program to develop American international marketing efforts and to raise the local productivity and profitability of its agribusiness enterprises (ASA, 1999; Kansas Soybeans Commission, 2012). As part of the same effort, in 1996, the US government approved cultivating genetically modified soybeans (Dong, 2013). To execute the Soybean Checkoff, the United Soybean Board (USB) funded ASA to conduct marketing lobbies for GM soybean and training programs in China and other strategic countries (ASA, 1999).²²

Since the early 1980s, ASA's newly established representation office in Beijing conducted programs to encourage the use of soybean meal by Chinese livestock producers.²³ These programs aimed to boost the Chinese imports of raw and processed soybeans, as well as to discourage China's soybean exports (ASA, n.d.; Soybean Digest, 1987; cited in Shurtleff & Aoyagi, 2016, p. 2962). Following the

Soybean Checkoff, the US government increased its support for ASA's activities in China. During the 1990s, both the ASA and the USB representatives arranged meetings with senior officials from the Chinese government and trade departments (ASA, n.d.).

The idea that China's soybean liberalization was necessary for the modernization of the country's feed and livestock industry corresponds to ASA's activism in China, which aimed to bypass domestic soybean processors. For instance, during the 1990s, ASA funded and supported the Beijing International Animal Nutrition and Feed Additives Exchange Symposium (北京国际动物营养及饲料添加剂交流研讨会) for several years in cooperation with officials from the Ministry of Agriculture (Xiao, 2002; Yu, 1995). ASA also established close connections with China Feed Industry Association (中国饲料工业协会) and invited related officials and business members to visit the US for trade negotiations (Lei, 2000; Tang, 1997; Xiao, 2002). Moreover, ASA provided a wide range of technical assistance to Chinese feed mills and livestock operations (Dominy, 2003). As its news report asserts:

ASA is educating the livestock industry on the quality differences between variances in the cost of livestock or fish production. We want them to understand that as the world's largest supplier of soybeans for high quality, the US should be China's primary source to satisfy its growing demand (ASA Today, 1997).

Besides their engagement in bilateral relations, North Atlantic-based TNCs have counted on world multilateral institutions like the World Bank and the WTO. China's collaboration with these entities throughout the 1990s has amplified the ABCD's influence and played a unique role in the government's decision to open up soybean imports. Accordingly, financial institutions led by the US have conditioned agricultural investments in China—as they have done to other peripheral countries—to commit to neoliberal reforms. For example, during the early 1990s, the World Bank funded the then largest program on grain logistics in China (IBRD, 2007; McKee, 2004, p. 56).²⁴ To implement the project, the World Bank demanded commitments from the Chinese government to deregulate grain prices at all levels and liberalize grain markets and cross-border trading, as well as reduce government involvement and intervention in the grain sector (IBRD, 2007, p. 67).

The WTO, in turn, played an even more prominent role. This platform gave North American soybean exporters a large room to manoeuvre as ASA joined the US trade representatives at the WTO negotiations with China. Their demands included more transparent trading rules and further access to the Chinese soybean market (ASA Today, 1997; cited in Shurtleff & Aoyagi, 2016, p. 3261). John L. Holden probably also participated in the negotiations, given his proximity to Minister Wu Yi. As a result, the Chinese government opted to meet their demands in order to reach an agreement, which was formalized in the November 1999 bilateral talk (ASA, n.d.).

The outcome of China's soybean liberalization

The ABCD's political activism demonstrates that foreign capital was not only marginal but also often played against rural industrialization. As their liberalization agenda became successful, China integrated into global value chains to the

detriment of endogenous accumulation in the Northeastern region. The ABCD expanded their access to the Chinese soybean market and consolidated their trade monopoly. Therefore, US exports of soybean and processed soybean products to China soared after the market opening up in the mid-1990s (Figure 3).

Since then, the ABCD competed almost on equal terms with domestic soybean firms, rapidly expanding their trade operations and dominating the domestic import market. As a result, within three years, when Bunge first ventured into commodity trading in China, it became the largest importer of soybean products (Ma, 2005, p. 35). In 2003, Bunge, ADM, Cargill, and Lous Dreyfus controlled approximately 80% of China’s soybean cross-border commerce (Yu & Qiao, 2008, p. 59). While imports soared, domestic soybean agricultural production stagnated (Figure 4).

