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‘Land grabbing’ or harnessing of development potential in agriculture? East Asia's land-based investments in Africa

Franklyn Lisk
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‘Land grabbing’ or harnessing of development potential in agriculture? East Asia’s land-based investments in Africa

Franklyn Lisk

Abstract Large-scale foreign investment in Africa’s abundant but largely underutilized arable land has been criticised by international NGOs and social movements as ‘land grabbing’, which limits access of smallholder farmers to land, deprives local people of their livelihoods and threatens local and national food security across the continent. By way of contrast, many host governments and some leading international development agencies regard land-based investments as beneficial for development in terms of providing the necessary capital and technological know-how for modernising the region’s neglected agriculture including take-off in agribusiness and agro-industrialisation, which is vital to much needed economic diversification in many African countries. East Asia’s participation in the global land rush on Africa is examined from the standpoint of these two different perspectives: while China’s growing presence and involvement in trade and investment in mining, energy and infrastructure in Africa is well known, less recognised is its involvement and those of other East Asian countries such as South Korea, Malaysia, Singapore and Vietnam in agriculture through large-scale land acquisitions. The development consequences and policy implications of these foreign land-based investments are analysed from a political economy perspective, which identifies motives, interests and benefits of the different actors and addresses the question of governance in terms of transparency and appropriate institutional arrangements to safeguard land rights and food security. In the bigger picture, the paper argues that the negative consequences of land grab has to be seen alongside the benefits flowing to Africa from growing economic relations with China and other dynamic East Asian economies and learning from the development experiences of those countries. African countries however need to re-assess the current approach and relationship with foreign
land-based investors and decide how best this trend can be used to forward their economic and social agendas.

Keywords Agriculture; land grab; land-based investment; food security; governance; development opportunity

Introduction

Rising global demand for food stocks and bio-fuels together with weather-related supply disruptions of agricultural production worldwide in recent years have prompted considerable price volatility in international markets and put the global food system under extreme pressure. This situation has induced large and rapid increases in some food prices, particularly basic cereals, resulting in the worst food crisis since the 1970s which seriously threatens food security in developing countries. The sharp increase in international food prices during the years 2006 through 2008 also triggered a spate of cross-border land transactions involving wealthier nations seeking to acquire farmlands in mostly poor developing countries in order to grow food and non-food agricultural commodities for their own needs. In addition, fragility and consequent mistrust in global stock and equity markets have led to increase in speculative investments in land in developing countries by fund managers in developed countries. Escalation of international land deals for investment in agriculture in developing countries is contributing to unsustainable pressure on available land resources and increasing food security concerns worldwide (Anseeuw et al. 2012; Arezki et al. 2011; De Schutter 2011a; Oxfam 2011).

Almost half of the total number of recorded large-scale international land deals since 2008 has taken place in Africa – the region where available or ‘uncultivated’ arable land is perceived to be more abundant.1 Growing interest in the global land rush in Africa has triggered a vibrant global debate and an increasing body of literature, although much of the data and evidence so far come from press reports, internet blogs and specific investigations by international NGOs on land acquisition, rather than academic research on case studies. The absence of accurate data on large-scale land acquisitions in Africa is because many of these land deals are concluded in secret including those within broader government-to-government arrangements and actual contracts are unreported.

The trend of foreigners acquiring large tracts of arable land in Africa and other developing regions has been strongly criticised by international advocacy groups and NGOs such as GRAIN and Oxfam and global social movements like Via Compensina, a pressure group working in partnerships with small farmers worldwide. They have denounced such transactions as ‘land grabbing’2 – a practice which, they claim, alienates smallholder farmers in from available land, displaces local populations and advances the marginalisation of the rural poor. Furthermore, several poor countries engaged in
large-scale foreign land deals are also net importers of food and, therefore, increases in world food prices can be harmful to them. At the same time, and from a different perspective, some other stakeholders and development analysts – including host-country governments and some international development agencies – have argued that large-scale foreign land-based investment could be an opportunity to develop and modernise the continent’s agriculture with potential gains in terms of additional revenues and new employment opportunities (Collier 2008; Deinenger et al. 2011; FAO 2012). This view is linked to concern about the decades of neglect of investment in agriculture in many African countries and disillusionment with low levels of productivity and output of smallholder agriculture in the region.

This paper presents and analyses data and information on large-scale investments in arable land in Africa countries by East Asian nations. Most of the data and information used in the analysis come from country-level records and reports produced by GRAIN (2012) which systematically collates information on large-scale land acquisitions worldwide, and from qualitative country case studies by international advocacy organisations like Oxfam and the Oakland Institute, a California based think tank that specialises in management of land and natural resources in developing countries. The analysis of data and information is undertaken with the aim of assessing the impact of land-based foreign direct investments from the standpoint of the two different views concerning land acquisitions mentioned above – i.e., land grab or development opportunity (Cotula et al. 2009). In this regard, the paper examines key trends and drivers in large-scale land acquisitions within the wider context of national development and the expanding economic relations between Africa and East Asia, particularly China.

The total size of land leased or purchased by East Asian investors is at most no more than 3–5% of the estimated total amount of land that has been transferred to foreigners in Africa. However, it is significant to note that the East Asian countries involved are affected by land scarcity and water depletion or have a very large population to feed (Brahmbhatt and Christiaensen 2008). It can therefore be inferred that the main motive for East Asian land-based investments in Africa has more to do with securing supplies of agricultural commodities to ensure food security and meeting needs for bio-fuels and manufacturing. In line with its growing presence in Africa, the number of Chinese land-based investment projects in African countries is greater than the total of all the other East Asian countries involved in land deals in the continent, notably from South Korea, Singapore, Malaysia and Vietnam. However, in terms of land area acquired, China is not the largest East Asian land-based investor in Africa: according to latest available data, China ranks below South Korea, Singapore and Malaysia.

