The Political Economy of Commodity Regions: The Case of Soybean in South America

Maria Eugenia Giraudo

University of Warwick
Department of Politics and International Studies
July 2014
The Political Economy of Commodity Regions: The Case of Soybean in South America

Abstract

Where, how, and under what conditions the world’s food is produced have become crucial questions for understanding contemporary developments in the global political economy. This paper focuses on the emergence in South America of a transnational economic area specialized in the production of soybean, fostered by the high global demand for this commodity and by the creation of a single value chain within the region, creating de facto integration. Literature on regionalism has recently offered a focus on ‘bottom-up’ regional identities and practices. Much of this work nonetheless remains heavily state-centric, and research on the dynamics of regional integration beyond the state remains scarce. The purpose of this paper will be to draw some new lines to analyse the emergence of this new unity, the conditions of its emergence and the structure of this ‘commodity region’ as a cross-border entity.

I. Introduction

Contemporary research in international political economy has increasingly focused on the spatiality (or non-spatiality) of dynamics of economic integration. Whether by studying different mechanisms of ‘rescaling’ (Jessop 2003), or looking at integration processes as the ‘imagination’ of regional economies (Rosamond 2002), regions as economic space have been the object of extensive study. This has been in response to the emergence of regional arrangements worldwide and as a challenge to hyper-globalisation discourse that argues everything is ‘global’. The defining element of ‘regionness’ has been attributed to diverse variables: common history, language, culture, and economic and political cohesiveness amongst others (Hurrell 1995:38). Such approaches seem to look
for a gluing point over which different communities come together to cooperate. In this perspective, regions will be predominantly studied as an aggregation of pre-existing units. To look into the relations that foster a new spatialisation alternative to already existing formations implies looking at regions firstly as spaces detached from territorial fixations. Understanding regions as economic spaces, in the sense that Perroux (1950) tried to incorporate – as defined by “economic relations which exist between economic elements” (1950:94) – offers the possibility to untangle the underpinning processes and power relations to emergent economic entities.

Expansion of soybean in the area comprised by South Brazil, Northeast and centre of Argentina, and East Paraguay – and its continuing development through other political borders into countries like Uruguay and Bolivia - has been seen as a new kind of regional economic space. In an effort to make sense of this, it has been given different names, such as ‘Soylandia’ or ‘Soybean Republic’ (Turzi 2011). What makes it an economic space? Soybean has extended over the area at a strong pace, as the planted surface increased by over 60% in Brazil and Argentina and over 90% in Paraguay. It has become the primary economic activity in this area and the main driver for integration of these territories across national borders. According to Mariano Turzi, the main features of this emerging economic entity are: the agribusiness mode of production; the development of common infrastructure; and the new trade patterns created by its emergence (Turzi 2011). Within this area, we can find the totality of the soybean production chain that is strategically located throughout the existing political borders. And while the extent to which we can call this phenomenon a new ‘Republic’ might be easily contested, it is clear that the same corporate actors, mechanisms and production schemes are present throughout the zone, giving it an identifiable coherence and logic.

There have been two main discourses in relation to soybean from civil society, media and government actors. Civil society, particularly NGOs, and indigenous organisations, have been particularly interested in showing the negative externalities of large-scale production in the region. Issues such as deforestation, environmental degradation, health pathologies, and land grabbing, among other
socio-environmental questions, have been raised by several organisations, and
even the media, in order to raise awareness and demand a response (e.g. Bravo
2010; Aiuto 2006; Marcial and Fogel 2005; Guereña 2013; Zacune 2012; WWF-
UK 2011; Greenpeace International 2006). On the other hand, local media,
agricultural organisations, and even governments have chosen to stress the high
profitability of the soybean production chain. Here, the main message is that
soybean represents the future, the path to enter the global economy with strong
presence and leverage. Particularly in Brazil and Argentina, where the main
soybean producers are from, exists a strong discourse on the advantages of agro-
technology and the development of new planting techniques, with the objective
of increasing yield and hence profit (e.g. Smink 2014; Mira 2014; Farah 2014).

The aim of this work is to look into the soybean phenomenon in South America
and to discover the dynamics underpinning the two contrasting evaluations
mentioned above. By looking at the soybean production chain as a single
emerging economic space, and by untangling its power relations, we are able to
have a better understanding of the dynamics feeding both the high profits and
the negative externalities of this process. In doing so, this paper intends to
contribute to the literature on regionalism by approaching a region that does not
fit into a state-built process, nor is a consequence of endowments in natural
resources. The main research question of this paper is: What dynamics drive the
emergence and expansion of new commodity regions?

An integrated, holistic analysis of the political economy of this new ‘region’ will
provide a better account and foundation for the study of the consequences and
externalities of this process.

