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State capitalism and corporate power in the global food system: A case study of China's state owned agri-food and chemical companies 'going global'

Author(s)

Paul Belesky, PhD

Postdoctoral Fellow, International Environment and Development Studies, Norwegian University of Life Sciences (NMBU), Norway

paul.r.belesky@nmbu.no

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Paul Belesky

Abstract

China is re-emerging as a powerful state actor in the global food system. It is also an important outbound capital investor, facilitating agribusiness mergers and acquisitions, as well as new East–South and South–South flows of agri-food trade. This paper aims to contribute to understanding the complex linkages between state-led capitalism and corporate power in China and the adoption of neomercantilist strategies and policies in the agri-food and chemical sectors. The paper provides a critical analysis of China's state owned agri-food and chemical companies 'going global' and reshaping relations of power in the global food system. Arguably, the analytical contours of corporate power in the global food system cannot be adequately comprehended without recognising the incipient importance of China's state-led capitalism and neomercantilism in the agri-food and chemical sectors.

Keywords: Globalisation; China; state capitalism; corporate power; global food system; neomercantilism; agri-food trade

Introduction

The current restructuring of the global food system and its socio-political and economic coordinates has significance for comprehending the broader configuration and transformation of the contemporary global political economy. To date, a substantial amount of critical agri-food literature has focused on the unequal power relations between the Global North and the Global South, and the neoliberal characteristics of the corporate dominated global food system (Akram-Lodhi and Kay 2009; Pechlaner and Otero 2010). This range of literature has made a crucial contribution to elucidating the substantive interconnections between neoliberal globalisation — with its inherent contradictions — increasing consolidation of corporate power and ongoing social struggles and contestations in agrarian transformations (Araghi 2009a, 2009b; Akram-Lodhi et al. 2009; Borras et al. 2011). This scholarship has revealed the 'relations of inclusion and exclusion, and resistance and incorporation, between farmers in advanced capitalist countries, global agri-food corporations and the landless poor' (Baines 2015: 316). Nonetheless, this literature has often overlooked the nuances in varieties of capitalism — particularly in East Asia — and the incipient importance of East–South relations in an increasingly multipolar global food system.[1] Some scholars have argued that China's political economy can be characterised as 'state capitalism' with unique Chinese cultural and historical features (Huang 2008; Li and Shaw 2013; Liebman and Milhaupt 2015).

The purpose of this paper is to contribute to understanding the complex interconnections between state-led capitalism and corporate power in China and the adoption of neomercantilist strategies and policies in the agri-food and chemical sector. As part of this contribution, the paper provides a critical analysis of China's state-owned agri-food and chemical companies 'going global'. The global food system is, arguably, in a period of transition.[2] This transition is typified by the proliferation of state-owned enterprises (SOEs) and their increasingly powerful positions in global value chains for agri-food, feed and biofuel (White and Dasgupta 2010; Xu 2009, 2010, 2012a, 2012b, 2014; Kong 2017). The argument advanced in this paper is that the analytical contours of corporate power in the global food system cannot be adequately comprehended without recognising the incipient importance of China's state-led capitalism and agricultural neomercantilism and the ways in which these socio-political and economic dynamics are reshaping relations of power in the global food system.

[1] There are some notable exceptions. Refer to the substantive work on corporate power and agri-food transformations in East Asia by Burch (1994, 1996); Pritchard and Curtis (2004); McMichael (2000); Bello (2009); and Pant (2014).
[2] The concept of the 'global food system' referred in this article is akin to the notion employed by Fuchs et al. (2009); Cotula 2013; and Clapp (2012, 2014).

The analytical contours and core characteristics of the contemporary food system are contested. Employing 'food regime' analysis, McMichael (2013b: 48) asserts that the recent neoliberal 'corporate food regime' was 'institutionalized via WTO rules and protocols, privileging agro-exporters from the US and Europe in global food markets, served by states'. Other scholars have depicted a corporate dominated 'financialised food regime' (Burch and Lawrence 2013; Russi 2013; Lawrence 2015). According to Clapp et al's (2017: 3) analysis, relations of power in the contemporary food system are being profoundly (re)shaped 'by increased financialisation of the agri-food sector'. Some critical agri-food scholars have identified an ongoing process of financialisation and corporate consolidation in the global food system as two key dynamics reconfiguring the contemporary food system (Friedmann 2005; McMichael 2005; 2012, 2013a; Clapp et al 2014, 2017). A significant proportion of critical agri-food scholarship has referred to a 'corporate dominated' global food system — critically analysing the complex interconnections and intersections between the dynamics of neoliberal globalisation, financialisation and an increasing trend towards further consolidation of corporate power in agri-food markets (Morgan 1979; Clapp and Fuchs 2009; Murphy et al. 2012; Russi 2013; Baines 2014, 2015; Howard 2016; Clapp et al 2017). This article examines China's state-led neomercantilist strategies and policies in the agri-food and chemical sector. It evaluates the question: 'To what extent does this re-emergent policy paradigm contradict or confirm the neoliberal characteristics and policies of the corporate dominated global food system?'

The first section of this paper examines China's emerging role as an important capital exporter, with state-owned agri-food and chemical companies 'going global' and making unprecedented capital investments through foreign acquisitions (Sauvant and Nolan 2015; Lin 2017a). This section discusses the Chinese Government's 12th and 13th five years plans that support Chinese foreign direct investment (FDI) outflows and encourages SOEs 'going global' (Brødsgaard 2016). The second section examines the complex linkages between these dynamics in the global political economy and the Chinese Government's neomercantilist policies in the agri-food and chemical sectors.