The paper begins with an overview of the global food system, highlighting the connection between uncertainties in global supply and food insecurity which serves as a background for a review of the underlying factors driving the global land rush on Africa. Next, it presents data and
information specifically on East Asian land-based investments in Africa and, more generally, examines the implications and development consequences of the upsurge in large-scale land acquisition in Africa. The analysis seeks to provide greater clarity on the two opposite perceptions: (1) large-scale land acquisition, or ‘land grabbing’, is impacting negatively on food production, disrupting livelihoods of local people and threatening food security in Africa; and (2) land-based foreign investment for agricultural production can facilitate the modernisation of Africa’s neglected agriculture and enhance the continent’s role in the global food system.

Making use of a political economy approach, the analysis looks at vested interests of the different actors involved in international land transactions, including not only broader economic benefits such as employment generation and agriculture and rural infrastructure development but also traditional and cultural attributes of land, current aim and action of actors in relation to land access and use, the institutional arrangements they face and the room for manoeuvre in bringing about desirable changes and convergence of interests. From the same perspective, the analysis addresses the important question of whether there is sufficient governance in large-scale land acquisitions by foreign investors – in terms of transparency and fair price and appropriate institutional arrangements to safeguard land rights – and looks at the catalytic role of international institutions, like the UN Food and Agriculture Organisation (FAO) and the World Bank, and regional groupings such as the G-8 and the African Union as framers of regulations, codes of conduct and voluntary guidelines for improved governance. In its conclusion, the paper advocates a need to look at the ‘bigger picture’ scenario in which possible adverse consequences of foreign land-based investments in Africa are minimised and balanced with potential gains in employment, growth and development from the ‘take-off’ in agriculture and agribusiness in Africa which can also resolve more long-standing concerns about food security.

Managing the global food system: the land-food security nexus

Managing the global food system, which is critical to the goal of sustainable food security for all, entails addressing concerns relating to both the global demand for food and world supply. The key factors pushing up global food demand are population growth mostly in the developing regions, changing diet patterns in large emerging and transition economies, and the bio-fuel boom which is linked to the quest for clean energy in industrialised countries. On the supply side, world food production is known to be affected by adverse weather conditions and environmental risks perceived to be linked to climate change which limit output of food stocks. Not only is world population increasing in terms of the number of people who have to be fed, but the switch to protein-intensive foods (meat and dairy products) by an
increasing proportion of the population in large emerging economies such as China and India, as incomes rise, has led to declining world food stocks because cereals and grains are being diverted from human consumption to cattle feed. In addition, efforts to combat climate change in the industrialised economies through the use of low-carbon energy sources have sharply increased the demand for maize and diverted a sizeable proportion of the crop from food supply to biofuel production. Some developed countries have adopted specific agricultural and other policies, including payment of subsidies and offer of inducements, have led to increased support for the production of energy crops. Other energy crops that grow in the tropics, such as oil palm, sugar cane and cassava, are now competing with food crops for arable land and water in developing countries.

In contrast to much of the twentieth century when the price of food fell in real terms, the first decade of the twenty-first century witnessed a sharp increase in international food and commodity prices during 2007–2008 in response to increasing demand and supply shortfall in global markets (Chang 2009). Distortionary agricultural policies are causing some rich countries to direct agricultural production to their own domestic markets, while import demand for food and bio-fuels is also rising. Price volatility has led large advanced developing countries like China, India and Brazil and net food sellers like Thailand and Vietnam to use trade restrictions to insulate themselves from the global food crisis, which in turn lead to further increase in prices and volatility. It is the poorer developing countries that are net food importers – mostly in Africa and parts of Asia and Latin America – that are hardest hit by the food price hikes which threaten food security.

Producing more food requires more arable land, and developing countries are attractive for foreign investment in land. Even after global food prices returned to moderate levels following the 2007–2008 price hikes the upward trend in the demand for agricultural land in developing countries did not subside, which indicates that there is still concern that the combined effects of demographic pressure, economic transformation and climate change that could again drive up international food prices – as indeed happened in 2010–2011 when grain prices rose steeply in international markets. Then, there is evidence of a surge in investments in agricultural land and commodities for speculative motive by investors who view farmland as an asset that is poised to produce significant returns. It is reported that an increasing number of Western investors, including Wall Street banks, have turned their attention to agricultural acquisitions in developing countries over the past few years (Daniel and Mittal 2009). GRAIN (2012) reported that about US$100 billion of the assets of pension funds in the US, Europe and Japan are invested in commodities, with some $5–15 billion of this money reportedly going to farmland acquisitions. Speculation in farmland in Africa appears to be driven by a perception that large tracts of land in the continent can be acquired from
governments at bargain price in anticipation of future price increases. According to numerous surveys and reports, annual returns of 10–20% are being obtained from investments in agricultural commodities and farmlands by private equity funds (Cochet and Merlet 2011). It is also possible that emerging carbon markets, which could be relevant for bio-fuel projects, may be fostering land acquisitions in the expectation of long-term increases in land values.