This document aims to present an alternative analysis from a regionalist
perspective on the expansion of the production of a commodity region in a given
region. First, I will examine existing literature on regionalism, followed by a brief
description of the empirical case, the production of soybean in South America,
and situate it within both the global and the regional context in order to show its
relevance. The fourth and final part presents a proposed theoretical framework
to analyse ‘commodity regions’.
II. The regional scale: existing literature

Literature on the study of regions and regionalism has been very prolific following a renewed interest in the area in the 1980s. The reinvigoration of the European Union with the development of the Single Market and Economic and Monetary Union as well as the creation of new forms of regional cooperation around the world encouraged a new set of theories that tried to make sense of the features of this resurgence (Söderbaum 2003). In this ‘new regionalism’ wave, the emergence of regional arrangements has been traditionally explained by the existence of common features that push different countries to design of cooperative mechanisms, where geographic proximity plays an important – though not defining - role.

In all, regions have been defined in many ways - there exists no undisputed definition (MacLeod 2001:811). Regions and regionalism (understood as transnational and not sub-national areas) seem to be in close connection with processes of globalisation, either as mechanisms to manage the effects of the international economy, or to achieve a more favourable position in the global market. In any case, regions have been studied and conceptualised in different ways according to diverse ontologies, dimensions, and actors involved in the regionalising process. Below, several understandings of regions are briefly developed according to different approaches. These are summarized in table II.
The more traditional approach is to understand regions as regional organisations, created by the political will of nation-states. This is led by the primacy of the European Union as a case study for regionalism, and theorisations that have developed from that particular organisation (Söderbaum 2005:221). This approach runs across disciplines, from Political Science and IR to economics; and across different theoretical strands. What Söderbaum identifies as problem-solving theories of regionalism (2005), even if sharing different visions of the world, typically focus on the motivations and international or domestic incentives for states to engage in regional commitments. While they may highlight different variations of institutionalised forms of regionalism, or draw attention to specific issues or variables, the underlying assumption is that regional integration is the result of "specific policy decisions by governments" (Hurrell 1995:43).

Table II
Literature Review: Different approaches in Regionalism

<table>
<thead>
<tr>
<th>Approaches</th>
<th>Analytical focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional organisations</td>
<td>Regions as state-led projects. E.g.: European Union</td>
</tr>
<tr>
<td>Trade agreements / Custom Unions</td>
<td>Policies directed at creation of trade and productive integration. E.g.: NAFTA; MERCOSUR</td>
</tr>
<tr>
<td>Currency Areas</td>
<td>Advantages and disadvantages of joining currency unions. E.g. European Union</td>
</tr>
<tr>
<td>Imagined Communities</td>
<td>Focus on regional identities and regional awareness. E.g. European Economic Space (Rosamond 2002)</td>
</tr>
<tr>
<td>Post-hegemonic projects</td>
<td>Projects that focus on political and social aspects of integration, as a response to neoliberal hegemony. E.g.: ALBA, UNASUR</td>
</tr>
<tr>
<td>Cross Border Regions (CBRs)</td>
<td>Areas that connect two or more contiguous states into a single territorial unit. E.g.: growth triangles</td>
</tr>
<tr>
<td>Currency Regions</td>
<td>'Spaces-as-flows': region extends over the places where a certain currency might have use and authority</td>
</tr>
</tbody>
</table>
While critical approaches explicitly seek to move beyond the state-centric ontology of problem-solving theories (Söderbaum 2005:232), there is still a bias toward the role of the state in the construction of these cooperation mechanisms. Even if they attempt to emphasize the multiplicity of actors and relations, these approaches privilege state-led arrangements in the empirical study of regionalism. For example, in Louise Fawcett and Andrew Hurrell’s *Regionalism in World Politics* (1995), regionalism in Europe, Pacific Asia, the Americas and the Arab Middle East is studied through a focus on regional organisations, even if with different levels of formality or informality. In another example, Jean Grugel and Wil Hout (1999) separate ‘state strategies’ from ‘reconfiguring regions’, but the latter again emphasizes mechanisms that are conducted by national states, with the exception of trans-state regionalisation in Africa. Finally, Frederik Söderbaum and Timothy Shaw (2003) focus on the theoretical aspect of regionalism, but then again we see a normative preference for state-led mechanisms, such as Regional Integration Arrangements (Mistry 2003: 117).

Regions can also take the form of Free Trade Areas, Custom Unions or Currency Areas. These have traditionally been the interest of economics and IPE that focus on the economic impact of policies directed to creation of trade, elimination of taxes, creation of incentives for productive integration or merging exchange rates or currencies. With different levels of compromise, these regions were built through implementation of policies aimed at binding countries’ economies together, either to engage more efficiently with the global market (‘open regionalism’), or to limit its effects by grouping closely together (Sörderbaum 2005:229). Besides formal arrangements, states can foster mechanisms of regional economic cooperation that increase interdependence through different channels, such as in the construction of the East Asian region, in which several ‘groupings’ coexist (Grimes 2009:39).