Mercantilism has a long historical trajectory in the global food system. This concept will be discussed in more detail and will be historically contextualised in the second and third sections (Friedmann 2015). Arguably, the reoccurrence of neomercantilism has been facilitated by the failure of neoliberal policies to provide genuine food security, as well as a lack of trust in liberalised markets to provide essential public goods (Bello 2009; Madgoff and Tokar 2010; Lawrence et al. 2010; Pechlaner and Otero 2010). This market failure in the global food system was evident in the 2007–08 global food crisis and the price spikes and food price volatility of 2010–11 (Clapp and Cohen 2009, Clapp 2009; 2012; Weis 2013). The third section provides further conceptual clarity to the terms of both state capitalism and neomercantilism.

The fourth section of the paper comprises a case study of China's SOEs in the agri-food and chemical sector 'going global'. Researchers have argued that China has employed neomercantilist strategies in key strategic sectors such as the oil, metals, telecommunications and finance sectors; however, there has been relatively little research on neomercantilist policies in China's agri-food sector (Humphreys 2013; Taylor 2014). This type of research is important as agri-food, energy and finance markets are increasingly integrated; therefore, it is difficult to analyse each of these sectors in isolation (Clapp 2012). While the Chinese Communist Party (CCP) is pursuing varied degrees of economic liberalisation in some sectors, it is also implementing contemporary forms of mercantilism in other strategic commodity sectors, due to the perceived linkages between national security, socio-political and economic stability and domestic food security (Graz 2004; Holslag 2006; Bazoobandi 2014). This apparent contradiction is examined in more detail in the case study.

The argument advanced in this paper is that recent acquisitions by China's largest state-owned agri-food companies and grain traders need to be comprehended, not only in the context of profit maximizing, but also in the milieu of the CCP's domestic food security considerations. Arguably, the Chinese Government is utilising its influence in its largest state-owned agri-food and chemical companies to ensure national food security objectives by directly securing global supply and value chains for food, feed, fuel, seed and fertiliser. This strategy is evident in the recent increase in acquisitions of foreign land and natural resources, foreign companies and competitors, infrastructure and financial assets along the entire agri-food value chain (Hofman and Ho 2012; McMichael 2013b; Sauvant and Nolan 2015; Lin 2017a). In securing global supply and value chains, the Chinese Government is reconfiguring relations of power in the global food system, and pragmatically reducing its reliance on thinly traded global agri-food markets and large transnational companies (TNCs) in the Global North that have historically held dominant trading positions in these markets.

China's SOEs 'going global': outbound capital investments through foreign acquisitions

Historically, agricultural trade flows —— underpinned by unequal relations of power — have been delineated along a North–South axis in the global food system; however, trade flows between South–South countries are increasingly important in the contemporary food system (Mintz 1995; Braveboy-Wagner 2009; Carmody 2013; Gray and Gills 2016). Since 2009, South–South agricultural trade grew 80 per cent to $US320 billion in 2013 (USDA 2015). This is compared with growth of 66 per cent for North–South trade, which reached approximately $US200 billion in 2013 (USDA 2015). As the world's second largest economy and largest global exporter, China's trade with countries in the Global South is a crucial element in these South–South flows of agricultural trade and underpins the increasing importance of East–South relations and flows of capital in the global food system (Vertova 2006; Pieterse 2009, 2010, 2011; Gosovic 2016). As Gray and Gills (2016: 558) note, 'There has been a historically significant global shift in production and manufacturing from Global North to Global South, altering the economic geography of the world'. New configurations are emerging in the global political economy, constituted by complex networks of North–South, South–South and East–South trade and flows of capital in the agri-food, feed, biofuel and finance system (Martin 2008; Cooper and Thakur 2014; Dauvergne and Neville 2009). For example, the Chinese Government is pursuing the 'One Belt, One Road' initiative. This initiative is linked to China's proposed Silk Road Economic Belt and Maritime Silk Road, which is also referred to as the 'New Silk Road' (Gu et al. 2016; Hofman 2016). China has proposed a US$40 billion investment in building infrastructure as part of this initiative (Carsten and Blanchard 2014; Gu et al. 2016; Hofman 2016).

China has received a large volume of capital inflows since the economic reforms of 1979. The Chinese Government's export-led economic growth model has enabled the country to accumulate a vast amount of foreign exchange reserves. This has supported China emerging as an important hub for capital reserves in the global political economy (Ma et al. 2017). In 1990, China's foreign exchange reserves were approximately US$30 billion – representing 8 per cent of GDP. By 2011, reserves had increased to US$3.2 trillion, or 44 per cent of GDP (Schröder 2017: 15). Despite some declines in reserves, the Chinese Government maintains the largest foreign exchange reserves in the world. In December 2016, the Chinese Government held approximately US$3 trillion in international reserves (Ma et al. 2017; Schröder 2017: 15). Some scholars have illustrated linkages between the accumulation of large amounts of foreign capital reserves and the Chinese Government's neomercantilist policies (Schröder 2017).

