Circuits of Capital and Transnational Corporate Spatial Behaviour: Nestlé in Southeast Asia*

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Over the past decade transnational corporations (TNCs) have gained dramatically enhanced abilities to organise production, sales and finance at an international scale. This has been especially true for TNCs in the food sector, here called transnational food corporations or TFCs. For these companies, the global push for trade liberalisation has lifted many of the restrictions hitherto limiting imports and foreign investment, facilitating an international coordination of food trade and production. The handmaiden of this process has been the Uruguay Round of the GATT and its successor conferences. These negotiations have been driven by broad agendas to rewrite the global rules of trade: progressive reductions in tariffs, 'tariffication' of quota restrictions, greater harmonisation of food standards, reductions in non-tariff barriers such as import licence monopolies, and stronger international protection of corporate intellectual property.

Alongside these changes has been the creation of a liberal global financial regime characterised by currency exchange freedoms. This process has been especially important for TFCs because of their extensive use of financial derivatives, due to their need to source large volumes of agricultural produce from volatile markets, and their possession of valuable intangible assets such as brand names and recipes that can play strategically important roles in the 'paper economy' of finance (Pritchard 1999). Hence, the liberal financial system of the 1990s has opened new possibilities for the financial management of TFCs' production and trade, as well as auguring qualitative shifts to the relationships between paper assets and commodities.

Many TFCs have been strong advocates and key lobbyists for many of these changes in state regulation of international trade and financial systems. Progressive implementation of these changes from the mid-1980s, therefore, suggests three hypotheses worth investigating. First, the changes would lead us to expect widespread restructuring of corporate strategies and global geographies of TFCs during the 1990s. Second, strong incentives might be expected, *ceteris paribus*, for

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TFCs to restructure their uses of space in order to take advantages of new profit opportunities created by globalising theatres of accumulation. Third, a close association might be expected between the collapsing of national barriers to economic activity and the formation of internationally integrated corporate strategies.

This study responds to the challenges of these three hypotheses. In the first part, a model is developed to understand corporate spatial behaviour utilising a broad framework based on the notion of circuits of capital. This approach is based on Marxist theoretical work on the internationalisation of capital (Palloix 1977) but has currency well beyond the limitations of structuralist Marxism. Development of the model is seen as a necessary palliative to the tendency, expressed at times both within and outside academia, to conceive of the spatial behaviour of transnational corporations in terms of monolithic, globally-driven agendas. The second part of this article uses this model as an explanatory framework to examine Nestlé's spatial behaviour in Southeast Asia. As the detail of this case study illustrates, the approach to globalisation adopted in this article emphasises the multiple and contradictory geographies that can co-exist within TNCs and complements recent insights by Goodman (1997) into processes of world-scale restructuring.

THE MYTH OF THE GLOBAL CORPORATION

The immense size and scope of many TNCs encourages deceptively simple analysis of the supposed spatial behaviour of these actors. At times, academic and popular accounts of transnational corporate spatial behaviour seem underwritten by the notion that these actors are engaged in grand and monolithic projects to 'conquer the world' through evermore flexible strategies of product sourcing, production location and marketing. From this perspective, TNCs are engaged in constant geographic re-engineering of their activities in an insatiable appetite for profit maximisation. These portrayals of corporate spatial behaviour have given rise to the concept of a 'global corporation'.

The notion of a 'global corporation' implies a TNC with no national allegiances and the ability to shift production, commodities and finance capital with impunity. Yet attempts to conceptually model the organisational appearance of this kind of truly footloose corporate entity reveal that such a TNC would possess an extraordinarily complex spatial structure (UNCTAD 1994; UN 1993:1163). Such an entity would possess multiple layers of deep integration between its subsidiaries and affiliates, alongside equally dense networks with sub-contractors and alliance partners. This would mean that each function performed by such a corporation – production, finance, procurement, research and development, training, accounting, marketing, distribution, and management – would possess its own complex multi-locational geography based on the company's internal economics of location, specialisation and expertise. This multi-locational geography would enable the geographical reproduction of functions within the corporation, providing the opportunity for internal tendering of functions based on specific intra-corporate profit, tax and capacity strategies. Moreover, the ultimate national identity of such a company would be clouded by the multiple listing of its equity on world stock exchanges; a globally diverse stockholder base; the absence of a single, central corporate headquarters; and a nationally and ethnically diverse Board of Directors and senior management (Hu 1992).

Clearly, the 'global corporation model' is appropriately considered an ideal-type of corporate structure. In practice, examples of such global corporations remain elusive. Allen and Massey (1995:111) identify Asea Brown Boveri, the Swiss-Swedish electrical engineering TNC, as perhaps the closest approximation of this model in the contemporary corporate world. Another candidate is News Corporation, acknowledged widely as possessing one of the most complex intra-corporate structures of any TNC. News Corporation presents a deliberately confused national identity in response to regulatory concerns over foreign media ownership in many of the countries in which it operates, exhibited most brazenly when News Corporation Chairman Rupert Murdoch exchanged Australian for US citizenship in order not to violate US media laws. Transnational finance, securities, legal and accounting firms (such as Nomura, Citicorp and KPMG) possess key similarities to the global corporation model. However, they may be considered special cases. Because of the particularly slippery geography of finance (Corbridge and Thrift 1994), the asset bases of these corporations are unusually reliant on hyper-mobile forms of paper capital. Moreover, transnational accounting and legal firms often rely on partnership structures as intra-corporate glue, creating dissonances between corporate equity and asset structures. The existence of these arrangements is unusual in other sectors.