As China also temporarily lifted trade barriers on soybean meal, international competition also hit domestic processors (Hsu, 2001, p. 30). Imports rose rapidly, reaching 24% of China’s soybean market in 1997 (Figure 5).²⁵ According to the estimates of the Food Department of Heilongjiang, in that same year, the province’s

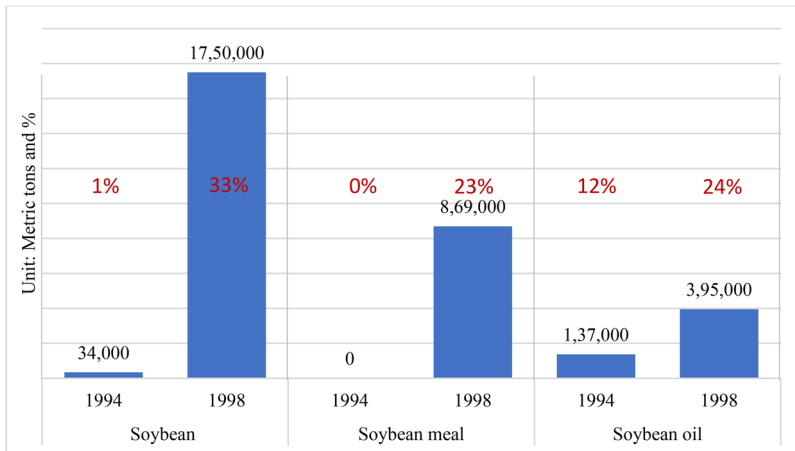


Figure 3. China’s imports from the US - Quantity and market share. Source: American Soybean Association (ASA, 1999) and FAO Statistics (n.d.). Data compiled by the author.

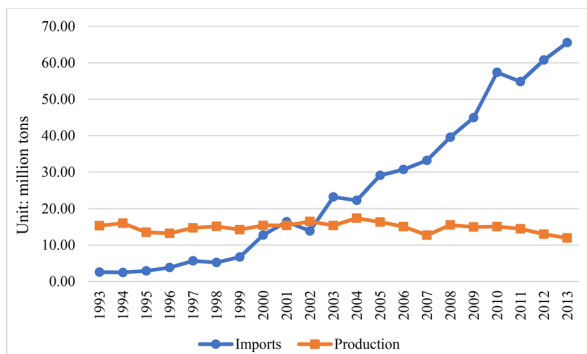


Figure 4. China’s soybean domestic production and imports. Source: FAO Statistics (n.d.). Data compiled by the author.

soybean processing plants lost between 300 million and 400 million RMB due to sales decrease (Zhou et al., 2000, p. 13).²⁶ As Chang Xiuliang, a Professor at the Chinese Academy of Agricultural Sciences, explained, imports ‘not only impacted the domestic market but also [forced China to] give up to foreign enterprises the profits gained from value-addition in soybean processing’ (Chang, 2000, p. 31).²⁷ Meanwhile, the ABCD would no longer face competition in Asian markets as Chinese exports of processed and raw soybeans plummeted (Figure 6).

Considering the detrimental effects of the foreign headway in China’s soybean complex, the Chinese government reimposed import barriers for soybean meal in 1999 (Hsu, 2001; Ma, 2003, p. 14). This would allow soybean processing to expand through the prominence of dragonhead enterprises. The return of industrial protectionism corresponded to a new phase of China’s rural development marked by state support for coordinated and large-scale agribusiness operations (Day & Schneider, 2018, p. 7; Zhang & Donaldson, 2008, p. 29). This new phase forced North Atlantic TNCs to focus on soybean processing, investing in coastal provinces primarily through Sino-foreign joint ventures (Fares, 2022, pp. 80–131). Contrary to what the pro-liberalization literature would suggest, soybean processing growth also boosted China’s feed and livestock industry in the following decades (Sharma, 2014, p. 19)

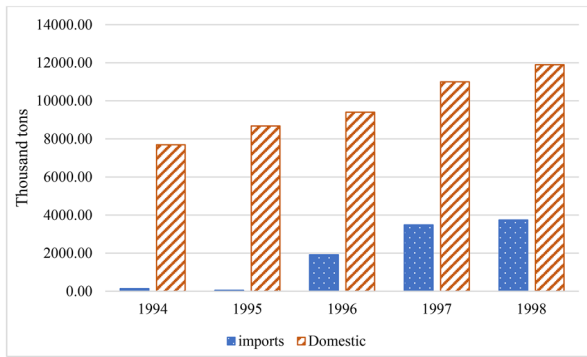


Figure 5. China’s soybean meal production and imports. *Source:* BRIC Agri-Info Consulting (n.d.) and FAO Statistics (n.d.). Data compiled by the author.