From the new wave of regionalism initiated in the 1980s emerged the idea that regions should be considered beyond the one-dimensional focus prevalent in previous development. The ‘new’ in this New Regionalism was given by its worldwide scope, the multiplication and diversity of arrangements, their multidimensionality and plurality of actors involved (Söderbaum 2003:4). This
involved looking at regions in more than their political and economic dimensions, and including ideas and identities as constitutive part of these arrangements. Constructivist theories hence have regarded regions as ‘imagined communities’ (Hurrell 1995:41), focused on the regional awareness that results either from a shared character, or sense of community; or from processes that create regional identities through flows of knowledge, norms, and ideas (1995:64-65).

Bringing the political purpose of the region to the foreground, Pia Riggirozzi and Diana Tussie, in their study of post-neoliberal Latin America, developed the idea of post-hegemonic regionalism (2012). With the stalemate in negotiations for a Free Trade Area of the Americas and the establishment of left-wing governments in the region, there has been a reconfiguration of regionalist projects. These have become mechanisms through which governments establish the norms for competition and cooperation based on the reconfiguration of alliances and interests (2012:11). Traditional models of regional trade agreements coexist with projects that focus on “political and social aspects of integration, with new economic and welfare commitments, reclaiming the principles of socialism in direct opposition to neoliberal globalization” (2012:11). Regions as a ‘post-hegemonic’ project are “hybrid practices” (2012:12) where competitive development narratives coexist as they try to re-define issues of social justice, development and “what the region is for” (Riggirozzi 2012:35).

So far, the conceptualisation of ‘region’ has been elaborated on the basis of what Söderbaum calls ‘meso-‘ and ‘macro-regions’, the latter referring to world regions, or sub-systems that emerge between the national and the global scale (such as the European Union, or attempts such as the Trans-Pacific Alliance); and the former alluding to mid-level state or non-state relations. What is left out here is the micro-region. One attempt to fill this gap was work on Cross Border Regions (CBRs), defined as areas that connect two or more contiguous states into a single territorial unit (Perkmann and Sum 2002:3). These cross-border micro-regions increase the complexity of the spatial organisation of economic activity and, according to Bob Jessop (2003), are evidence of an emerging process of rescaling in political economy. The study of micro-regionalism is an alternative
to the prevailing focus on macro and meso-regions, and they reflect growing regional interconnectedness across borders, but at a lower scale than the national economy (Breslin and Hook 2002:8). But even this alternative focus is tainted with a certain bias towards the preeminent role of the nation-state, as the most studied empirical cases have been European cross-border cooperation mechanisms to improve integration within the EU; ‘Growth Triangles’ which are government strategies to enhance competitiveness in South Asia, and cross border areas that result from regional trade agreements, such as production in the Mexico-U.S. border that resulted from the North American Free Trade Agreement (NAFTA) (Perkmann and Sum 2002).

Cross border micro-regions, while situated at a subnational level, still consider geographical proximity as one of its key features. Other authors, such as Benjamin Cohen, venture beyond the geographical limits of what is called a ‘region’ by defining ‘currency regions’ through their functional nature (Cohen 1997:50). In this case, it is the idea of ‘spaces-as-flows’ that prevails over the territorially fixed ‘spaces of places’ logic (1997:59), as the region extends where a certain currency might have use and authority. Market forces are the main drivers in the construction of these regions, and not government’s willingness or geographical determinants.

Overall, we have seen that regions are defined and studied in very different ways, according to their institutional variation, their extension or size, their drivers, main objectives, and impact on both domestic and international societies. However, throughout these different conceptions, there is a prevailing focus on the national state, as if it is the only actor that can determine the existence or not of a transnational region. This is emphasized by the treatment of regions as the sum of national units connected through diverse mechanisms. But the complexity of the global political economy and the emergence of transnational dynamics that escape the nation-state call for a new understanding and conception of ‘region’ and what can be contained within that term. As Söderbaum puts it: “there consequently has arisen a pressing need to rethink the ways in which the debate about the international political economy of
regionalism is conducted, and, in doing so, to enable it to contribute more fully to the broader ‘globalization’ of IPE” (Söderbaum 2005:221).

The emergence of regions as levels for the organisation of the economy reflects the rescaling processes taking place in the global political economy today. These processes are situated within a particular system that dominates and organises current dynamics, which is the capitalist economy. One of its characteristics is the ability to produce space (Smith 2010), and hence create –and destroy-existing localities, scales or places of economic activity, allowing a wide range of possibilities for the emergence of regions. The next section will attempt to develop a theoretical framework to understand the production of regions and its interaction with existing and prevailing scales of economic activity.