East Asia’s participation in the global land rush on Africa

The dramatic changes that are taking place in the global food system – more so in the context of globalisation and an increasingly interconnected global marketplace for trade and finance – are attracting unprecedented commercial interest in land acquisition from the global investment community. Africa’s vast untapped potential in agriculture – in terms of abundant land and investment opportunity in agriculture – makes it particularly attractive in the search for land to grow more food and energy crops to augment global supply. With an estimated 600 million hectares of ‘uncultivated’ arable land, which corresponds to about two-thirds of the global total and twice as much as Latin America, Africa is perceived as ‘the world’s last great unexploited agricultural frontier’ with abundant arable land, and is presented to the global investment community as ‘available and ready for business’.9

East Asia’s participation in the global land rush on Africa in terms of land size is relatively small – less than 3 million hectares out of an estimated total of between 80 and 130 million hectares. The East Asian countries involved in land deals in Africa in general are not food self-sufficient but depend on imports to supplement their domestic needs. Driven mainly by volatility of food prices and uncertain agricultural commodity markets, these food-deficit nations seek to acquire land in Africa and other poorer developing countries in order to secure steady food and commodity supplies for the future. As shown in Table 1 below, the main East Asian countries investing in land in Africa are China, with its very large population and growing middle class; richer countries in the region with sizeable populations like Japan and South Korea; and smaller emerging economies such as Singapore, Malaysia and Vietnam. East Asian investors in Africa’s farmlands include government agencies and their subsidiaries, state-sponsored enterprises and private corporations and individuals involved in agribusiness, manufacturing and construction.

A significant proportion of China’s land-based investments in Africa is channelled through state-sponsored commercial enterprises and development agencies. One of the most prominent investors is the China National Complete Import and Export Corporation Group (COMPLANT), which functioned as a foreign aid office for China until 1993 and now trades on the
Table 1  Land grabbing or harnessing agricultural development potential

<table>
<thead>
<tr>
<th>Host country</th>
<th>Investor</th>
<th>Investor’s home country</th>
<th>Sector</th>
<th>Hectares</th>
<th>Production</th>
<th>Projected investment</th>
<th>Deal status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>CAMC Engineering Co. Ltd</td>
<td>China</td>
<td>Construction</td>
<td>1500</td>
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<td></td>
<td>In process</td>
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<td>China</td>
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<td>4800</td>
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<td>In process</td>
<td></td>
</tr>
<tr>
<td>Cameroon</td>
<td>IKO</td>
<td>China</td>
<td>Agribusiness</td>
<td>10,000</td>
<td>Cassava, maize, rice</td>
<td>US$120 million</td>
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<td>Atama Plantation</td>
<td>Malaysia</td>
<td>Agribusiness</td>
<td>470,000</td>
<td>Oil palm</td>
<td>US$300 million</td>
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<tr>
<td>Côte d’Ivoire</td>
<td>Wilmar International/Olam</td>
<td>Singapore</td>
<td>Agribusiness</td>
<td>47,000</td>
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<td>Democratic Republic of the Congo</td>
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<td>China</td>
<td>Telecommunications</td>
<td>100,000</td>
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<td>Done</td>
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<td>Ethiopia</td>
<td>Hunan Dafengyuan</td>
<td>China</td>
<td>Agribusiness</td>
<td>25,000</td>
<td>Sugar cane</td>
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<tr>
<td>Gabon</td>
<td>Olam International</td>
<td>Singapore</td>
<td>Agribusiness</td>
<td>300,000</td>
<td>Palm oil</td>
<td>US$250 million</td>
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<td>Sugar cane</td>
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</tr>
<tr>
<td>Mali</td>
<td>China Light Industrial Corporation for Foreign Economic and Technical Cooperation</td>
<td>China</td>
<td>Industrial</td>
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<td>Sugar cane</td>
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<td>Singapore</td>
<td>Finance</td>
<td>2500</td>
<td>Rice</td>
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</tr>
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</table>

(continued)
Table 1 (Continued)

<table>
<thead>
<tr>
<th>Host country</th>
<th>Investor</th>
<th>Investor’s home country</th>
<th>Sector</th>
<th>Hectares</th>
<th>Production</th>
<th>Projected investment</th>
<th>Deal status</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Hubei SFAC</td>
<td>China</td>
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<td>Rice</td>
<td>US$35 million</td>
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<td>Olam International</td>
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<td>227</td>
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<td>Chinese investors</td>
<td>China</td>
<td>Agribusiness</td>
<td>6000</td>
<td>Cassava</td>
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</tr>
<tr>
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<td>Vietnam Africa Agricultural Development Company</td>
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<td>Agribusiness</td>
<td>10,000</td>
<td>Rice</td>
<td></td>
<td>Done</td>
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<tr>
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<td>Vietnamese investors</td>
<td>Vietnam</td>
<td>Government</td>
<td>4000</td>
<td>Rice</td>
<td></td>
<td>Done</td>
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<tr>
<td>Senegal</td>
<td>China</td>
<td>China</td>
<td>Government</td>
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<td>Peanuts</td>
<td></td>
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<td>Datong Trading Enterprise</td>
<td>China</td>
<td>Agribusiness</td>
<td>60,000</td>
<td>Sesame</td>
<td></td>
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<tr>
<td>Sierra Leone</td>
<td>COMPLANT</td>
<td>China</td>
<td>Agribusiness, construction</td>
<td>8100</td>
<td>Cassava, sugar cane</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Shanghai Construction Investment</td>
<td>China</td>
<td>Construction</td>
<td>30,000</td>
<td>Rice</td>
<td>US$1.3 billion</td>
<td>Done</td>
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<tr>
<td>Sierra Leone</td>
<td>FELDA</td>
<td>Malaysia</td>
<td>Government</td>
<td>2500</td>
<td>Palm oil</td>
<td>US$15 million</td>
<td>Done</td>
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<tr>
<td>Sierra Leone</td>
<td>Long Van 28 Company</td>
<td>Vietnam</td>
<td>Agribusiness</td>
<td>200,000</td>
<td>Rice</td>
<td>In process</td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>ZTE</td>
<td>China</td>
<td>Telecommunications</td>
<td>10,000</td>
<td>Oil seeds</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Sudan</td>
<td>‘A joint Arab-foreign company’</td>
<td>Philippines</td>
<td>Agribusiness</td>
<td>25,000</td>
<td>Cereals and other crops</td>
<td></td>
<td>Done</td>
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<tr>
<td>Sudan</td>
<td>South Korea</td>
<td>South Korea</td>
<td>Government</td>
<td>690,000</td>
<td>Wheat</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Chongqing Seed Corp</td>
<td>China</td>
<td>Agribusiness</td>
<td>300</td>
<td>Rice seeds</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Export Trading Group</td>
<td>Singapore</td>
<td>Agribusiness</td>
<td>8000</td>
<td>Rice</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Intrasia Capital</td>
<td>Singapore</td>
<td>Finance</td>
<td>30,000</td>
<td>Rice</td>
<td></td>
<td>Done</td>
</tr>
</tbody>
</table>