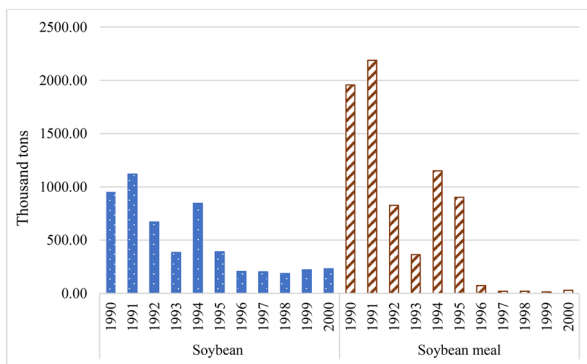


Figure 6. China’s soybean and soybean meal exports. *Source:* FAO Statistics (n.d.). Data compiled by the author.

However, the liberalization policy for raw soybeans was never reverted, making the sector particularly reliant on imports. Farmers from Heilongjiang have not been able to upgrade their production due to harsh competition with cheap genetically modified soybeans from abroad (Yan et al., 2016, pp. 378–283). As the domestic production stagnated, processing enterprises from Northeast China—including Beidahuang, Dalian Huanong and Dalian Hualiang—installed most of their industrial capacity in coastal provinces.²⁸ By 2006, these provinces concentrated more than 75% of the country's soybean crushing capacity, among which 90% relied on imported soybean supply (Guo, 2008, p. 3).

The import-oriented growth made the sector particularly vulnerable to global price volatility. For instance, during the mid-2000s, when global prices fluctuated abruptly, Dalian Huanong and Dalian Hualiang, alongside soybean processors with limited financial capacity, went bankrupt or were re-financed by agribusiness TNCs. In 2008, 70% of the soybean processing industry was under the total or partial control of the ABCD and other foreign players (MARA, 2007; cited in Yan et al., 2016, p. 374). The liberalization and foreign influence provoked exceptionally intense disputes between the leading players in the sector and raised constant concerns over food security (Fares, 2023a, 2023b).

Conclusion

This article shed light on the political agency of foreign enterprises and their economic influence during China's reform and opening up. By doing so, it contextualized the role of agribusiness TNCs in rural industries, showing the disruptive effects of their liberalization agenda on China's early processes of accumulation. This case study lends support to Bramall's (2007) critique of the orthodox literature, arguing that foreign investments were not immediately responsible for the modernization of China's soybean processing industry. Whereas they expanded primarily through monopolistic trade control, the leading Chinese triad of Beidahuang, Dalian Hualiang, and Dalian Huanong relied on soybean processing in Northeast China. The triad grew under the incentive of local governments engaged in expanding the local market economy. I also agreed with Bramall's criticism of the revisionist literature by indicating that the Maoist economic legacy has kickstarted a continuous process of rural industrialization, contrary to the idea of an unprecedented industrial push by local state corporatism in the 1980s and early 1990s.

However, moving beyond Bramall's critique, I noticed that the Maoist industrial legacy propelled a particular economic formation adverse to foreign capital: The endogenous form of capitalist accumulation in the Northeastern soybean complex illustrates this economic formation as they relied on local farming and processing infrastructure linked to domestic consumption. The industrial policies and state stimulus programs that underpinned soybean processing growth contrasted with the political activism of North Atlantic-based TNCs, who monopolized global trade. Adding to the various political factors behind China's soybean liberalization, the ABCD's lobby at bilateral and multilateral levels contributed to prevailing over the domestic leading players.

This case study has the potential to inspire new analyses of the TNCs' role in China's early rural industrialization. It remains an open question whether foreign

players' activism was also crucial to the opening of other crops during the 1990s and early 2000s. The political and economic implications of different liberalization experiences also warrant further research. In this regard, the distinctions between agri-food processing and export-oriented industrial sectors must be considered to understand whether (and how) endogenous forms of accumulation have spread in China's rural economy. It might be that the domestic-oriented agri-food processing was averse to foreign investments, whereas other sectors have benefited from them by gaining access to global markets. Still, the story behind soybean liberalization adds scrutiny to the disruptive effects of FDIs, given the importance of agri-food production to economic growth in the 1980s and early 1990s.