III. An emerging ‘commodity region’: South America and the soybean boom

Soybean is originally an Asian crop and was introduced to the United States and other countries of the Americas at the beginning of the 20th century (USDA ERS; Dros 2004:9); but only in the 1990s did it began to expand and gain prominence as an export commodity in these countries (2004:9). Today, in terms of output of volume of commodities, soybeans are placed seventh in the world and third among agricultural commodities (FAOSTAT). World production of soybean in 2012 was over 200 million tonnes, worth over US$60 billion, more than double of what was produced two decades before (FAOSTAT).

Production of soybean is highly concentrated in the American continent, as the global supply is dominated by the United States, Brazil and Argentina, with over 75% of world’s production. India, Paraguay and China follow in production volumes, resulting in a concentration of 90% of global production in these six countries. According to the OECD-FAO Agricultural Outlook 2013-2022 (2013), production of oilseeds is expected to increase by 26% over the next decade\(^1\), through a combination of re-distribution of land use in favour of oilseeds and increased yield. This is meant to be driven by demand for biofuels and increased purchasing power of populations in developing countries –such as China and

\(^1\) According to OCDE/FAO Glossary, oilseeds include rapeseed (canola), soyabeans, sunflower seeds, peanuts and cotton seeds. However, none of these crops –except soybean- appear within the top twenty most produced commodities, indicating that soybeans mainly dominate oilseeds production.
India- pushing up demand for meat and thus livestock feed (OECD/FAO 2013:141; Dros 2004:8). This trend upwards in demand also fuels a tendency for oilseed prices to increase in the medium term, consolidating the profitability of the crop (OECD/FAO 2013:141).

When looking at trade patterns, it is clear that South America plays a prominent role as a pole for soybean provision. The ‘soybean heart’ of the region is found throughout the borders of Brazil, Paraguay and Argentina, three neighbouring countries that share areas with similar climatic and physical conditions. Together these three countries surpass the United States’ levels of production, export quantities and planted surface; and yield levels are even higher in Paraguay. Most importantly, the region still presents potential for expansion of the agricultural frontier as well as water resources that make it even more attractive for the production of the oilseed. Not only are these countries important for the soybean sector globally, but soybean is increasingly relevant for these economies, as it is steadily becoming an essential part of their GDPs and their balance of payments.

Table I

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>18,670,937</td>
<td>40,100,197</td>
<td>26,614.99</td>
<td>10,820,030</td>
<td>5,457,164</td>
<td>99.95</td>
<td>42.88</td>
</tr>
<tr>
<td>Brazil</td>
<td>27,731,072</td>
<td>65,700,605</td>
<td>26,345.78</td>
<td>32,985,562</td>
<td>16,327,287</td>
<td>99.95</td>
<td>41.72</td>
</tr>
<tr>
<td>Paraguay</td>
<td>3,157,600</td>
<td>9,367,000</td>
<td>27,833.33</td>
<td>5,010,000</td>
<td>1,600,000</td>
<td>99.97</td>
<td>95.43</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49,559,609</strong></td>
<td><strong>115,167,802</strong></td>
<td><strong>26,931.37</strong></td>
<td><strong>48,815,592</strong></td>
<td><strong>23,384,451</strong></td>
<td><strong>99.96</strong></td>
<td><strong>60.01</strong></td>
</tr>
<tr>
<td>United States</td>
<td>30,820,000</td>
<td>82,050,000</td>
<td>26,642.44</td>
<td>35,300,000</td>
<td>17,563,868</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>7,170,000</td>
<td>13,050,000</td>
<td>18,962.96</td>
<td>300,000</td>
<td>161,544</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: SIIA (Sistema Integrado de Informacion Agropecuaria, Ministerio de Agricultura, Ganaderia y Pesca, Argentina); IBGE (Instituto Brasilero de Geografia y Estadistica); CAPECO (Camara Paraguaya de (Camara Paraguaya de Exportadores y Comercializadores de Cereales y Olaginosas); FAO (Food and Agriculture Organization); ECLAC (Economic Commission for Latin America and the Caribbean); AMIS (Agricultural Market Information System)

The rapid expansion of soybean and its dominance in the South American countryside have spurred numerous reports and analyses, as well as attention
from the media. The impact of this phenomenon goes beyond merely economic profits, and also includes spill over effects and negative externalities in social, health, and security areas that can be traced back to the expansion of soybean. It is possible to identify two main discourses around the success of soybean. The first is a worrying critical account, which focuses on the human and environmental consequences of large-scale production and the use of a technical package led by the use of GM seeds and fertilizers. The second is the positive account, which focuses on the profitability of the sector, as well as the high efficiency and productivity of the crop.

Local and international NGOs have warned against the negative impacts that intensive agricultural production is having in the region. These can be divided between environmental and social issues. The first group includes deforestation, soil exhaustion and destruction of biodiversity (e.g. WWF-UK 2011; Greenpeace International 2006). These problems are linked to the search for an increase in yielding and production, both by extending the arable surface and by extracting more from the already planted territory. The second set of issues looks at the human consequences of the production process, including health issues related to the extensive use of fertilizers (e.g. Aiuto 2006); and labour related issues such as forced labour, or expulsion of small farmers into the urban areas (e.g. Marcial and Fogel 2005; Kretschmer and Palau 2004). Land grabbing is a further important problem, one which is sometimes linked to security issues, that is increasingly dominant in the region as a mechanism for the expansion of the crop (see: Coordinadora de Derechos Humanos del Paraguay 2012).