(continued)
### Table 1 (Continued)

<table>
<thead>
<tr>
<th>Host country</th>
<th>Investor</th>
<th>Investor’s home country</th>
<th>Sector</th>
<th>Hectares</th>
<th>Production</th>
<th>Projected investment</th>
<th>Deal status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>Korea Rural Community Corporation</td>
<td>South Korea</td>
<td>Government</td>
<td>100,000</td>
<td>Rice</td>
<td>US$50 million</td>
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<td>Uganda</td>
<td>Hebei Company</td>
<td>China</td>
<td>Agribusiness</td>
<td>540</td>
<td>Fruit, livestock, maize, rice, vegetables, wheat</td>
<td>In process</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>Liu Jianjun</td>
<td>China</td>
<td>Finance</td>
<td>4000</td>
<td>Oil palm</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Uganda</td>
<td>Wilmar International</td>
<td>Singapore</td>
<td>Agribusiness</td>
<td>40,000</td>
<td>Oil palm</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Zambia</td>
<td>Export Trading Group</td>
<td>Singapore</td>
<td>Agribusiness</td>
<td>57,000</td>
<td>Food crops, jatropha</td>
<td></td>
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</tr>
</tbody>
</table>

Shenzhen Stock Exchange. COMPLANT's controlling shareholder is the State Development and Investment Corporation, the largest investment holding company in China, and is in a joint venture relationship with US$5 billion China–Africa Development Fund for ethanol and palm oil production projects. The corporation is directly or through one of its subsidiaries and joint ventures involved in ethanol projects in various African countries, such as Benin, Madagascar and Sierra Leone, through land-based investment for sugar cane and cassava production. Subsidiaries of China's national and provincial governmental structures and state-sponsored business groups, such as ZTE Corporation which is China's largest telecommunications company and Shanghai Construction Investment, state farms, have also concluded land deals for agribusiness, construction and infrastructure projects in more than 20 countries including Democratic Republic of the Congo (DRC), Ethiopia, Mali, Mozambique, Nigeria, Senegal, Sudan, Tanzania and Uganda.

South Korea accounts for the largest East Asian land-based investment in Africa in terms of land size (790,000 ha.), according to the latest data collated by GRAIN (2012). Korean investment is split between two countries, the Sudan and Tanzania. In the case of the former, the investment is based on a cooperation agreement on agriculture signed in 2009 between the Sudanese and Korean Presidents, which gives the Korean government access to two large tracts of Sudanese land – 420,000 hectares in the north and 270,000 in the central region – for the production of wheat, which apparently will be shipped to Korea for its own domestic consumption. The involvement of the South Korean government in a 100,000 hectares commercial rice production in Tanzania is part of a larger US$121 million bilateral assistance and loan concluded in 2010 between the two governments. Significantly, the execution of the rice project is based on a separate Memorandum of Understanding (MoU) signed between the Korea Rural Community Corporation and a local-level Tanzanian development agency, the Rufiji Basin Development Authority. While details of the MoU are not known, it would appear that the arrangement for dealing directly with a local level authority in the land transaction and the execution of the project may have been adopted in order to avoid the problems encountered by the large South Korean industrial conglomerate Daewoo in a failed land acquisition process in 2008–2009 in Madagascar which revealed a governance disconnect between the central government and local level authorities.

The main aim of the failed Daewoo deal was to procure food and biofuels for South Korea based on agricultural production in Madagascar. After an initial public announcement of the negotiation between Daewoo and the Malagasy government, media and governmental reports on the deal including financial transactions were limited and vague. There was hardly any information about payments or compensation to local people for the land, although it should be pointed out that at the time the system of land ownership rights in Madagascar had been in a state of flux and
ownership deeds by farmers were largely not filed with governmental authorities. Eventual exposure of the details of the agreement between Daewoo and the national government, in conjunction with revelation of a jet plane offered to the state President as part of the deal and rumours that a significant proportion of the better paid employment positions will be filled by skilled South Africans workers, were strong contributors to series of violent protests in early 2009 in which an estimated 100-plus people died in the unrests, and which led eventually to the resignation of the President in a military-backed coup d'etat. The Daewoo deal, which reportedly had been signed in July 2008, was cancelled by the new Malagasy Government.