Notes

1. Under the multiple-column tariff system, the tariff rate or import tax is set individually for each country of origin.
2. Soybean meal is the hardened mass resulted from the crushing process. It provides protein-intensive feedstock. The government lowered soybean meal import tariffs to 5%, eliminated the 13% value-added taxes (VAT) on commercial transactions, and lifted its import quotas.
3. First, foreign businesses in newly opened Special Economic Zones were allowed to run under capitalist imperatives of growth and with little managerial intervention by the state (Chossudovsky, 1986, p. 160). Foreign investors enjoyed property rights and were subsequently allowed to develop commercial and industrial undertakings within mainland China (Chossudovsky, 1986, p. xi; 160). Moreover, in 1986, the Chinese government approved the free establishment of Sino-foreign joint ventures and wholly foreign-owned companies in China (Breslin, 2007, p. 47).
4. In 1980, the fiscal reform decentralised China's revenues and allowed provincial and lower-level officials to keep the profits of the local industry. However, as the central revenues shrank, ministerial investments at the provincial and municipal levels also decreased (Shirk, 1996, p. 205). Moreover, in the mid-1980s, the Chinese government launched an administrative reform that gave provinces the right to implement semi-autonomous economic regulations. Although the central intervention was never excluded from the local affairs, provincial departments and trading agencies were granted the authority to control foreign exchange and import and export licenses of raw materials, material equipment, and information (Demurger et al., 2002, p. 157; Zweig, 1991).
5. In 1987, Cargill's subsidiary in Shandong built the first Sino-American food-processing joint-venture (Li, 2019; Zhou, 2010). In 1992, the company launched a large-scale investment in food trade and processing, which included the opening of 10 more factories during the following six years (Cargill China, n.d.; Zhou, 1998).
6. They are the North Sea Co., founded in April 1992 at the Tianjin Port Free Trade Zone; the Yellow Sea Co., founded in August 1992 at the Rizhao Port, Shandong; and the East Ocean Co., founded in June 1993 at the Zhangjiagang Free Trade Zone (Top Glory and China Foods, 2001; Qichacha [Enterprise Investigation], n.d.; Wilmar International, 2017).
7. Foreign companies benefited from the opening up of new jurisdictional areas and economic sectors to the market economy. From the mid-1980s, they gradually ventured into Chinese agriculture through deregulated price regimes and privatized supply and distribution.
8. In 1987, Cargill established its first subsidiary for soybean trade in the coastal Shandong province (Cargill China, n.d.). In 1994, Louis Dreyfus opened a subsidiary at the Shanghai Free Trade Pilot Zone responsible for trading and logistics of grains and soybean oil (Louis Dreyfus Group, n.d.). In 1998, Bunge established a trading and marketing office in Shanghai (Alibole, n.d.; Bunge, n.d.). Two years later, the office started to sell soybean in the Chinese market and established a direct network with Chinese farmers and enterprises to export corn and wheat (Alibole, n.d.).