On the other hand, the success of soybean comes from its place in the global commodities market, and its easy and high yielding production, which makes it a very profitable investment. The attractiveness of soybean comes from its oil and protein content. Combined with its adaptation to different environments and low costs –requires less fertilizers and energy than other crops such as maize (OCDE/FAO 2013:141)- soybean is the “highest yielding source of vegetable protein globally” (Dros 2004:7) and the second most important source of vegetable oil (USDA ERS). For both people and livestock, soybean is an important component of their diet. The whole beans are used mostly for human food, such
As soymilk, tofu, and others. But mostly, soybeans are fractioned and separated into oil and meal protein (Berk 1992). The oil fraction of soy is processed into vegetable oil—used both for human consumption and for biodiesel—while the meal fraction is used for livestock feedstuff and other flours or protein concentrates (1992). The protein component of soy can also be used as industrial input, which is a less explored and understood use of the crop. In all, soybean is a flex crop, meaning, it has different uses that make it more than just an agricultural commodity used for human food.

This feature as a flex crop makes it difficult to situate soybean as a product solely belonging to the global food system sphere. Soy has been particularly relevant as a substitute to meat—in a processed way—and as an input in the meat complex—as livestock feed—, as part of the ‘second food regime’ constituted in the mid-twentieth century (Friedmann and McMichael 1989:105-106). The new food system transformed agricultural products into inputs for manufactured food and drove agriculture to increasing industrialisation (1989:103). The particular use of soy within the restructured food complex set the basis for a further reconfiguration that evolved into the use of agricultural commodities for non-food industrial outputs. The use of soybean for industrial purposes and the increasing expansion of arable land dedicated to this crop, as well as its dominance within the world’s commodities market, gives us a hint—though insufficient—into the existing paradox where the world produces more food than it needs in coexistence with the highest numbers in history of people suffering from hunger (Akram-Lodhi and Kay 2010:178).

Soybeans lead global commodity trade in terms of value, exchanging over 90 thousand tonnes worth over US$51 billion in 2011 (FAOSTAT). Exports of soybean are clearly dominated by the Americas, as the top six export countries are the United States, Brazil, Argentina, Paraguay, Canada and Uruguay. This trend is expected to continue, as OECD/FAO predict the continent will provide 93% of global exports in oilseeds by 2022 (OECD/FAO 2013:140). The main soy importers are China and the European Union. China imported 69 million tons of grain and 1.4 million tons in soybean oil in the last year, while the European
Union received over 12 million tons of soybean and 19 million tons of soybean meal in the same period (Foreign Agricultural Service/USDA 2014).

When adverse weather conditions led to a decrease in soybean production in the United States in 2007, the South American region emerged as the ‘largest production pole’ (OAS 2009: 68). Soybean became consolidated as the fastest expanding crop in these countries, and in ten years (between 2000 and 2010), planted land increased by over 40% in Argentina and Brazil, and a remarkable 95% in Paraguay. This now equates to an area about the size of Spain, entirely dedicated to monocropping soybean. Expansion in surface and increased yield contributed in a 100% growth in production in that same decade. This rapid

**Figure 1**

Soy harvested area growth 1995-2003

[![Figure 1](image_url)](image_url)

Source: Dros 2004

increase in production was possible by both expanding the arable land in the region, and by converting land from other crops into soybean (Giancola et al. 2009:32).

---

2 Calculation based on conversion of hectares into square kilometers. While soybean production occupies 50 million hectares, which translates into 500,000 sq. km., the total surface area of Spain is 505,992 sq. km.
The consolidation and constant expansion of soybean does not go unnoticed by the national authorities or international actors. The “soybean miracle” discourse is not homogeneous throughout the three countries, and government’s relation with soybean is quite different in each of these: while Argentina's Cristina Kirchner qualified the crop as a simple “weed that grows on the side of the road” (Presidencia de la Nación Argentina 2008); Brazil's President Dilma Rousseff celebrates the “triumph of agribusiness” and the success of soybean (Farah 2014); while in Paraguay, a rather confusing episode resulted in peasant’s supporter Fernando Lugo impeached and removed from office, as a leader closely associated with large producers assumed the Presidency (Guereña 2013:11). In any case, governments of these countries cannot ignore the soybean sector, whether they choose to cooperate (Brazil), confront (Argentina), or be colonised by it (Paraguay) (Turzi 2012b). Each in a different way, and choosing different strategies, are benefited from the large expansion of the crop. On the other hand, international organisations such as the Economic Commission for Latin American and the Caribbean (ECLAC) and the Inter-American Development Bank (IADB), while acknowledging the profitability and success of soybean production, have expressed their concern over a progressive de-industrialization in the continent and what could be an excessive specialization and dependence around agricultural commodities (ECLAC 2011; RIAC 2012).