The elusive nature of 'global corporations' highlights the point that the spatial decisions of economic actors in the global economy, such as TNCs, are contingent upon a range of factors impinging on profit opportunities at different geographical scales. The globalising ambitions and actions of economic actors need to be situated within a broader spectrum of their strategies examined at all geographical scales. Such a perspective acts against the potentially seductive attraction of privileging the global scale. It avoids major distortions inherent in the 'steam-roller' metaphor of globalisation (Fagan 1998) in which changes are seen to emanate 'out there' in a globalised economy and must be accommodated 'in here', for example; in national agricultural and food manufacturing regions.

This approach also brings into focus contradictions between globalisation as a set of material processes involving production, trade, finance and technological changes, and globalisation as a discourse, often constructed politically (Kelly 1997; Fagan and Pritchard forthcoming). The discourse of globalisation constructs a powerful argument about the scale from which dominant economic processes emanate. For example, the power of globally-mobile capital is often systematically overstated while understating the power of national and local actors such as governments, labour movements and local communities seeking alternative pathways to restructuring. For empirical research, this suggests the need to analyse specific examples of restructuring by TNCs and their relationships to individual places, their governments and communities. At the level of praxis, perceiving globalisation as discursively constructed in political, economic and cultural spheres serves to heighten awareness of globalisation's material limits, and hence does not subjugate potential interventions of actors such as governments, labour or non-governmental organisations to a supposedly all-powerful engine of change.

This gener al framework exposes the simplicity of those analyses suggesting an incipient inevitability of an all-pervading global capitalism. Such arguments have been especially prevalent in management and populist economics literature. Reich (1991:137) speaks of "the coming irrelevance of corporate nationality". In *The End of the Nation-State*, Ohmae (1995:4) argues: "the mobility … [of investment, industry, information technology and individual consumers] … makes it possible for viable economic units in any part of the world to pull in whatever is needed for development". In *The Future of Capitalism*, Thurow (1996:115) suggests:

> for the first time in human history, anything can be made anywhere and sold everywhere. In capitalistic economies that means making each component and performing each activity at the place on the globe where it can be most cheaply done and selling the resulting products or services wherever prices and profits are highest. Minimizing costs and maximizing revenues is what profit maximization, the heart of capitalism, is all about. Sentimental attachment to some geographic part of the world is not part of the system.

Such analyses present globalisation and its specific corporate form, the 'global corporation', as totalising constructs. They are built on the basis of macro-scale theorisations of capitalism's supposed trajectory which bury the continued importance of national and local geographies. This focus enables these authors to pitch their analyses in such a way as to impress the reader of the amazing feats of capital's nimbleness, often drawing from a rich tapestry of individual cases illustrating these processes at work; such as Reich's (1991:113) global car. The implication is that as these feats are becoming more common within capitalism, the whole spatial fabric of the system will be transformed. Dicken (1998:193) argues that the logical end-point of these analyses is that TNCs become entities progressively detached from national, cultural and geographical roots:

> A major ingredient of the 'globalization' scenario … is the idea that many TNCs are 'global corporations' whose ways of doing things have converged towards a single globally integrated model. The pressures of operating in a globally competitive environment, it is argued, are creating a uniformity of strategy and structure among TNCs.

These points are especially important for the analysis of agro-food corporations. There is considerable debate currently on the issue of the distinctiveness of agro-food restructuring vis-a-vis the experiences of other industrial sectors (Goodman and Watts 1994). Published analyses of TFCs (Heffernan and Constance 1994; Burbach and Flynn 1980; Dinham and Hines 1983; Burch and Goss, 1999) enter this debate from varying standpoints. The fundamental 'divide' within this literature is reflected in those studies that aim to further develop the empirical record of agro-food restructuring, and those (Goodman and Watts, 1994) that are concerned pre-eminently with the development of theoretical models to account for contemporary patterns of change. An impetus for this article is the need to bridge this divide, via a theoretically-informed, empirical study.

TOWARDS A FRAMEWORK FOR UNDERSTANDING THE SPATIAL STRATEGIES OF TNCS

These inadequacies suggest the need for an alternative framework in which to analyse the spatial behaviour of TNCs: a framework that does not assume corporate strategy to be a totalising construction set about globalist ambitions, yet at the same time acknowledges that the underlying spatial logic of capital accumulation is to seek profit at a global scale. These conditions are satisfied through utilising the concept of capital circulation, a model inspired by Marx's conception of money (Harvey 1982) and which has informed a series of political economic analyses of corporate restructuring since the 1970s (Radice 1975; Palloix 1977; Bryan 1987; Bryan 1995; Fagan and Le Heron 1994). The key attribute of this approach is its orientation to the transformative processes underpinning the creation of surplus value by corporations. From the perspective of capital circuits, TNCs can be conceptualised as economic actors positioned within a globalised circulation of capital in the forms of money (M), commodities (C) and production (P). The model places an explicit emphasis on tracing the flows of capital in these three forms, known as the circuits of money capital, commodity capital and productive capital. Seen this way, the spatiality of capital is defined as the social relations of value in movement: as capital circulates through the forms of money, commodities and production, value is created. The circulation of this capital within particular spatial arenas animates specific social relations.