9. The HARB was created in 1947 under the Ministry of Agriculture. It was responsible for land reclamation on the Northeast border region. With the rise of Sino-Soviet military tensions during the 1960s and 1970s, the Northeast and Northwest border regions became strategic for both military and agricultural purposes. From the basis of advanced military farming, the Bureau became one of the most critical agricultural areas in China (Smith, 2017, p. 257).
10. X. Li, personal communication with a senior official from China's Ministry of Agriculture and Rural Affairs, November 7, 2018.
11. He also became the Director of China Grain Industry Association, the Executive Director of China Township Enterprise Association, and a member of the Dalian Municipal Government Advisory Committee.
12. By the mid-1990s, Heilongjiang alone had 32 advanced soybean-crushing facilities, with contractual links with local farmers (Hu and Hu, 1995, p. 5).
13. Beidahuang took domestic soybean supply as a long-term guiding principle to be later followed by Jiusan, its processing subsidiary (Lu, 2002; Wang et al., 2013). In turn, Dalian Hualiang and Dalian Huanong relied on soybean sourcing from cooperatives from Heilongjiang and neighboring provinces. Their production was mediated by the provincial government, which in the early 1990s took charge of agricultural commerce, storage, food manufacturing, and market regulation (Zhao & Zheng, 2013).
14. The ABCD's shares of the world soybean exports dropped from 95% in 1979 to 45% in 1990 (Larson & Rask, 1992; cited in Shurtleff & Aoyagi, 2016, p. 3130). It is worth noticing, though, that this phenomenon was partially due to the internationalization of food production led by the North American's own transnationals. For instance, Brazil and Argentina took over a large part of the American exports. In 1992, they controlled 30% and 16% of the world's market share, respectively (Larson & Rask, 1992; cited in Shurtleff & Aoyagi, 2016, p. 3130). Meanwhile, ADM, Bunge, Cargill, along with the European Louis Dreyfus, invested progressively in these countries, from where they controlled a significant part of the soybean exports (ADM, 2003; Wesz, 2011).
15. Already in 1986, China sold 280,000 metric tons of raw soybeans to Japan and kept destining a small proportion of its supply to other neighbouring countries (Brown & Kane, 1994; Journal of the American Oil Chemists' Society, 1987; cited in Shurtleff & Aoyagi, 2016, p. 2964). China also exported processed soybean meal, which despite the industry's domestic orientation, accounted for approximately 15% of its total sales in 1995 (Chang, 2000, p. 29).
16. In the same perspective, Huang and Gao (Huang & Gao, 2014) argue that soybeans, as a land and water-intensive crop, were outsourced due to China's comparative advantage in production, based on labour and capital. Domestic farming would gain competitiveness and value addition by focusing on vegetables and fruits, allowing the increase of rural wages (see also Anderson & Peng, 1998; Wang, 1997).
17. In October 1996, the China State Council's "white paper" set a 95% self-sufficiency target for grains and recommended that related state institutions curb grain feed use. The document also promoted shifting livestock production from pork to less grain-intensive animals, such as poultry, beef, and mutton (Gale, 2015, p. 13). A series of documents approved from 1996 to 1998 also encouraged increasing grain production and expanding the use of grasslands and non-grain feed crops for livestock (Zhan, 2017, p. 151). In the meantime, besides soybeans, China also reduced import barriers of feed ingredients such as oilseed, fish and bone meals, pulp and dregs from winemaking, grains' brans, distiller dried grains, and starch sugar by-products (Gale, 2013, p. 5).
18. Already in the 1970s, the CCP labeled the feed industry as a strategic economic segment, which was further endorsed by Deng Xiaoping in 1982 and during China's Seventh Five-Year Plan (1986-1990) (Gale, 2015, p. 4; Nepstad, 2017, p. 4).
19. During grain shortages in the mid-1990s, the State Council approved the Soybean Action Plan (大豆行动计划), encouraging a consumption increase of soybean-based protein (Jiang, 1997). The government subsidized local processors to supply primary and secondary schools at low prices (Li et al., 2001, p. 21).
20. Some officials might have also believed in the false benefits of market liberalization, considering the increasing competition with foreign agribusiness as an automatic push for domestic efficiency gains. This was the case of Ma Youxiang (马有祥), the Deputy Director of the

Department of Development and Planning of China's Ministry of Agriculture, who believed that after opening the domestic market, Chinese soybean production would increase and overtake the U.S. (Rural Science and Technology, 2000).

21. Translated by the author from Chinese.
22. The USB is a U.S. governing body created to execute the Soybean Checkoff under the supervision of the United States Department of Agriculture (USDA).
23. The ASA sponsored swine feeding trials in partnership with the Chinese government (Soybean Digest, 1987; cited in Shurtleff & Aoyagi, 2016, p. 2962).
24. US\$1 billion was invested in storage and distribution facilities, along with ports and railways.
25. Together with the soybean meal decline, the soybean oil extracting and refining, which derives from the crushing process, also fell. Despite being charged with VAT and protected by higher import tariffs, soybean oil imports increased up to 1.7 million tons in 1996/97 and disrupted to a certain extent China's domestic production (Gale, 2015, p. 13; Hsu, 2001, p. 30).
26. This is equivalent to between 44 million and 58 million US dollars according to the 2023 conversion rate (1RMB = 0,15 US\$).
27. Translated by the author from Chinese.
28. X. Yingtao, personal communication with a senior executive of Beidahuang, October 31, 2018.

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