The predominance of soybean in South America's economies and its impact on society and economic structure, make it a complex and relevant issue for the communities of the Southern Cone and the global market. What these two discourses fail to pin down is how the dynamics of the capitalist global economy are at the source of these developments. Moreover, the analysis of these issues is generally carried out through the lens of the national state, neglecting a more focused view on cross-border dynamics and the formation of a new ‘region’ that does not correspond with the ‘statistical aggregation’ (Rosamond 2002:172) of three nation states.
There have been efforts to study soybean in South America as an emerging geopolitical entity. Mariano Turzi conceptualised this phenomenon as the 'Soybean Republic', an integrated region where the struggle for control over natural resources and access to food plays out between the operation of large transnational trading companies and national governments (Turzi 2011). The author describes the phenomenon as a complex organisation extending across the borders of Argentina, Brazil and Paraguay, an "integrated network of production, processing, and distribution" (Turzi 2011:61). This emerges according to the needs of the global market and driven by the interests of private transnational companies. Corporations then take advantage of the political and physical characteristics of this area: "the new agribusiness soybean model of production and chain is regionally integrated not according to comparative advantage, but in accordance with corporate designs that have taken into account local conditions to successfully implement a regionalized production strategy" (Turzi 2012b: 2).

Capitalist investments have achieved control of this area though increasing concentration of land and production, nurtured by the large-scale soybean productive model. In Argentina, for example, few large groups like Los Grobo and El Tejar lead the sector. These corporations have been expanding their investments to Brazil, Paraguay and Uruguay (El Cronista Comercial 2011). In 2009, Los Grobo generated an income of US$800 million, and was hoping to move half of their invoicing into Brazil (2010). In Brazil, Blairo Maggi, owner/CEO of Andre Maggi Group, is considered "o Rei da soja" ("the king of soybean"), as his company is leader in agribusiness in Brazil, constantly increasing its production (18.4% between 2012 and 2013, only in the state of Mato Grosso) and its net income (25% in 2013) (Grupo Andre Maggi 2013). Maggi - who has been governor of the soybean-producer state of Mato Grosso twice and is now serving as national senator - has also expanded production into Argentina, motivated by this country's easy access to ports and hence export markets (El Cronista Comercial 2011).

Besides these regional cross-border transfers of capital and investment, international capitals have also looked to establish within the soybean area to
have access and direct control of production. There is evidence of a “global rush for land” (Sauer and Pereira Leite 2012) that has led to foreign investors directly accessing ownership of land in the region, particularly in Paraguay and Brazil, for its agricultural exploitation. Not only large investors, but even groups of individual farmers from the United States that have found investment in soybean production in South America more profitable than their own production (Hecht and Mann 2008). Besides investment in land property, foreign capitals are also targeting large companies, such as Nidera, an Argentine-Dutch cereal company and one of the leaders in the soybean, maize, wheat and sunflower sector, which in March 2014 was acquired by COFCO, a Chinese state-owned company (Bertello 2014).

Private capitals not only control the production stage of the chain, but at both ends of the process – inputs and commercialisation – transnational corporations are active agents in the construction of this commodity region. On one end genetic companies provide GM seeds and fertilizers that are part of the essential technological package to assure profit and hence competitiveness within the market. A Syngenta add from 2003 promoting their information platform shows how corporations see the area in terms of profit and not in conformance to political borders (See Figure 2). At the opposite end, commodity-trading companies, particularly ADM, Louis Dreyfus, Cargill and Bunge, control global trade and processing of soybeans (Dros 2004:8). By acquiring local firms both backwards and forwards in the production chain, these companies shape and coordinate the sector. Scale economies are essential for profit in this segment of the chain, and these companies acquire leverage from trading grain in large volumes (Turzi 2011: 62-63).

Figure 2
Advertisement by Syngenta in Argentina, 2003
It is this last aspect of the soybean industry that needs further study: the connections and governing principles that run through the borders of Argentina, Brazil and Paraguay (from now on, ABP countries), and the role of private transnational capital in determining the territorial organisation of its economy, disembedded from the structure of the national economies of each country. By understanding and underpinning the main drivers and existing power relations, we can further comprehend and address the structures and agents involved in the construction of a new commodity region.

VI. Commodity Regions: Reconfiguring the geography of capital

As presented above, the existing literature on regionalism has been largely focused on projects led by nation states through which countries engage in cooperation to tackle issues of mutual security or to enhance economic performance. While regionalism has mainly concentrated on initiatives that have been pushed forward by national governments – or that engage the national state - economic and social flows sometimes have integrative effects that cross national borders without responding to any state policy or even a national legal framework or authority.