Singapore with scarce land resources but plenty of investment money has been active in land-based deals in Africa (and elsewhere) over the past decade. Private commodity traders based in Singapore, such as Wilmar International one of the world’s largest commodity traders and palm oil producers, Olam an Indian non-resident company, and Vita Grain a Singaporean company interested in hybrid rice have all invested in farming operations and contract farming schemes for palm oil production in Cote d'Ivoire, Gabon, Ghana, Liberia and Zambia, and rice production in Mauritius, Mozambique and Tanzania. In the agreements signed with both Mauritius and Mozambique, it was stipulated that some of the rice produced will be destined for the local markets. Singapore’s operation in Tanzania is through ETG Holdings, one of the largest farmland owners in Africa with extensive holdings also in Kenya, Mozambique, Zambia and the DRC and a company that is committed to the development of corporate farms in sub-Saharan Africa. In Uganda, the government was able to get the support of the UN International Fund for Agricultural Development (IFAD) and the World Bank for its joint venture with Wilmar’s subsidiary Oil palm Uganda Ltd., under which Wilmar was allocated 40,000 hectares of land for nucleus oil palm plantations in three different areas of Uganda. It can be inferred that the presence of Singaporean land-based investors in Africa is not entirely without immediate benefit for the local economies, both from the standpoints of food security and enhancement of agricultural production.

Malaysia’s three land-based investment projects in Africa are in relation to oil palm plantations – two large investments in Congo–Brazzaville and Liberia and a much smaller one in Sierra Leone. The two large investments are by private Malaysian companies: Atama Plantations reportedly signed a deal with the Government of Congo–Brazzaville, which gave the company land concessions totalling 470,000 hectares in two different locations; and Sime Darby, the world’s largest agribusiness in palm oil production, which was granted a 63-year lease by the government in 2009 for a 220,000 hectares concession for palm oil production spanning four of Liberia’s fifteen counties. The Sime Darby deal in Liberia sparked off protest from local residents who with the support of the international NGO Green
Advocates filed an appeal to the Roundtable on Sustainable Palm Oil. Sime Darby was forced to freeze its operations and, consequently, indicated its willingness to deal directly with local villagers. However, the Liberian President, Mrs Johnson-Sirleaf, intervened to end this attempt by Sime Darby at direct negotiation with local residents and, according to GRAIN (2012), remonstrated with the local land owners that their protests, and effectively attempts to defend their land rights could in fact be undermine the development agenda of the government. The continuation of local protest has recently forced the government to renegotiate the contract with Sime Darby to secure increased revenues and enforceable commitments on employment and business opportunities for local communities. Malaysian land-based investment in Sierra Leone has been pursued through an agreement between the two governments with the financial support of the Islamic Development Bank. Interestingly, rather than buy or lease land for its own use, the Malaysian government agency involved in the deal, the Federal Land Development Authority (FELDA), seeks to replicate its smallholder cooperative model in Sierra Leone by providing improved seeds and planting materials and technical expertise to local farmers in exchange for secured long-term supplies.

Investors from Vietnam have secured farmlands in Sierra Leone (200,000 hectares) and Nigeria (14,000 hectares) to grow rice. In both countries, the investment is centred on the activities of the Vietnam Africa Agricultural Development Company (VAADCO), which is a Vietnamese and British joint venture seeking to develop intensive-irrigated rice production in Africa. In Nigeria, VAADCO has signed an MoU with two state governments, Anambra and Edo, to cultivate improved varieties of rice that it is developing for local consumption. In the case of Sierra Leone where Vietnamese investment covers a much larger land area, the objective is to grow rice that will meet both local needs and export. VAADCO is also involved in experimental rice production in farm projects in Sudan, Mozambique, Rwanda, Burundi, Liberia, Ghana and Mauritania with various public and private sector partners and technical support from the Government of Vietnam.

This brief review of East Asia’s land-based investments in Africa indicates that the pattern is mixed, ranging from investors securing land to produce food wholly for export to their own countries and with hardly any benefits to the local population, to arrangements which provide for some of the food produced by foreign investors to be marketed locally in the host country, to joint ventures between investors and host countries’ governments with mutual benefits to both parties including employment gains and transfer of knowledge and modern technique to African farmers. Concerns about the damaging effects of land-based investments by some East Asian (and other) investors on national and local food security and overall development in Africa, has been documented by international NGOs like Oxfam and GRAIN, and expressed in various reports of the

The damaging effects of foreign land-based investments have been exacerbated by rising food prices since 2008 and the resulting crisis faced by poor consumers in Africa, which in a way revealed the under-investment in food production and underdevelopment of food markets in Africa. There is no question that Africa needs investment in agriculture to benefit from higher prices in global markets. However, in the absence of domestic funds for large investments in agriculture, Africa could continue to rely on foreign investors for capital and, hence, will be faced with the challenge of ensuring that such investments are properly managed so as to yield revenues for the state and provide employment and incomes benefits for local people, as well as provide access to technology, knowhow and markets.