China is emerging as an important capital exporter, with state-owned agri-food and chemical companies 'going global' and making unprecedented capital investments through foreign acquisitions (Sauvant and Nolan 2015; Lin 2017a). According to Sauvant and Nolan (2015:

893), ‘China is now one of the world’s most important outward investors’. The systemic implications of this crucial transference is explored and analysed in Schneider’s (2017: 3) recent study of agribusiness in China. She argues that ‘China is not only a destination for “external” transnational capital, but also a site of agribusiness development in its own right’. China is also emerging as an important and influential source of foreign aid and development finance (Bräutigam 2011). This has important implications for analysing the political economy of agrarian transformations and global agri-food politics. In 2014, official Chinese data suggested that, for the first time, China had become a net exporter of capital. Arguably, this is a significant rebalancing in the global political economy (Anderlini 2014). In the same year, based on official statistics, China was the ‘largest recipient of inbound direct investment and the third largest source of outbound direct investment’ (Kong 2017: 58). China’s President, Xi Jinping, forecast in November 2014 that Chinese offshore investment would reach US$1.25 trillion over the coming ten years (Anderlini 2014: 1). This is consistent with the Chinese Government’s 12th and 13th five years plans, for 2011–15 and 2016–20 respectively. In these plans, the Chinese Government supports Chinese FDI outflows and encourages SOEs ‘going global’ (Brødsgaard 2016). In 2016, Chinese companies reportedly acquired US$159.2 billion in overseas assets, with Chinese media and other outlets reporting that for the first time China had exceeded the United States as the world’s largest acquirer of foreign assets (Trentmann 2016; Welitzkin 2016; Xie 2016).

This reconfiguration of the circuits of global capital and nodes of power along South–South and East–South trajectories is facilitating a restructuring the contemporary food system. These emergent nodes and constellations of power in the global food system are more diffuse and cannot be situated clearly along a North–South structural divide. The increasing importance of East–South flows of agricultural trade, technology and capital is evident in the growing significance of agricultural trade between Brazil and China: Brazil exports more than 60 per cent of its soy to China. More than half of China's soy comes from Brazil (Warner 2015). Largely in response to Chinese demand, Brazil more than doubled its production of soy in the first decade of the 2000s — increasing from 30 million to well over 70 million tonnes (Oliveira and Schneider 2016). Soy production has become Brazil's leading agro-industrial sector (Oliveira and Schneider 2016). In 2014, agricultural production in South America's Southern Cone constituted 57 per cent of all global soybean exports (Oliveira and Schneider 2016). Bilateral trade between China and Brazil stood at $71.59 billion in 2015, with China the largest export destination for Brazil (Warner 2015). These examples illustrate the growing importance of South–South and East–South relations in an increasingly multipolar global food system characterised by varieties of capitalism (Barling and Duncan 2015; Ebenau et al. 2015).

Towards an understanding of state capitalism and neomercantilism in the global food system

Due to the cultural diversity and the historical differences in the political economy of various states that are perceived as state capitalist, there is no universal or precise definition of the neomercantilist model (Nash 2010; Best and Paterson 2010; Cai 2012). However, broadly conceived, it 'denotes a political economy in which the state directs and controls key productive forces in an economy, yet employs capitalist practices' (McNally 2013: 3). The notion of state capitalism broadly refers to the commanding and strategic role of the state in fostering economic growth, directing industrial policies and guiding the emerging market economy (Hettne 1993; Breslin 2007, 2011; Ebenau et al. 2015). In other words, the 'visible hand' of the state exerts significantly more control over the economy and the flow of capital than in liberal *laissez-faire* capitalism (Lyons 2008; Lin 2011; Wooldridge 2012; McNally 2007, 2012, 2013).

It is important to acknowledge nuanced distinctions between varieties of state capitalism in the global political economy. Kroger (2012) depicts the Brazilian model as 'neomercantilist capitalism'. State-led capitalism in China has been referred to in the literature as red capitalism, authoritarian capitalism and state monopoly capitalism. Chinese state-led capitalism is conceived in this article akin to the concept of 'sino-capitalism' or capitalism with unique Chinese cultural characteristics (Cai 2012; McNally 2012; Lin and Milhaupt 2013). Gray and Gills (2016: 570) depict China's political economy as 'state-led development'. This notion resonates with Lin and Shaw's (2013: 1) depiction of 'state capitalism with Chinese characteristics'. Chinese scholars have recently referred to it as 'Chinese state-led capitalism' (Yong 2017; Lin 2017a; 2017b). One of the features of the Chinese model of state-led capitalism includes employing neomercantilist strategies in important sectors, such as the agri-food and energy sectors (Nolke 2015). According to Lin (2017a: 6), 'another key feature of China's state capitalism is that most banks are controlled by the central or local government and provide cheap financial resources to industrial SOEs'. Lin's (2017a) analysis provides a context for understanding Chinese state-led 'finanicialisation' in relation to the role of Chinese SOEs in the global agri-food system.

State capitalism is typified by a proliferation of SOEs across a diverse range of industries, including food and agriculture; national champions — private companies with state links; and SWFs, which are often repositories of funds generated through resource and mineral exports (Helleiner 2009; Lin and Milhaupt 2013; Curtis and Zheng 2015; Kong 2017). State capitalism is intrinsically linked to the notion of economic nationalism and neomercantilism — which has always been premised on notions of wealth-as-power — and considers a favourable balance of trade as essential to national economic strength. Economic nationalism offers an alternative paradigm to economic liberalism and has strong links to national security. It not surprising, then, to find that neomercantilism has distinct national security dimensions. Neomercantilism has often been conceptualised as the contemporary pursuit of current account surplus and export-led economic growth (a persistent excess of exports over imports) with states utilising and manipulating markets to facilitate national wealth and power (Chang 2008; O'Brien and Williams 2016).