This framework expedites an approach to analysing corporations based around the three circuits in which surplus is created. The *circulation of productive capital* refers to processes for transforming raw materials into commodities for sale to third parties, depending on the application of labour processes to specific means of production (Leyshon and Thrift 1997:42-3) enabling the creation of surplus value. The *circulation of commodity capital* refers to the processes by which finished goods are sold, transforming their value into money capital. Through this transformation, capital is realised into its money form, hence this circuit also can be referred to as the 'circuit of realisation'. This circuit enables the creation of profits through devices such as marketing and branding: which are strategies that aim to add value to commodities after they leave the 'factory gate'. Finally, *the circulation of money capital* involves the processes by which finance is circulated through arenas of surplus value creation for reinvestment in future production. Companies can create profits within this circuit via strategies to manage their finances in ways that provide optimal, tax-effective returns. These functions form the realm of corporate treasury operations and tax planning. Because these processes are motivated by securing funds for distribution to shareholders or for reinvestment, this circuit can also be referred to as the 'circuit of reproduction'.

The obvious merit of the circuits of capital model is its capacity to highlight the multiplicities of spatial arrangements that may exist within a single corporation, thus complementing recent key trends in corporate management. In the 1990s there has been a trend towards viewing corporate functions such as sales and marketing, treasury operations and various components of production, as separate profit centres that are expected to meet rate of return requirements. Failure to meet these requirements may result in functions being outsourced, or the development of alternative approaches, such as joint venturing. Hence, the ability of the circuits of capital model to separate out the varied components of profit creation can clear a path through the often-complex world of corporate strategy. This utility is demonstrated in Pritchard's (1995a; 1995b) research into the food operations of Pacific Dunlop.

There are three other benefits of the framework in guiding empirical analysis:

(1) Within any production region, complex processes link production, realisation and reproduction at different scales. These links with globalised accumulation change over time according to contingent interactions between capital, labour and state in specific places, but are also shaped by patterns of state regulation and de-regulation. These changes do not lead specific corporations inexorably in the direction of the ideal-type 'global corporation' discussed earlier.

(2) Specific interactions between capital, labour and state must be represented at local scales. Here, local managers of TNCs, including those whose local plants export a majority of their output and those selling principally to domestic markets, make decisions based on interactions with other local-national firms, their workers and consumers, and governments. These national and local relationships are not subordinate to the globalised accumulation strategy of the TNC parents but *simultaneously* create its architecture. Precise geographical, organizational and sectoral forms of transnational corporate activity cannot be simply 'read-off' from this framework.

(3) The nation-state remains central to this model of globalisation. Patterns of intervention are determined in both formal and informal political spheres and may be resisted strongly by some stakeholders while supported, or perhaps pressured, by others.

This perspective on globalisation and corporations complements recent theoretical analysis of globalisation by Goodman (1997) who suggests that globalisation is considered appropriately as comprising an interactive concurrence of accumulation processes, each with its own spatial logics. Examining recent research into world agri-foods systems, Goodman calls for a "more nuanced approach to the internationalisation of capital" (Goodman, 1997:665) that gives central attention to the variety of spatial strategies available to companies:

> International economic integration and global restructuring are conceptualised and empirically represented as the dynamic conjuncture of several world-scale processes of capitalist accumulation and competition – internationalisation, multinationalisation, transnationalisation, globalisation – that operate *concurrently* yet differentially in the world economy (Goodman 1997:665, italics in original).

Goodman's recognition that these accumulation processes may operate concurrently acknowledges the fact, noted above, that corporate spatial strategy cannot be rendered as a monolithic 'whole'. Thus, each of these ideal-type processes may exist concurrently within the same firm (Goodman 1997:669). The four representations of accumulation processes identified by Goodman each have their own distinctive spatial dynamic:

(1) *Internationalisation* refers to processes whereby economies are integrated primarily through the exchange of commodities (trade) and money (financial securitisation). It is exemplified in commodity complexes where arm's length trade and finance relations are the dominant agents of international interaction.

(2) *Multinationalisation* refers to processes of economic integration driven primarily by foreign direct investment by TNCs. These processes are associated typically with multi-domestic corporate strategies and relatively autonomous branch plants selling primarily to their local markets.

(3) *Transnationalisation* refers to processes involving intensive international intra-firm divisions of labour, such as that exercised by Nike and Bennetto.

(4) *Globalisation* refers to processes of global economic *integration* dominated by exchange and collaboration between industrial districts, as typified in regions such as California's Silicon Valley and Raleigh, North Carolina. According to Goodman: "globalization is conceptualized as the ensemble of processes collectively constitutive of the new global phenomena observable, for example, in financial and equity markets, science and R&D networks, market structures, corporate organization, lifestyles, consumption patterns and culture, and regulatory capacities and governance" (Goodman, 1997:667).