**Development consequences and policy implications**

Large-scale land acquisition in Africa in the last five years is in sharp contrast to the situation in the preceding half a century. From 1961 to 2005, an average 4.1 million hectares of land changed ownerships annually for agricultural production, of which 1.8 million were in Africa. Preliminary research by the Land Matrix Partnership, as reported in a recent Oxfam briefing paper on foreign investments in land, indicated that nearly 230 million hectares of land have been sold, leased, licensed, or are under negotiation in large scale land deals globally since 2005. Estimates of foreign land-based investments in Africa, as documented from plausible sources by GRAIN, Oxfam and others vary between 80 and 140 million hectares, with most of the acquisitions taking place in the last five years. A recent extensively researched analysis puts the number of reported deals concluded worldwide between 2000 and 2011 at around 2000, covering 203 million hectares with Africa accounting for 948 acquisitions covering 134 million hectares – an area larger than, France, Germany and the United Kingdom combined (Anseeuw et al. 2012).

Objection to large-scale foreign land deals in Africa is grounded mainly on questionable land acquisition on the basis of lack of consultation and compensation of local people, with risks of land alienation and food insecurity. Examination of a number of land acquisition contracts as reported by Oxfam revealed that leases were typically offered at extremely low levels of rent and extensive tax exemptions; investors were seldom required to provide employment opportunities for local communities or to contract smallholder farmers; contracts were usually drawn up and negotiated behind closed doors and often without any consultations with affected communities; and, more often than not, there were no social and environmental assessments of the investments or provision for monitoring and auditing of the implementation phase (Oxfam 2011). However, it is the
effect of such investments on national and local food security that has attracted much attention and criticisms in various quarters. In most cases, there are usually no food security safeguards requiring foreign leaseholders to sell food products grown locally in local markets if necessary. A recent report by Oxfam (2012) claimed that two-thirds of foreign land-based investors intend to export ‘everything they produce on the land’, even though 60% of land investment deals are concluded in ‘developing countries with serious hunger problems’. As Africa continues to be a magnet for ‘land grabs’, there is the incongruity of large exports of food from food-deficit countries in the region which themselves end up depending on international food aid.

**Food security**

Until about 30 years ago most African countries were entirely self-sufficient in food production. Today, Africa is the only continent which fails to grow or purchase enough food to feed its people. Population in the region has increased considerably since then, and still increasing but, according to the FAO (2009), staple food yields (e.g., grains and cereals) in sub-Saharan Africa (SSA) have barely increased in the past three decades and are estimated at about a quarter of those in the other major developing. Increasing urbanisation rates in many African countries have also expanded the share of the continent’s population that depends on food purchases. SSA is the region most affected by food insecurity, and several countries in the region cannot produce enough food locally and have fragile economic structures which render them ill equipped to respond to global price surges. While involvement in international land deals by such food deficit countries could be a possible strategic choice to address the decades of neglect of agriculture, this also raises serious and significant food security concerns in times of price volatility. Large net importers of food staples in the region, such as Ethiopia, Guinea, Sierra Leone, Madagascar, Mozambique, Niger, Mali, Senegal and Mauritania, were quick to feel the impact of higher import prices in 2007–2008 which in some cases developed into a food crisis with incendiary effect. Typical is the situation of Senegal, a country that imports up to 80 per cent of its rice, the main food staple, making it particularly vulnerable to global price instability. According to the FAO, recent developments in terms of price volatility in global markets and resulting export restrictions have increased the magnitude and incidence of food insecurity, hunger and malnutrition more generally in Africa.

**Land rights and access to land**

Nowhere is land more crucial to livelihood than in Africa where small-holder production is the mainstay of the region’s agriculture. Access of households and communities to adequate food for a healthy and
productive life in Africa depends on secure access to, and control over, land resources. Furthermore, for most communities across Africa land is not just a productive or economic asset; it is a source of life and well-being of a community and an essential part of local people’s social and cultural identity. The perception that there is plenty of unused arable land in Africa waiting to be exploited has to be re-examined against the reality of land use patterns and land tenure systems in the region. It is unclear just what is meant by terms such as ‘available’, ‘unused’, ‘idle’ or ‘under-utilized’ land, and also whether a country’s ‘cultivatable’ land is in fact, used or unused. In many African countries ‘available’ land is already being used or claimed —yet existing uses and claims go unrecognized because land users are not associated with formal land rights and access under the written law. Across Africa, the World Bank estimates that only between 2% and 10% of land is held under formal land tenure and this mainly concerns urban land (Deinenger 2003). The key question of land rights and access to land in Africa is rather complex and usually defies Western interpretation of ownership. In Sierra Leone, for example, access to most of the land relates to issues of tutelage, and land transactions could entail the relevance of formal property rights versus informal systems establishing ownership; international versus national versus local government claims to land; and competing uses for land from agriculture to industrial use (Unruh and Turay 2006; The Oakland Institute 2011).

There is ample evidence that the growing demand of foreign investors for agricultural land in Africa is affecting land ownership, access and use for local populations. While increased investment in agriculture seems desirable after decades of neglect and underinvestment in the sector, there is equally a need, from a governance standpoint, for both investors host governments to develop, implement and monitor appropriate regulations to protect land-use rights, improve food security of local communities and populations, and ensure sustainable management of land and other natural resources. This is consistent with various commitments made at the inter-governmental level, such as the ‘Rome Principles’ endorsed by the UN World Summit on Food Security in 2009; the G-8 leaders New Alliance for Food Security and Nutrition (2012) and the L’Aquila Food Security Initiative (2009); the Tirana Declaration of the International Land Coalition (ILC); and the African Union (AU) Comprehensive Africa Agriculture Development Programme (CAADP) adopted in 2003 – all of which recognised the importance of access to arable land and the crucial role of small-holder farmers in Africa.