The expansion of soybean cultivation in South America is an example of that. It has been predominantly concentrating in areas from three neighbouring countries: Argentina, Brazil and Paraguay, with an increasing presence in other countries such as Uruguay and Bolivia. The pace and extension of this expansion has been remarkable, taking over other crops as it expands the agricultural frontier, and increasing the yield per hectare as a result of a growing use of technology and genetically modified seeds. The region presents an impressive potential for the production of agricultural commodities, which, due to their tendency to high prices in the international market, has also been identified as a significant source of profit.

The growing homogeneity in production and expansion of monocropping of a cross-border geographical area and its almost exclusive specialization on a single agricultural commodity is attracting global investments and producing
enormous profits. This cannot be explained – in this case - as the result of a national policy or policy coordination between the countries involved. On the contrary, the ABP countries have had very different approaches to this emerging trend (Turzi 2012), and its consolidation and expansion escapes their individual efforts. It is market forces that are pushing for the emergence of this new economic entity, this ‘commodity region’, and the consequent geographical pattern that it is producing.

By studying patterns of uneven development present at different scales of social space, Neil Smith (2010) argues that this is a function of the capitalist system - its mode of production and production relations. The “dramatic restructuring of the geographical space” (2010:1) that the world has been experiencing is nothing less than the spatial expression of the dynamics of capital; more specifically, of the contradictions inherent to the capitalist system (2010:1). In particular, the contradiction between the tendencies toward differentiation and equalisation inherent to the capitalist mode of accumulation has spatial manifestations that explain the unevenness of the geography of capital.

These trends emerge from the worldwide expansion of capitalist relations of production. Capitalism transforms everything, and nothing is left untouched (Smith 2010:119). Both labour and nature are priced and become commodified, thus consolidating the domain of exchange value over use value, which in turn feeds into the tendency for nature and flows of people to be equalised in the long term. “As use values, commodities are, above all, of different qualities, but as exchange values they are merely different quantities” (Marx 1976:128). As capitalism develops, the thirst for exchange value draws previously unpriceable things into circulation - “[n]ot even are the bones of saints, and still less... able to withstand this alchemy” (Marx 1976:128). In spatial terms, such equalisation through exchange value would imply a certain evenness of the development in different spaces, for example, the rural sector in Latin America.

However, the counter tendency is one of differentiation. While the logic of exchange value tends to create a qualitative equality amongst ‘commodities’ (products, labour and nature), in reality capitalist production must be divided into different sectors - at global, regional and national scales. The division of
labour/capital into certain sectors, and subsequent centralisation in these spaces, creates a concentrated and highly developed built environment. The concentration of capital develops as the profit motive pushes for increasing investment in and accumulation of means of production to increase the scale of output (Smith 2010:161); while centralisation occurs when individual capitals are combined, leading to the destruction of two previously existing capital, and the creation of a new larger one (2010:162). The spatial correlate of this is the aggrupation of individual capitals from one sector in one particular geographical area, contributing to differentiation of the geographical space. This means there is a predisposition, for example, for all factories of garment clothes to be centralised in South Asia, and as a consequence, labour also tends to locate itself in proximity to these centres, moving from peripheral, rural areas, into urban settlements around the factories (2010:166).

These two tendencies contradict each other in space. The former pushes areas to develop evenly, as products, labour and nature become equalised through exchange; while the latter accelerates development extremely rapidly in isolated islands of industry according to the division of labour/capital. The resulting pattern of capitalist development is distinctly ‘uneven’.

Central to uneven development is “the seesaw movement of capital” (Smith 2010:196). The mobility of capital allows it to rapidly follow profit, meaning it moves from to wherever the profit rate is highest. However, capital also needs fixity in order to develop, hence creating geographical differentiation (2010:198). Inevitably – according to Marx - profitability in these areas of concentrated development is eventually exhausted (sometimes just in that sector/ region and sometimes on a global scale), causing capital to flee to other less-developed regions: “Capital needs to seesaw from a developed to an underdeveloped area” (2010:198). This causes the violent devaluation of whole spaces (e.g.: Detroit, Coventry) and the relocation of capital to new pastures.

We can observe these contradictions being played out temporally and spatial in South America. The equalisation of economic landscapes on this continent has produced a relatively even growth of soy as compared to other crops and even other industries in the region - until the recent soy boom that is. At this point,
centralisation and rapid accumulation transformed the ‘Soybean Republic’. The tendency for sectors to develop equally across South America was disrupted by the tendency for certain spaces to experience rapid, exponential growth.