Goodman's taxonomy is not framed in terms of capital circuits. Indeed, his framework makes no explicit attempt to separate out the flows of money, commodities and investment capital within a cycle of capital accumulation. Yet in specifying ideal-type processes of corporate spatial strategy, Goodman's framework potentially provides a vehicle that can be applied to the circuits of capital model. This is shown in Table 1, which links Goodman's ideal-type processes to the circuits of capital categories of production, realisation and reproduction. This table represents an elaboration of Goodman's initial framework: his ideal-types are each reconstituted in terms of the three circuits of capital. Evidently, they remain ideal-types serving heuristic goals.

The intention of Table 1 is to identify the variety of corporate-spatial strategies that potentially can co-exist within the one corporation. As with any exercise of this type, there is a mixed capacity for any particular company to be 'pigeon-holed' within this framework. At times, distinctive corporate-spatial behaviour may be seen to correspond closely with these categories. On other occasions, correspondence might appear more opaque. The key point to emphasise is that Table 1 acts as a loose template in which to understand the major elements of corporate spatial behaviour. This is now illustrated in the case of Nestlé's spatial behaviour within Southeast Asia.

THE PLACE OF SOUTHEAST ASIA WITHIN NESTLÉ'S GLOBAL ACCUMULATION STRATEGIES

Nestlé is the world's largest food company. In 1996 it made global sales of nearly US$50 billion (Table 2), an amount substantially larger than its nearest competitors. Nestlé's size and scope is the result of an extraordinary historical progression since the mid-nineteenth century. In 1866 the Anglo-Swiss Condensed Milk Co. built Europe's first condensed milk factory. Thirty-nine years later, in 1905, the company merged with a small Swiss infant formula company, Farine Lactée Henri Nestlé. Demand for condensed milk during the First World War saw the company expand rapidly (Ruigrok and Van Tulder 1995:246). Between the two world wars Nestlé diversified from condensed milk and milk powders: first, in 1929, into chocolate; and second, in 1938, into coffee via its invention of Nescafé, the world's first soluble coffee. World War Two provided another boom period for Nestlé and laid the foundation for rapid international expansion during the post-1945 era. In 1947 Nestlé merged with Potages Jules Maggi, a manufacturer of cooking aids under the Maggi brand. Within this merger, Nestlé completed the core structure that remains

Table 1. Linking the Circuits of Capital Model to Goodman's Typology of Processes of World-scale Integration

	Circuits		
Processes	Production	Realisation	Reproduction
Internationalisation	local sourcing of inputs through arm's length transactions	sales to international customers through arm's length transactions	profits repatriated and reinvested locally
Multinationalisation	intra-corporate sourcing of inputs from local or global sources	sales to international customers through a combination of arm's length and intra-corporate transactions	profits returned to foreign owners of capital with some retained for local investment strategies
Transnationalisation	intra-corporate sourcing of inputs governed by an intra-firm international division of labor	an increasing fragmentation of production processes leads to increasing international intra-corporate sales of partly finished commodities and the sale of commodities manufactured under licence by third parties	profit distributions dominated increasingly by intra-corporate transactions and royalty payments that may be related to global tax strategies
Globalisation	highly complex and fluid sourcing of inputs (including human capital)	sales increasingly take the form of intellectual property transactions	profits take the form of royalty and technical payments that can be linked to individual salaries/bonuses

in place today. In the fifty years since its merger with Maggi, Nestlé's corporate strategy has concentrated on strengthening core businesses. This is typified by acquisitions such as Rowntree (1988) in chocolate, Carnation (1985) in milk powders and Hills Brothers (1985) in coffee. The only significant new business areas opened by Nestlé since 1947 have been mineral water through the acquisitions of Vittel in 1969 and Perrier in 1992 and pharmaceutical/cosmetics with the acquisition of L'Oreal in 1974.

Nestlé's fifty year expansion of core businesses has provided the company with a stable of internationally-recognised market-leading brand names. Nestlé promotes these brands heavily in order to maintain their exposure and asset worth. Brands such as Milo and Maggi are internationally recognisable and associated closely with Nestlé. However, Nestlé complements this brand strategy by cultivating a large

Table 2. Food and Beverage Sales of the Five Largest Agri-Food TNCs, 1996

TNC	US$ billions
Nestlé	46.8
Cargill	35.4
Philip Morris	32.3
Unilever	25.9
ConAgra	24.8

Source: corporate annual reports.

number of local brands that aim to fill niche regional markets. Through this two-pronged marketing strategy, Nestlé positions itself simultaneously within international and localised marketing arenas (Pritchard 1999).

By product area, Nestlé remains reliant on beverages. Nestlé's beverages division, which includes the company's key brand assets Nescafé, Milo, Nestea, Perrier and Nesquik, is the company's most important profit engine. In 1996, a typical year for Nestlé, beverages generated over 40 percent of the company's trading profit although contributing less than 30 percent of its sales (Table 3). This performance would seem to highlight the important role played by market leading brands such as Nescafé. With market leadership in the instant coffee markets of most countries, Nestlé is empowered to extract a relatively high profit rate. For example, a 1994 study by Australia's Prices Surveillance Authority found that with 70 percent market share in Australia, Nestlé's instant coffee operations could generate a profit rate significantly higher than the norm across the processed food sector (Australia: Prices Surveillance Authority 1994:54).