**Development opportunity**

A combination of rapid population growth, lack of knowledge and technological know-how, and low level of investment in rural infrastructure and agriculture has kept per capita food production and agricultural labour
productivity in sub-Saharan Africa at exceedingly low levels, when compared with other developing regions. In the absence of irrigation, the effect of adverse climate and more frequently occurring droughts and land degradation is seriously affecting agricultural production in Africa which relies mainly on rain-fed farming. It is, therefore, not difficult to see why it is felt that Africa’s vast endowment of arable lands is ‘under-productive’ in relation to ensuring the continent’s food security, and to understand why foreign investments in land could potentially hold out promise for transforming Africa’s agriculture for the better (Deineger and Byerlee, 2011).

After decades of neglect of agriculture in many African countries, more governments in the region are embracing investments in land by foreigners as an opportunity to overcome chronic underinvestment in agriculture and to harness financial resources and know-how needed to modernise rural infrastructure and boost production in the sector, create jobs and generate additional public revenue for economic development. This amounts to a supply-driven process in which the host governments play an active role in attracting foreign investments for national development. If managed responsibly, land-based foreign investment can link smallholders to regional and global markets and provide capital, technologies, infrastructure and knowledge needed to raise yields, generate revenue for the state and generate employment and incomes for the local population (FAO 2009). However, when badly managed, international land transactions can give rise to serious development challenges and problems including violation and lack of recognition of land rights and violation of human rights of poor people (Zoomers 2010; De Schutter 2011a). International acquisition of agricultural land in Africa therefore poses a challenge to host governments in the region to protect local land rights and domestic food security, while at the same time seeing large-scale land-based investments as opportunity for modernising agriculture and promoting economic development. The trade-off faced by African governments is thus between promoting foreign investment in agriculture which has long been neglected for economic growth and sustainable development and maintaining some degree of national sovereignty and local control over land as necessary for satisfying the needs of the population for access to and benefit from land.

It would appear that in general African governments are more interested in the direct impact on agriculture and rural development of international land deals, rather than making money in terms of public revenue from land transactions. On the whole, payments for land and land rents in Africa are rather low, particularly for agricultural land in rural areas. In many cases, official fees for land leased by foreign investors are charged at nominal rates (e.g., in the range of US$ 1–5 per hectares), and justifications for transferring land to foreigners are based on expected benefits in terms of stimulating local economic development, creating employment and diversifying their economies away from, for example, too much reliance on
extractive industries and in favour of agriculture. But the low opportunity costs of land transferred to foreigners for agricultural production could also reflect the underdevelopment of formal land markets in rural Africa as well as the limited internal capacity or inability of governments to negotiate effectively in international land deals. For example, some governments in Africa have granted land leases to foreigners for 49 or even 99 years with no provision for periodic renegotiation of rents over the entire period of the lease.

**Land governance challenges**

Unsustainable pressure on land resources in many African countries is putting enormous strain on the fragile and inadequate legal and institutional arrangements that are in place in African countries to handle large-scale land transactions involving foreign investors. Some foreign investors have in turn exploited lack of clarity and confusion created by weaknesses in legal and institutional systems and inconsistencies in local land policies to evade their economic and social responsibilities on land acquisition – sometimes in collusion with national political leaders, ministers of host governments and even local community leaders and traditional chiefs. Enthusiasm for investment in large plantations by African governments has in some cases led them to quickly make land available for foreign acquisition, against local interests and even contrary to national legislation (Havnevik et al. 2011; The Oakland Institute 2011). The multiplicity of land-based projects occurring in a majority of Africa countries raises the question of whether Africa is developing into no more than an extended resource outlet for industrialized food and bio-fuel production systems with, in many instances, minimal considerations paid to fairness and equity issues for their populations and the environment where the acquisitions are occurring. While it is not the business of a foreign investor to determine and resolve issues of local governance, there is a moral obligation to make efforts specifically to act socially responsibly, and in the case of a foreign government to act in accordance with its role as a development partner of the host government.

The lack of transparency around land deals, absence of up-to-date land mapping and registration and limited internal legal and technical capacity to scrutinise the details of contracts serve as catalysts for inequitable agreements and represent problem areas in land governance in Africa. The failed land acquisition deal in Madagascar for food and biofuels production by a subsidiary of South Korean conglomerate Daewoo Corporation revealed that governance disconnects occurred between the state and regional levels, on the one hand, and the village/local community level, on the other, driven largely by a lack of transparency in the negotiation process. It also revealed the common land tenure problem across Africa of unclear land ownership
rights and titles. After an initial announcement of negotiations between Daewoo and the national government in the local press in early 2008, nothing more was heard by the public about the negotiations until late 2008 when the deal was reported in a UK-based newspaper, the Financial Time, as a 99-year lease of 1.3 million hectares of Malagasy land but with no information on payments for the land (Olivier 2008). Apparently, the contract had been signed several months earlier in mid 2008 but kept secret. Subsequent exposure of the details of the deal, in conjunction with revelations of personal gains by the head of state, led to violent protests and political unrests locally and the eventual fall of the government in March 2009. It is significant to note that because of lack of transparency internally, the initial discontent with the deal originated from international land rights advocacy groups operating outside Madagascar who provided information on the deal that fomented actual resistance within Madagascar and violent protests by local people.