As a prelude to discussing the concept of neomercantilism, it is important to define what is meant by the term mercantilism (Robinson 1966; Hettne 1993). Mercantilism delineates a system of political and philosophical thought and economic policy, as well as an epoch in the development of economic doctrines during the sixteenth, seventeenth and eighteenth centuries, before the publication of Adam Smith's (1776) seminal critique of mercantilism in *The Wealth of Nations* (Magnusson 1993, 1994; Stern and Wennerlind 2014). This tradition in political economy draws on the significant work of scholars such as Thomas Mun, Alexander Hamilton and Fredrick List in providing a substantive critique and alternative perspective to economic liberalism (Mun [1664] 1895; List 1841; Perrotta 1991; Levi-Faur 1997). Fredrick List's (1841) scheme later became synonymous with infant industry protectionism that was implemented by newly industrialising economies in the twentieth century. Historically, mercantilism has played a constitutive role in the global food system. Therefore, it is not unexpected to find that new forms of mercantilism continue to play a substantive role in the reconfiguration and transformation of the contemporary food system.

China's agricultural policy, neomercantilism and *liangshi anquan*

The Chinese expression for 'food security' is *liangshi anquan*. In relation to official policy, this phrase is generally referred to as 'grain security' (Zhang 2011a: 78). For many centuries, rice has played a significant role as a staple food, and cultural symbol, and has long historical links to politics and power in China. Hence, rice and grain security epitomises food security in China. China is the world's largest consumer of soy, rice, and wheat (Morton 2012). China is the largest importer of soy in the world; however, through government support for domestic production and processing, the country has managed to maintain a high degree of self-sufficiency in staple food grains, particularly rice and wheat (De Castro 2015). This is gradually changing: after many years of pursuing a policy of national self-sufficiency in rice, China became a net importer of rice in 2011 (Timmer 2013). The argument advanced in this paper is that recent acquisitions by China's largest state-owned agri-food companies and grain traders need to be comprehended — not just in the context of profit maximising — but also in the milieu of the CCP's perceptions of domestic food (in)security and the complex interplay between Chinese state-led capitalism and state-owned agribusinesses.

Some scholars take a longer-term perspective, arguing that China is increasingly food insecure in an era of environmental change, including climate change (Chen 2007; Zhang 2011a, 2011b; Brown 2012). This literature often points to the perplexing challenge facing the CCP and Chinese farmers in finding sustainable methods of feeding 21 per cent of the global population on less than 7 per cent of the world's cultivated land (Chen et al. 2017). Comprehending these emergent food insecurities is crucial to an understanding of state-led capitalism with Chinese characteristics and neomercantilist strategies in the agri-food sector (Lin 2017). While the CCP is pursuing varied degrees of economic liberalisation in some sectors, it is implementing new forms of mercantilism in some strategic commodity sectors, due to perceived linkages between national security, socio-political and economic stability and domestic food security (Lin 2017). As Zhang (2011a: 79) affirms, 'the importance of grain to the Chinese can never be overemphasised. Self-sufficiency of grain supply is vital for China's *liangshi anquan*'.

National indicators that measure the key sources of agricultural production — land, water, and labour — suggest that the task of sustaining self-sufficiency in the future will be enormously challenging. Chinese consumers are eating fewer grains and vegetables and more meats, seafood, eggs, fruits and diary (Zhang 2011a). As De Castro (2015: 1–2) articulates, ‘sensitivity towards grain self-sufficiency is rooted in China’s domestic structures: hunger and famine are deeply ingrained in its cultural mind-set and history; food self-sufficiency matters to the political legitimacy of the Chinese Communist Party’. The agricultural sector in China employs one third of the country’s labour force (De Castro 2015). Due to the socio-political and economic importance this sector in China, the CCP attempts to ensure that its agricultural policy provides adequate protections for Chinese farmers (De Castro 2015).

This contention finds support in Zhan’s (2016: 1) recent study of the complex intersections and linkages between ‘national security strategy’, ‘food security’ and ‘the rise of agrarian capital’ in China. Zhan (2016: 16) provides a contemporary exploration of the ‘rise of agrarian capitalism’ in China and state-led intervention in the countryside — contending that crop subsidies in agri-food policies designed to increase food security by promoting grain production and supporting farming households have often ‘worked to the advantage of agribusiness or large farms’, rather than smallholder farmers. This is a crucial insight and one that highlights the importance of understanding the complex interplay between the Chinese Government’s agri-food policies and its relationship with agribusiness, particularly SOEs.