This background to the company is vital for an understanding of the role played by Southeast Asia within Nestlé's corporate-spatial strategies. In the main, Nestlé's sales are derived from well-established products within mature markets. Consequently, revenue growth is dependent upon acquisitions or the expansion of Nestlé products into new markets. The rapid economic growth of Southeast Asia during the 1980s and 1990s, until the economic crisis beginning in 1997, provided fertile ground for the latter. Thus, although the five major national economies of Southeast Asia (henceforth the ASEAN5: Indonesia, Malaysia, the Philippines, Thailand, Singapore) accounted for somewhat less than 5 percent of Nestlé's revenue in the mid-1990s, these markets were strategically important for the company in terms of generating future revenue and profit growth. Nestlé executed the strategic importance of the region through a number of high profile acquisitions of Southeast Asian food companies in the 1990s, including Magnolia and the Philippine Cocoa Corporation (Philippines) and Dairy Farm (Thailand). These acquisitions were aimed mainly at strengthening core interests, especially in dairy products. Nestlé has been particularly keen to increase its exposure to the Southeast Asian dairy products market, in line with increases in per capita consumption. Dairy businesses acquired by Nestlé in the Philippines and Thailand have possessed supply supply contracts with fast food chains, enabling the company to ride on the back of trends towards the westernisation of regional diets.

Table 3. Nestlé's Global Sales and Trading Profits by Product Category, 1996

Product Group	Key Brand Names	Percentage of Sales	Percentage of Trading Profit
Beverages	Nescafé, Milo, Perrier	27.1	40.1
Milk products, dietetics and ice cream	Carnation, Nido, NAN	27.6	20.6
Prepared dishes, cooking aids and miscellaneous	Maggi, Findus, Friskies	26.4	16.8
Chocolate and confec-tionery	KitKat, Crunch, Smarties	14.9	13.1
Pharmaceuticals	L'Oreal, Alcon	4.0	9.5

Source: Nestlé (1997).

THE CIRCUITS OF CAPITAL MODEL AS AN EXPLANATORY FRAMEWORK FOR NESTLÉ'S ACTIVITIES IN SOUTHEAST ASIA

The circuits of capital model described earlier in this article offers a potentially robust framework for understanding Nestlé's spatial behaviour in Southeast Asia. Nestlé has distinctive geographies of accumulation for the production, realisation and reproduction of capital in Southeast Asia. Separately identifying and reviewing these geographies is the first task towards understanding the spatial behaviour of this company in the region.

Nestlé's Geographies of Production in Southeast Asia

Nestlé's extensive global scope reaches deep inside the economies of Southeast Asia. When travelling through the region, one is assailed by advertising for key Nestlé brand names, such as Milo, Nescafé, Bear Brand, Kit-Kat and Maggi, on shopfronts, billboards and television screens. The company's product mix provides it with the capability to mount an orchestrated distribution system that delivers the company's products to small vendors far and wide through the region. Like the Heinz ketchup bottle in American diners, Nestlé's Maggi chilli sauce bottle widely adorns the tables of eateries in Southeast Asia: it has become an iconic signifier of the incursions of global brand name capitalism in the diets of many Southeast Asians.

One reason for this reach is Nestlé's long history within the region. The company began trading operations in Southeast Asia in the late nineteenth century and established production facilities in the period after 1945. As in other regions of the world, the Second World War provided the catalyst for a rapid expansion of Nestlé. Products such as instant coffee and chocolate were staple rations for American military personnel through the region. Once introduced, these items found a permanent place in the foodscapes of Southeast Asia.

Until the 1990s, Nestlé followed a relatively simple expansion strategy in Southeast Asia. In the decades following 1945, the governments of each Southeast Asian country, with the exception of Singapore, instigated comprehensive tariff and quota restrictions on food imports, ostensibly to safeguard food security. Consequently, Nestlé developed a multi-domestic investment strategy through the region. By the 1990s, the company had established almost 30 separate factories in the region, most of which manufactured food products for single national markets (Table 4). The Nestlé experience in Southeast Asia provides a typical example of food industry corporate strategy during the period of the second food regime (Rama 1992).

Progress in the late 1980s and early 1990s towards greater economic integration within ASEAN led to qualitative shifts in the geography of Nestlé's production. In 1991 ASEAN trade ministers approved Nestlé's participation in the ASEAN International Joint Venture (AIJV) Scheme. This scheme was established mainly at the behest of automotive manufacturers seeking tariff-free trade of components within ASEAN, though is applicable to other sectors as well. Consistent with the general tenor of economic integration within the region, the AIJV Scheme was slow-moving. Granting of approvals was undertaken on a case-by-case basis, with ample room for individual governments to frustrate the ambitions of companies seeking free-trade concessions. In the mid-1990s, ASEAN Governments agreed to replace the AIJV with a more comprehensive program to promote intra-ASEAN trade. This program, the ASEAN Industrial Cooperation (AICO) scheme, was planned to lead to complete duty exemption for many industries by the year 2001, but economic turmoil since 1997 has now waylaid implementation of this timetable.