The assumption underlying this thesis is capitalism’s capacity for the production of space. The conclusion that capital creates space and that nothing is left untouched by the expansion of capitalist production, reinforces the idea that there are no ‘natural regions’ or ‘natural economic territories’ as such, but that emerging regions are the expression of capital’s expansion and its contradictions. In the case of soybean in South America, the crop was originally brought from Asia and incorporated in the continent in the 1960s, which means that the long extensions of soybean plantations are not a natural landscape but rather a product of man’s activity. The ‘Soybean Republic’ as a whole, then, is a produced space that has emerged from the concentration and centralisation of agrarian capital in the area. There is production of absolute space or first nature in the modification of the landscape, the actual physical creation of large extensions of land cultivated with the same seed in the same way, and its constant expansion to new territories; and a creation of relative space, as the importance of this emergent ‘soylandia’ (Pearce 2012) only becomes possible within the production and exchange relationships of the global economy.

Second, this ‘seesaw movement’ creates uneven development within and across nation-states, transforming not only the geography of capital at the global level, but also affecting the spatiality of ‘the state’. Saskia Sassen analyses one example of this movement, focusing on land acquisitions by foreign buyers or leasers driven by increasing demand of commodities from developed countries (2013). This massive movement is producing, according to the author, a “partial disassembling of the national territory” (2013:27). The contradictions of

---

3 Smith elaborates this argument on the fundamental link that Marx drew between space and use-value, and identifying its spatial properties, spatial relations, and geographical space. The first concept refers to the actual extension and shape, the physical properties of an object; while the spatial relations of a use-value is the usefulness of a commodity in relation to other objects, spaces and activities, and this is what lies “at the basis of our analysis of location” (2010:113-114). For example, the spatial properties of an industrial factory are given by its size, materials, etc., while its spatial relations are dependent on the place its situated; for example, if it is located in Birmingham, and used as a cultural space after being abandoned; or in an EPZ (Export Processing Zone) in South East Asia, where a multinational company locates its main garment production. Finally, the geographical space is the totality of spatial relations (2010:114).
equalisation and differentiation, or mobility and fixity of capital, emphasised by Smith, are expressed in what Sassen calls the “juxtaposition of the national and the global” (Sassen 2000:221) or the “endogenizing of the global into the national” (Sassen 2013:27). This is evidenced for example in the emergence of financial hubs, an activity that is deeply global and ‘virtual’, but still needs some spatial fixity in one place. The same could be said of soybeans, as, on the one hand, while their production is dependent on a territorial basis, crops are sold globally through the financial markets; and on the other hand, spatial modifications, such as the development of infrastructure, are driven by global interests and demands.

Furthermore, Sassen (2013) recognises that these tensions can be found in cross-border areas, usually specialised, and the fact that these are located within the borders of a national state, does not imply that we are looking at a national process, or that it is under national sovereignty (2013:28). These areas can facilitate the state’s global insertion at the same time as they can create “massive structural holes in the tissue of national sovereign territory” (2013:16). While Sassen believes that we are looking at a “new economic geography of centrality, one that cuts across national borders and across the old North-South divide” (Sassen 2000:225), Smith tells us that the seesaw movement of capital, and the cycles of accumulation and crisis, are inherent to the capitalist system, and hence the geography of capital is in constant transformation.

Together Smith’s and Sassen’s approaches offer a novel perspective on this emerging region. Considering the growth of the Soy Republic as one half of capitalism’s uneven development - agglomeration of investment in one place, dearth of investment in the other - we are forced to see the role of the Paraguayan, Brazilian and Argentinian states in a new light. Instead of being fosterers of this phenomenon, as traditional regionalism emphasises, they instead must try to harness this anarchically competitive process in a way that is somewhat reconcilable with the political goals that they have promised their electorates.

VII. Conclusion
Capital creates patterns of spatial organisation that do not always correspond to the global or the national scale, but at the same time do not abide by the two previously mentioned conceptualisations of a ‘region’ constructed through political will or from ‘natural geographical conditions’. For example, cross-border micro-regions emerge and develop their own economic dynamics that escape national control as a result of investment and capital mobility in the area, thus creating a ‘regional economy’ that it is not neither a national strategy nor the result of natural ecological conditions. This paper attempted to explain the emergence and impact of regions as an expression of the ‘geography of capitalism’: how the operation of transnational capital can shape the geographic space and the economic dynamics of a cross-border area.

The case of soybean production in South America presents a clear example of this phenomenon. Through intense foreign investment and operation of transnational companies, production of soybean has expanded at an incredibly rapid pace. The area that comprises territories of Argentina, Brazil, and Paraguay has ‘outfarmed’ the world’s largest producer, the United States, and altered the geographical landscape, the composition of the national economies involved, and the global market. It has thus given birth to a distinctive region, popularly labelled ‘the Soybean Republic’ or ‘Soylandia’ (Turzi 2011; Pearce 2012). What these different names try to express is the existence of an area dominated by soybean and its production chain, an economy lifted out of the confines of a national agricultural system and purposefully integrated into global circuits of capital.
Bibliography


American States.


RIAC, Red Interamericana de Competitividad (2012). *Señales de Competitividad de las Américas*. Panamá : RIAC.