China’s entry into the WTO in 2001 was significant, with China agreeing to undertake various economic restructuring, including liberalising aspects of its agricultural sector (Huang 2008). The total value of Chinese agricultural imports and exports increased, on average, by 17 per cent annually from 2001 to 2012, rising from US$27.9 billion to US$155.7 billion (De Castro 2015: 3). China’s accession to the WTO and the restructuring of its agricultural sector are crucial changes that help with comprehending its transition from adopting an agri-food policy based primarily on national self-sufficiency to a policy that encourages state-led agribusinesses to ‘go global’. The CCP’s foreign agri-food acquisition strategy — which includes SOEs ‘going global’ — is driven by the Chinese Government’s attempt to ensure the country’s long-term food security in an era of environmental change

(Zha and Zhang 2013; Lin 2017). There is evidence in the literature that food is starting to rank highly, alongside energy and minerals, in China's overall outward investment strategy (Hofman and Ho 2012; Chen and Yu 2014; Oliveira and Schneider 2016; Schneider 2017). This contention is reiterated in Chen and others' (2017: 362) study exploring the complex linkages between China's recent global land acquisitions, 'agricultural globalisation' and the Chinese Government's state-led Going Global Strategy. Chen and others (2017) highlight that in little under a decade, China's overseas direct investment in agriculture has increased from US$289 million in 2004 to US$1.813 billion in 2013. It was in 2007 that the CCP formally established an agricultural 'Going Global Strategy'. This was articulated in the 'No 1 Central Document of 2007, the first annual policy document issued by the Central Committee of the Communist Party of China and the State Council, implying the highest importance and top priority' (Chen and others 2017: 362).

In November 2016, the Chinese Government outlined its new agriculture policy under the 13th Five Year Plan (USDA 2017). The agricultural policy broadly articulated a national desire to 'strive to ensure food security, improve the quality and efficiency of farm production, and enhance China's agricultural international competitiveness by 2020' (USDA 2017). In December 2016, the CCP's Agricultural Minister, Han Changfu, presented the 13th Five Year Plan to an audience at the National Rural Work Conference in Beijing, declaring that 'modernization is the only way for China's agricultural future' (USDA 2017: 3). In addition, the Minister announced, 'efforts should be made to promote Central Government supply-side structural reform… [as well as a] national grain safety strategy centered on increasing production and technological advances' (USDA 2017: 3). The new policy acknowledges that 'Chinese agriculture has struggled to become globally competitive due to limited arable land resources… and rapidly rising production costs' (USDA 2017: 3). This notion of being 'globally competitive' in increasingly integrated agri-food, feed, biofuel and finance markets informs the CCP's policy on encouraging Chinese state-owned agri-food and chemical companies to 'go global'.

Case study: China's state-owned agri-food and chemical companies 'going global'

In recent decades, China has adopted various market-orientated economic reforms. These began in 1978 with Deng Xiaoping initiating what are now referred to as the Deng Reforms, which supported his vision of a modernised China (Chan et al. 2007; Cia 2012; Huang 2008). During the leadership of then-premier Zhu Rongji in the 1990s, China began reforming its SOEs. *Zhua da, fang xiao* ('grasp the large, and let go of the small') was the rally-call, and thousands of the weaker SOEs were either privatised and listed on the stock exchange, or eliminated, with millions of workers losing their jobs (He 2014: 3; Hou 2013; Gerritsen 2014). Private enterprise has been allowed, and Chinese firms are now listed on foreign stock exchanges (Huang 2008). Despite these reforms, there is still significant government intervention in the economy. The Chinese Government does not purport to be capitalist, instead officially referring to the state as a 'socialist market economy' (Chu 2010). However, many scholars refer to China's political economy as an exemplar of state-led capitalism with unique Chinese cultural characteristics (Chan et al. 2007; Hou 2013; Huang 2012; Lin 2013; Wooldridge 2012; Xing and Shaw 2013). Reflecting on Huang's (2008) influential work, Cai (2012: 216) contends: 'In the 1990s, China switched to state-led capitalism marked by substantial urban bias, massive infrastructural investment, and preference for large state-owned enterprises (SOEs) and FDI'.

Studies have found that some of the largest SOEs in China have — in some cases — near monopolies in important sectors considered critical to economic stability and growth, such as the energy, telecommunications, transportation, and financial sectors (Li and Putterman 2008; Wooldridge 2012; Taylor 2014). Overall, there are roughly 100,000 SOEs in China, though many of them are smaller entities, such as retailers and restaurants that are owned by provinces or cities and compete with private sector firms (Xu 2012a). Some scholars have suggested that SOEs receive preferential treatment by state-owned banks and are the recipients of a host of subsidies and tax breaks, paying dividends at levels well below those of competitors (Ran and Cheok 2016; Kong 2017; Lin 2013, 2017a, 2017b).

It has been acknowledged that the largest state-owned companies also have ‘implicit advantages’, because of their ‘closeness to decision makers’ (Xu 2010, 2012a, 2014). There is an increasingly blurred distinction between Chinese firms that are public and those that claim to be private. Many companies do not disclose clear information about equity structures, which makes it difficult for outsiders to be precise about ownership. An apparently private company may be controlled by a state-owned, unlisted, parent company. In addition, there is likely to be significant state influence over strategic private firms, as private companies may flourish because of their formal and informal links to key state agencies. Such companies benefit from access to special credit lines, tax breaks, and possibly favourable interpretation of regulations and priority in allocation of key contracts (Cotula 2012; Li and Putterman 2008; Xu 2012a; Kong 2017).