Nestlé is the only food company to have applied for free-trade concessions through the AIJV and AICO programs. According to the terms of these programs, exemption is provided only for those products manufactured in identified factory sites. Nestlé gained approval for products manufactured in five factories, one in each of the ASEAN5 countries. Participation in this Scheme has allowed Nestlé to pursue a degree of specialisation within its ASEAN production geography. Nestlé's five ASEAN IJV factories are: Lipa (the Philippines, breakfast cereals); Batu Tiga (Malaysia, chocolate and confectionery); Bangpoo (Thailand, non-dairy creamer); Jurong (Singapore, soya sauce) and Lampung (Indonesia, instant coffee). Although Nestlé is further advanced than any other food company in terms of integrating its ASEAN production operations, nonetheless it remains hostage to the continued cautiousness of ASEAN Governments in trade reform. In May 1998, for example, ASEAN Foreign Ministers rejected Nestlé's application for duty-free trade in coffee between Malaysia and Thailand (*The Nation* [Bangkok] 1998).

The partial restructuring of Nestlé's ASEAN production geography away from traditional multi-domestic structures also needs to be interpreted in light of wider changes to the global production geographies of Nestlé. In the 1990s, Nestlé has dramatically expanded its intra-firm trade of final products. The general lowering of trade barriers globally for final food products has created opportunities for Nestlé to exploit excess production capacities in individual factories. Because many Nestlé products sell under globally recognised brand names and are manufactured according to globally consistent recipes, there is a certain footlooseness in the intra-firm trade patterns of the company. Hence, the concentration of ASEAN confectionery production in Malaysia, for instance, is occurring simultaneously with substantial increases in the importation of Nestlé confectionery into Southeast Asia from Nestlé production sites in Europe, Australia and South Africa.

Nestlé's Geographies of Realisation in Southeast Asia

The circuit of capital realisation describes the processes by which finished goods

Table 4. Nestlé Factories in ASEAN5 Countries, 1998

Country	Factory Location	Products
Indonesia	Lampung (South Sumatra)	C
	Jakarta	CC
	Supmi Sakti (Jakarta)	PF
	Pasuruan	SP
	Sidoarjo (Surabaya)	MP
Malaysia	Raja Muda (Kuala Lumpur)	C, MP
	Petaling Jaya (Kuala Lumpur)	PF, MP
	Batu Tiga AIJV (Kuala Lumpur)	PF
	Shah Alam (Kuala Lumpur)	MP
	Cembong (Negeri Sembilan)	CC, MP
	Kuching (Sarawak)	PF
Philippines	Cagayan de Oro (Mindanao)	C, PF, MP
	Lipa AIJV (Batangas, south Luzon)	CC, BC, MP
	Cabuyao (Mindanao)	PF, MP, SP
	Pulilan (Bulacan)	PF
	Alabang	MP
Singapore	Jurong AIJV	PF
Thailand	Samrong (Bangkok region)	MP; PF
	Chachoengsao (Bangkok region)	C
	Navanakorn 1 (Bangkok region)	MP, SP
	Navanakorn 2 (Bangkok region)	LC
	Pathunthani (Bangkok region)	CC
	Bangpoo (Bangkok region)	NDC (domestic)
	Bangpoo AIJV (Bangkok region)	NDC (export)
	Bangchan (Bangkok region)	IC
	Pakchong (Nakhon Ratchasima)	FMJ
	Ayudhya (Bangkok region)	MW

Key: MP = milk products; BC = breakfast cereals; C = instant coffee; LC = canned liquid coffee; MW = mineral water; CC = chocolate and confectionery; FMJ = fresh milk products and juice; IC = ice cream; PF = prepared foods; NDC = non-dairy creamer; SP = soya products.

are sold, transforming their value into money capital. In common with many other TFCs, Nestlé utilises sophisticated marketing and branding strategies to attach value to its products beyond the factory gate. These strategies have tended to attract little attention in economic sociology and human geography, where there remains a preference for analysing concrete spatial processes of factory location and raw materials sourcing. However, marketing and branding are taking on increasingly central roles in many companies' strategies for wealth creation (Pritchard 1999). These strategies are played out via the formation of complex geographies of brand ownership and licensing, strategic alliances of cross-promotion, preferred supplier arrangements with retailers and joint ventures in packaging and distribution. Attention to these activities deserves priority within contemporary research agendas.

Nestlé's long history in Southeast Asia means that these aspects of corporate activity provide a clear competitive advantage for the company. Distribution chains within Southeast Asian food sectors tend to be much more fractured than is the case in Europe, North America and Australia (Instate Pty Limited 1993). Small shops, roadside stalls and mobile vendors comprise a significant proportion of the retail sectors of these countries. Often, these actors are linked to distributors through locally embedded arrangements constructed through institutions of trust and family. Nestlé's long history in the region has allowed it to become alert to these nuances.

Rapid restructuring of retail sectors in Southeast Asia, however, is forcing change to these distribution strategies. Overall, there is a regional shift towards supermarkets and franchise stores, especially in the larger cities. In Bangkok alone, over 1,000 'Seven-Eleven' franchise stores have been opened in the 1990s (Kanitta 1998). These changes are significant because they presage more centralised systems of product distribution, potentially weakening Nestlé's competitive advantage attained through its 'on the ground' regional presence. One response by Nestlé has been to invest funds for modernising its warehousing and distributional arrangements, thereby attempting to gain an advantage over competitors. In 1997 and 1998, Nestlé introduced new computerised warehousing systems in Indonesia and Malaysia that link the company directly to key retailers (*Jakarta Post* 1998; Fernandez 1998).

These restructuring strategies complement the general shift away from Nestlé's multi-domestic production arrangements in the region. The construction of large warehousing complexes facilitates the distribution of imported Nestlé products within national economies. Through these means, the geographies of Nestlé's sales and distribution presence in Southeast Asia are changing. Certainly the company retains its traditional reliance on locally decentralised forms of distribution. However, retail restructuring and the complementary development by Nestlé of large warehousing/distribution strategies are disembedding systems of production from systems of distribution, so that Nestlé is increasingly able to source supermarkets with products regardless of their origins. As these changes gather pace, Nestlé repositions itself from being a local manufacturer, to being a supplier of consumer foods to supermarkets and other retail outlets. This transformation diminishes the strategic importance of production as an engine for profit, in favour of an ability to retain ownership over key brands. The shift is consistent with a contracting out of production to third parties by means of manufacturing under licence.

The enhanced potential for geographical dissonances between the ownership of production and the ownership of brands raises two implications for Nestlé's corporate spatial behaviour in Southeast Asia. First, it heightens the importance of advertising and promotion. These strategies are crucial for the maintenance and/or construction of price margins for individual products. To generate sales of a product at a given price, Nestlé, in common with other food and consumer goods companies, use the auras of branding and advertising to attach various concepts like 'value', 'quality' and 'healthiness' to their products. Second, branding strategies potentially enable the creation of international intra-firm royalty streams that assist profits to be repatriated to corporate parents in tax-effective ways (Pritchard 1999). Nestlé's branding strategy rests on an acute appreciation of the legal and accounting implications of issues such as which of its subsidiaries hold possession of its various brands and licenses (Perrier 1998:109-10). One result of this strategy is that Nestlé facilitates a flow of intra-firm royalties throughout the corporation. Nestlé's management and strategy for brand names represents a distinctive geography of accumulation within the corporation. The places in which brand names are held for legal purposes can be quite dissimilar from the places in which these same brand names have their origins, meanings and social values. Through creating these geographical dissonances, companies such as Nestlé open avenues for the creation of profit.

Nestlé's Geographies of Reproduction in Southeast Asia

The third distinctive geography of accumulation used by Nestlé in Southeast Asia relates to the circulation of money capital. Transnational corporations such as Nestlé possess highly sophisticated treasury operations to manage their loans' portfolios and to develop appropriate hedge strategies to mitigate foreign exchange and other risk. Closely related to these strategies is the management of corporate accounts in such ways that ensure compliance with national corporate affairs and taxation legislation, while at the same time ensuring corporate accounting practice results in 'tax effective' outcomes. With the rise of what Rybczynski (1988) labels a securitised global financial system, these operations have taken on greater importance. During the 1980s, a number of transnational corporations built their treasury operations to the extent that they tended to overshadow other corporate activities. This is documented in research by Fagan (1990) into the Australian agribusiness corporation Elders IXL. The general importance of treasury functions is also underscored in ongoing research by Bonanno et al. (1995) into the financial activities of Feruzzi.

Nestlé's treasury operations are extensive. In 1997 the company made CHF5.7 billion (US$8.332 billion) in foreign exchange forward contracts, also known as derivative transactions, and had on its books a total of 17 international bond issues in seven currencies (US dollars; Swiss francs; French francs; German marks; British pounds; Canadian dollars; South African rands). These liabilities are managed in line with complex articulations of corporate goals and market forecasts. So, for example, Nestlé's Australian operations have issued bonds denominated in Swiss francs that create an Australian dollar liability. Whereas the overarching corporate goal of these operations is to protect Nestlé's exposure to adverse shifts in currency, money and commodity markets, these operations also can be understood as arenas for the creation of profit, especially when seen in conjunction with wider themes of corporate financial planning. This capacity is illustrated through events surrounding Nestlé's 1984 takeover of Carnation, which resulted ultimately in a 1995 determination by the United States Tax Court that Nestlé's Federal income taxes for three years in the 1980s were in deficiency by over US$300 million relating to issues concerning the valuation of Carnation assets and intra-corporate financing (United States Tax Court 1995).

Research into these geographies of accumulation is made difficult by the highly technical nature of financial management and the general secrecy within which corporations cloak these activities. Detailed insights into these operations often can be gleaned only through opportunistic means, such as when companies are required to table documentation as evidence in legal arenas. However, a broad sense of corporate financial strategy is achieved through analysis of corporate ownership structures; such as the nested relationships between parent and subsidiary companies. Large companies invariably construct highly complex corporate ownership structures in order to service financial objectives. The development of these structures provides the architecture to execute various intra-corporate transactions including loans, royalty payments, dividends and commodity sales.