The succeeding section examines the role of China’s largest state-owned agri-food company, China National Cereals, Oils and Foodstuffs Import and Export Company (COFCO), and its evolving role in securing global supply chains of food, feed and fuel. COFCO is clearly a state-owned enterprise: senior staff members are appointed by the state, and chief executive officers have ministerial-level ranks (Chu 2010). COFCO plays a central role in the entire agri-food commodity chain in China, including production, processing, distribution, and exports and imports.

COFCO: China's largest agri-food company and grain trader 'going global'

China's large SOEs, such as China State Farms Agribusiness Corp, Jiangsu Agribusiness Group and China–Africa Agriculture Investment Co, have already carried out major agricultural projects in Africa. Chinese SOEs have acquired large amounts of farmland in South-East Asia, South America and Africa (Hofman and Ho 2012; Keon 2013; Chen et al. 2017). Contrary to some public perceptions, the borderlines between the motivations driving private companies and SOEs are not clear-cut (Xu 2012a, 2014; Lin 2013, 2017a, 2017b; Kong 2017). The Chinese case illustrates how the boundaries between state and non-state enterprises may be blurred. There are two aspects to this discussion: state ownership and state influence (Cotula 2012; Li and Putterman 2008; Xu 2012a). In China, corporations emerging from the centrally planned economy, such as COFCO, are still state-owned enterprises.

COFCO is China's largest state-owned agri-food company, and is China's largest food processor, manufacturer and trader, with estimated assets worth US$57 billion (COFCO 2017). It was through a series of strategic asset acquisitions that COFCO emerged as the largest agri-food company and grain trader in China. It can trace its origins to 1949 and the founding of the North China Foreign Trade Company in Tianjin, China. In September 1949, the company set up several specialised companies, such as North China Grains Company, North China Oils Company, North China Eggs Company, North China Pig Bristles Company, North China Fur Company and North China Local Product Company. COFCO is one of the largest SOEs of the 49 that are directly administrated by China's State Council. Between 1952 and 1987, it was the sole agricultural products importer and exporter operating under direct control of the central government (COFCO 2017).

In 2015, COFCO revenues totalled 405.4 billion yuan (US$62.4 billion) surpassing the revenue of Bunge to become the fourth largest grain trader in the world — after Archer Daniels Midlands, Cargill, and Louis Dreyfus (Jiamei and Xuanmin 2016: 1). Scholars have referred to the four large northern transnational corporations (TNCs) that have historically dominated the grain trade through concentration of market power as the ABCDs (Murphy et al. 2012). Archer Daniels Midland, Bunge and Cargill all have headquarters in the United States and dominate US grain exports, while the Louis Dreyfus headquarters are in France (Morgan 1979; Clapp and Fuchs 2009; Howard 2016). These large commodity traders are diversified TNCs trading in all aspects of commodity value chains from 'farm to fork' in an increasingly integrated agri-food, feed, biofuel and finance system (Clapp and Fuchs 2009; Clapp 2012; Clapp and Helleiner 2012; Murphy et al 2012). Arguably, COFCO is challenging the historical dominance of the northern grain traders and restructuring relations of power in the corporate dominated contemporary food system.

Besides its food-related enterprises, COFCO has developed into a diversified conglomerate. COFCO is an investment holding company that specialises in trade and processing of oil and foodstuffs, with a fully integrated global agri-food supply chain, processing capabilities, manufacturing, logistics and distribution channels. It plays a strategic role in the agri-food markets in edible oils and foodstuffs, which includes oils and oilseeds, corn, wheat, rice, wine, tomatoes, dairy products, meat, barley, tea, chocolate and various other products (COFCO 2017). The company plays a central role in the entire process, from cultivation to the distribution of final food products — and from farm (or field) to the plate. The company serves as the main importing and exporting channel for bulk agricultural products such as wheat, corn, rice and sugar. COFCO is also involved in the development of real estate, hotels, non-grain bio-energy, packaging, finance and other industries (COFCO 2017). Its financial services include a commodity futures brokerage, a regional bank and an insurance venture with London-based Aviva Plc (COFCO 2017). COFCO has four companies listed in Hong Kong, namely; China Foods, China Agri-Industries Holdings, Mengniu Dairy and COFCO

Packaging Holdings; and three companies listed in mainland China — COFCO Tunhe, COFCO Real Estate and BBCA (COFCO 2017).

COFCO is an interesting example of an SOE acquiring private companies in China. In 2009, COFCO purchased Mengniu Diary, the biggest player and a 'star' company in the dairy industry in China. Also in 2009, COFCO absorbed Wugudaochang, a significant player in the industry of instant noodles. At the end of 2009, COFCO bought Maverick Food Company, a meat supplier (COFCO 2017). In 2013, COFCO acquired Longping Hitech, an important firm in the crop seeds industry (COFCO 2017). In 2014, COFCO invested US$3 billion in the acquisition of two food trading companies — Noble Group's agricultural products trading unit and Dutch grain trader Nidera. On 28 February 2014, COFCO announced that it had purchased a 51 per cent stake in Dutch grain trader and seed developer Nidera (COFCO 2017). Nidera is a major international agribusiness and trading company with an annual turnover in excess of US$17 billion (COFCO 2017). On 30 September 2014, it followed up the purchase by taking a 51 per cent stake in Noble Agri Ltd, the agricultural processing and trading unit of Singapore-listed Noble Group Ltd (COFCO 2017).