Table 5 summarises Nestlé's legal-corporate geography in Southeast Asia. Evidently, the proliferation of Nestlé subsidiaries through the region would appear related to the need to accommodate highly complex flows of money capital. Although some of this complexity can be attributed to legal requirements, such as the requirement that there be local partners in some jurisdictions, this legal-corporate architecture is more complex than strictly would be necessary for Nestlé to operate as a manufacturer of branded food products in Southeast Asia. As far as research is concerned, Table 5 represents the tip of an iceberg. Mapping the flows of money capital within and among these companies represents a next stage for research into Nestlé's geographies of accumulation in Southeast Asia.

CONCLUSION: CIRCUITS OF CAPITAL AND NESTLÉ'S SPATIAL BEHAVIOUR IN SOUTHEAST ASIA

This article has argued that corporate spatial behaviour needs to be understood as constituting multiple flows of capital through the circuits of production, realisation and reproduction. Each of these circuits possesses distinctive geographies of accumulation. The case study of Nestlé in Southeast Asia demonstrates the complexities of corporate spatial behaviour associated with any TNC. Nestlé simultaneously possesses a geography of production, as exhibited in the location of factories and raw material supply arrangements; a geography of realisation as exhibited in its marketing and branding strategies, including the locations in which key brands are held for legal purposes; and a geography of reproduction as exhibited through the flows of money capital within and through its structure of subsidiary companies.

Using the framework established in Table 1, which links the circuits of capital to Goodman's (1997) typology of world-scale integration, leads to the following observations. First, Nestlé's geography of production seems best described through the concept of 'multinationalization'. Production systems are arranged via a series of intra-corporate transactions, but these are organised only weakly in terms of exploiting an international division of labour. The output of most factories in the region remains the legacy of the multi-domestic strategy developed by the company in line with state restrictions on cross-border trade in processed foods. This legacy will wane, however, as the company attempts to incorporate its Southeast Asian operations more tightly with those in other regions. As this occurs, Nestlé's Southeast Asian production geography will tend increasingly to emulate a 'transnationalised' spatial structure. Second, Nestlé's geography of realisation in Southeast Asia also seems best described through the concept of 'multinationaliza-

Table 5. Nestlé's Legal-Corporate Geography in Southeast Asia, 1998

Country	Company Name	Nestlé's Ownership Share (in percent)
Indonesia	PT Nestlé Indonesia	57.6
	PT Indofood Jaya Raya	70
	PT Nestlé Confectionery Indonesia	100
	PT Nestlé Asean (Indonesia)	60
	PT Supmi Sakti	95
Malaysia	Nestlé Products Sdn Bhd	100
	Nestlé (Malaysia) Sdn Bhd	51
	Malaysia Cocoa Manufacturing Sdn Bhd	49
	Nestlé Asean (Malaysia) Sdn Bhd	60
	Nestlé Cold Storage (Malaysia) Sdn Bhd	51
Philippines	Nestlé Philippines Inc	55
Singapore	Nestlé Singapore (Pte) Ltd	100
	Nestlé Asean Singapore (Pte) Ltd	60
Thailand	Nestlé (Thailand) Ltd	100
	Nestlé Products Thailand Inc.	100
	Nestlé Asean (Thailand) Ltd	60
	Quality Coffee Products Ltd	49
	Nestlé Foods (Thailand) Ltd	100
	Nestlé Trading (Thailand) Ltd	49
	Nestlé Manufacturing (Thailand) Ltd	100
	Nestlé Dairy Farm (Thailand) Ltd	46.3

Source: own research.

tion'. At the present time, most of Nestlé's Southeast Asian revenue earning activities comprises the sale of products to third parties within the region, or intra-corporate sales to Nestlé subsidiaries in other regions. In the main, these sales are of finished products, as opposed to partly finished products, that tend to be manufactured in Nestlé factories, as opposed to being manufactured by third parties under licence. Finally, Nestlé's geography of reproduction in Southeast Asia seems to accord most closely to the concept of 'transnationalisation'. The complexity of Nestlé's corporate structures in the region suggest that the company is engaged in a range of intra-corporate transactions for repatriating profits and paying royalties to intra-corporate holders of brand names and other types of intellectual property.

The point of this analysis is not to pigeon-hole Nestlé's Southeast Asian spatial behaviour within taxonomic constructs, but to build a model of the corporation based on the concurrent existence of three distinctive geographies of accumulation. This approach necessarily emphasises the complexity of corporate spatial behaviour, heightening an appreciation of the intra-corporate flows of finance and commodities that are often neglected in research. Ultimately, this article represents a preliminary analysis of these issues. In suggesting that spatial flows of money capital within Nestlé's Southeast Asian operations appear more complex than the company's production geographies, this article opens the intriguing hypothesis that these activities, more than production itself, are the real engines of profit for Nestlé in Southeast Asia. The validity of this hypothesis, however, awaits further research.

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