COFCO's financial partner in the Noble deal was a diverse investment consortium. It consisted of: Chinese private equity firm Hopu Investment Management Co; Singapore state-owned asset manager Temasek Holdings Pty Ltd; Standard Chartered's private equity arm; and International Finance Corp, the for-profit investment arm of the World Bank (Silk and Yap 2014; Tsang 2014). COFCO provided 60 per cent of the funding for the Noble and Nidera investments, with the remaining 40 per cent financed by the investment consortium (Silk and Yap 2014; Tsang 2014). Noble Agri Ltd is a company set up in 1998 to trade and process agricultural products such as grains and oilseeds, cotton, cocoa and sugar (Yun and Humber 2014). The two acquisitions created a platform for China to source food in the global market, while also serving as a distribution channel for China's food products to 'go global'

(Tsang 2014; Yun and Humber 2014). These strategic acquisitions provide COFCO with access around the world to procure grain and acquire technological processes (Zhong 2015). Noble Agri Ltd's operations include sugar mills in Brazil, soybean crushers in Argentina and grain silos in the Ukraine. This acquisition gives the company direct access to South American grain and oilseed supplies (Tsang 2014; Yun and Humber 2014). Nidera is mostly known for grain trading, but is also developing yield-boosting seed technology. COFCO plans to connect large grain-production areas, including those in South America and the Black Sea region, to Asia, the world's largest food market (COFCO 2017; Zhong 2015). Gaoning Ning, the former Chairman of COFCO (cited in Zhong 2015: 1), has stated, 'only more flexible "going global" strategies can ensure China's food security, as well as meet the rising demand of some countries for high-protein and nutritious food'.

It is important to note that COFCO has been building other overseas alliances, including partnerships in its pork operations with private-equity company Kohlberg Kravis Roberts (KKR) and in milk production with French dairy company Danone (COFCO 2017; Silk and Yap 2014). COFCO is not alone — the Bright Food Company is China's second largest state-owned food company. In 2012, Bright Food purchased a 75 per cent stake in Australia's Manassen Food for more than US$500 million and a 51 per cent share in New Zealand's dairy producer Synlait. In 2011, it offered US$1.2 billion for British company United Biscuits. It has also attempted to take over French yoghurt group Yoplait (COFCO 2017; Silk and Yap 2014; Tsang 2014).

As discussed earlier, President Xi Jinping proposed two major economic initiatives in 2013 — the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives (Zhong 2015: 1). COFCO intends to play a major role in these new economic trading initiatives. Former Chairman of COFCO, Gaoning Ning, while acting in the position, stated that 'even though the initiative is still in its early stages of development, it has strong implications for many nations along the routes that count on agriculture and international agribusiness cooperation' (Zhong 2015:1). Former Chairman Ning (cited in Zhong 2015: 1) also indicated that 'many countries along the routes are key global grain producers, and that COFCO will continue to seek investment and cooperation opportunities with them over the next five years'. Therefore, large SOEs such as COFCO have a substantive role to play in the CCP's neomercantilist strategies in the agri-food sector — including goals to maximise trade and economic growth, and to ensure the country's long-term food supply. This case study highlights that food is starting to rank highly, alongside energy and minerals, in China's overall outward investment strategy utilising SOEs (Lin 2017). This has important implications for the restructuring of the global agri-food system and the contemporary food system. The following section examines China's largest state-owned agri-chemical company and its global acquisitions strategy.

ChemChina: China's largest state-owned agri-chemical company 'going global'

Some Chinese scholars have depicted the intrinsic link between China's political economy and SOEs as being 'indivisible', arguing that SOEs have a 'tangible influence on inbound direct investment, and play a formidable role in outbound direct investment' (Kong 2017: 58). In their analysis, Ran and Cheok (2016: 266) argued that 'in moving from state-owned to state-controlled, more appropriately state-led, China's state enterprises can be said to be at the forefront of the model of state capitalism'. This analysis is supported by Lin's (2017b: 1) nuanced depiction of Chinese SOEs as 'embedded in a network composed of dense and complex links with the state'. This broader socio-political and economic context of state-led capitalism in China has relevance for comprehending the significance of China National Chemical Corporation's (ChemChina's) planned US$43 billion acquisition of Syngenta. This is the Chinese Government's largest foreign acquisition to date, and the largest ever acquisition by a Chinese company (Chen et al 2016; Fioretti 2017; Clapp 2017). Syngenta is one of the major transnational corporations (TNCs) in the agricultural inputs industry with US$13.4 billion in sales revenues in 2015, controlling 8 per cent of the global commercial seeds market and 20 per cent share of the agri-chemical sector in 2013 (Clapp 2017).

State-owned ChemChina is the largest chemical company in China with more than 140,000 employees (ChemChina 2017). As of 2015, the company had sales revenues of US$45 billion and owned 9,025 patents including 6,691 patents (ChemChina 2017). ChemChina was formed in 2004 as part of a broader restructuring of subsidiary companies by the former Minister of the Chemical Industry into a single entity that operates across six sectors: advanced chemical materials and specialty chemicals, basic chemicals, oil processing, agrochemicals, tire and rubber products and chemical equipment (ChemChina 2017). Importantly, ChemChina controls Adama, which is the largest supplier of generic agri-chemical products in Europe (Clapp and Fuchs 2009; European Commission 2016). Ren Jianxin, the current chairperson of ChemChina, played an instrumental role in founding the company and implementing an ambitious acquisitions strategy (ChemChina 2017). In 2015, ChemChina acquired the Italian tire manufacturer Pirelli for $7.7 billion, and the German machinery maker Krauss-Maffei for $1 billion. By 2017, ChemChina ranked 234th among the Fortune Global 500 companies. Currently, Ren Jianxin is leading ChemChina in implementing the CCP's 13th Five Year Plan with the stated corporate objective of incorporating the notions of 'New Science, New Future' to become one of the largest agrochemical companies in the world (ChemChina 2017).

Since 2015, six of the seven largest transnational corporations in the commercial seeds and agrochemical industry have proposed mergers and acquisitions strategies. In their analysis of the mergers, Baghdjian and others (2017: 1) argue that 'the takeover, announced a year ago, is one of a trio of mega-deals that would reshape the global agrochemicals industry'. If approved, six of the largest seven companies that have a dominant market share of the agrochemical and commercial seeds market will merge to become the ‘big four’ (Sheenagh and Noel 2016). The six major companies are Syngenta, Bayer CropScience, BASF, Dow AgroSciences, Monsanto and Dupont (Horseman 2016). The ChemChina and Syngenta deal is not occurring in isolation. It is part of a broader corporate restructuring that, if approved, will significantly reshape relations of power in both the commercial seeds and agrochemical industries and the global agri-food, feed, fuel and finance system. The deal is one of a number of major mergers and acquisitions in the agrochemicals sector, including the planned $130 billion merger of Dow Chemical and DuPont, and Bayer’s $US66 billion merger with Monsanto. Clapp (2017) has estimated these proposed mergers collectively represent US$250 billion in acquisitions. If all of these planned mergers are approved, they will represent the largest corporate consolidation in the history of the agrochemical and commercial seeds industry (Sheenagh and Noel 2016). According to Clapp (2017: 3) the current mergers are ‘deeply shaped by increased financialisation of the agri-food sector’. The Dow and DuPont merge received EU approval in March 2017 (Chee 2017). ChemChina’s bid to acquire Syngenta received EU approval and the approval of China’s Ministry of Commerce and other government offices in April 2017 (Neghaiwi 2017). Approved by nearly all relevant government authorities globally, the merger is reported to take place in May or June 2017.

If all the proposed mergers receive approval, a combined ChemChina and Syngenta will emerge as the second largest agrochemical (crop protection) company in the world, second only to the combined Bayer and Monsanto if the proposed mergers both proceed (Horseman 2016). Any further acquisitions could reshape this balance and further increase market share and structural power in the industry. In the commercial seeds industry, the combined entity of ChemChina and Syngenta would become the third largest TNC based on 2015 revenues (Horseman 2016). The combined company would represent one of four major companies that dominate the agrochemical industry (Clapp 2017).

Conclusion

This paper has outlined how China's export-oriented growth model has led to the accumulation of the world's largest foreign exchange reserves. This accumulation of capital has enabled China to emerge as one of the world's most important outward investors and influential source of foreign aid and development finance. It is in this broader context that China's state-owned agri-food and chemical companies are 'going global' and making unprecedented capital investments through foreign acquisitions. These acquisitions and flows of capital are reshaping the contours of corporate power in the global food system. Complex linkages have been explored between the Chinese Government's state-led neomercantilist policies in the agri-food and chemical sectors and its SOEs — revealing that SOEs play an important role in outbound direct investment in these strategic sectors. This is consistent with the Chinese Government's 12th and 13th Five Years Plans, for 2011–15 and 2016–20 respectively. These plans support Chinese FDI outflows and encourage SOEs 'going global'.

This paper has, specifically, examined a case study of how China's largest state-owned agri-food and chemical companies are reshaping the relations of power in the contemporary food system. It has been argued that the recent acquisitions by China's largest SOEs need to be comprehended — not just in the context of profit maximising, but also in the milieu of the CCP's domestic food security considerations and neomercantilist agricultural policies. Arguably, the Chinese Government is utilising its influence in its largest state-owned agri-food company and grain trader, COFCO, to ensure national food security by directly securing global grain and food supplies. This article has also analysed ChemChina's planned acquisition of Syngenta. This planned acquisition represents the Chinese Government's largest foreign acquisition to date, and the largest ever acquisition by a Chinese company. This merger has been contextualised as part of an ongoing process of consolidation of corporate power in the global food system.

A substantial amount of critical agri-food literature has, to date, focused on the neoliberal characteristics of the corporate dominated global food system. This literature has often overlooked the nuances in varieties of capitalism, particularly in East Asia. The argument advanced is that the analytical contours of corporate power in the contemporary food system cannot be adequately understood without recognising the incipient importance of Chinese state-led capitalism, neomercantilism in the agri-food sector and SOEs 'going global'. China's ascension to the WTO — and its gradual move towards restructuring and gradually liberalising some aspects of its agri-food sector and broader economy — demonstrate that its state-led neomercantilist policies both contradict and confirm the neoliberal characteristics of the consolidation of corporate power in the global food system. Neomercantilism is an important feature of the contemporary food system and further research is required in this area. Historically, mercantilism has played a constitutive role in the global food system. Therefore, it is not unexpected to find that new forms of mercantilism continue to play a substantive role in the reconfiguration and transformation of the contemporary food system. From a historical perspective, state-led intervention in agri-food markets is not fundamentally new; rather, it has a long historical legacy in the global political economy.

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