The importance of land governance in Africa is vividly illustrated by the case of Mozambique which has become one of the prime targets of large-scale investments in agriculture, mainly because of the availability of well-watered land for growing energy crops for bio-fuels. Land-use rights and local communities’ access to benefits from land transactions and for the use of their forests and fauna (carbon trading) are among the biggest challenges to poverty reduction and sustainable development in Mozambique. As the percentage of cultivated land allocated to agribusiness and large-scale land-based investments in agriculture (state/private joint ventures and cooperatives) increases in the country, the rights and livelihoods of smallholder farmers are increasingly difficult to protect. This is particularly true when most of the available land is unregistered and untitled: in 2009 only 26 communities in Mozambique – less than 1% of the communities in the country – had their land formally registered. In such circumstance, there is great potential for future conflicts, because land previously demarcated for or informally allocated to local communities can later be formally allocated by the state to investors. In the absence of formal demarcation and registration, local communities find it increasingly difficult to protect their interests concerning land and other natural resources.

Taking into account the sort of problems associated with large-scale land transactions in Africa, responsible land governance in the region should revolve around three basic requirements. First, policies should be put in place to ensure some form of regulation of land deals based on principles embedded in the constructs of good governance at both national and international levels, and aimed at protecting land owners rights in both a free market system and under customary law and traditional system in land transactions (Lipton, 2009). These policies should be guided by core principles on land rights recognised by UN human rights bodies and voluntary guidelines for responsible land-based investments, such as those proposed by the World Bank (2008) and FAO (2012). Second, measures should be
introduced to integrate standards of good governance in land transactions at both global and national levels – based on transparency, fairness, accountability and justice in land acquisition process, and aiming at a ‘win–win’ situation for all concerned (i.e., investors, land owners and host governments). Third, and in the wider context of national development, the issue of large-scale foreign land-based investment should be considered in as a strategic option for moving African agriculture into the twenty-first century and enhancing Africa’s role in the global food security system, but ensuring that it is done right and consistent with local and national interests. These three requirements reflect the multi-level nature and complexity of and governance relationships implicit in global, regional and national development strategies and goals, such as the UN MDG’s, Global Compact and Right to Food initiatives, the African Union/NEPAD Comprehensive African Agriculture Development Programme (CAADP), the G-8 L’Aquila Food Security Initiative, global civil society campaigns in support of local protest groups against land grabs, etc.

The role of global institutions

Antipathy towards land grabbing has sparked a global debate and attracted international attention and action. The UN Special Rapporteur on the Right to Food, Olivier De Schutter, had argued before various UN sessions that agricultural investments in Africa and other poorer developing regions should benefit those countries in terms of reducing hunger and malnutrition, rather than lead to a transfer of land resources to richer countries (De Schutter 2009, 2010, 2011b). Even the EU which set targets for bio-fuel use, and by implication encourage its member states to invest in energy crops, has begun to take the criticism of land grabbing seriously; it no longer identifies agro-investment as the silver bullet that will simultaneously resolve the global energy, food and climate crises. The subject was on the agenda of the UN climate change summit in Durban in December 2011. The World Bank released a report in 2010 with a set of voluntary guidelines for land-based investments in poor countries. In a recent working paper, the IMF saw the need to increase transparency and improve land governance at country level and endorsed a global effort to document and monitor large-scale cross-national investments in land (Arezki et al. 2011). The International Labour Organisation (ILO) addressed the problem in 2011 at its annual conference in a report on labour rights and land rights with respect to foreign investments in commercial plantations in developing countries. There is also recognition by the FAO of the need for responsible governance environment in foreign land acquisitions which could ensure a ‘win–win’ situation for all parties (FAO 2012). The African Union, in conjunction with the UN Economic Commission for Africa and the African Development Bank, is now
developing a ‘framework and guidelines for land policies in Africa’. Principles of corporate social responsibility have been evoked by international NGOs such as Oxfam to advise foreign investors on their accountability in contract negotiations with regard to food security, social and environmental issues.

Conclusions

This paper has examined how the quest for national food and energy security in East Asian countries is impacting on food security and development in Africa through large-scale land acquisitions. There is no evidence to suggest that East Asian nations are primarily engaged in land investment in Africa with a view to profiting from rising land values per se. Their interests are more to do with securing supplies of food and non-food agricultural commodities and, in the case of some Chinese companies, to access regional markets. While the role of investors is critical to the outcomes of land deals in Africa, the paper also looked at the position of host governments in attracting and encouraging investment as a source of employment and growth.

Land-based investment in Africa is regarded by host governments and some international development institutions and policy analysts as the pathway for accessing capital, technology and knowledge needed to transform agriculture from its historic low productive and income levels and for commercialisation for smallholder agriculture. Commercial agriculture is perceived as a powerful driver of economic growth and international competitiveness (e.g., World Bank 2009) and a catalyst for enhancing the role of African agriculture in the international food system. In this regard, it provides an opportunity for poor countries with ample endowment of under-utilized arable land to realise the potential of their agriculture sector, including promoting export and ensuring food security. It can also contribute to economic diversification of national economies and make agriculture a central part of growth strategies in the region. At the same time, there is little doubt, according to available evidence, that so far land-based foreign investments have left African smallholder farmers particularly vulnerable to dispossession and local communities to the risk of increasing marginalisation and threat of food insecurity.

There is a need for balancing food security needs and concerns of both host countries and home countries of foreign investors in the context of managing the global food system. The Declaration adopted by the High Level Conference on World Food Security in Rome in June 2008 proposed a two-prong approach toward this objective: (1) boost global food production by investment in agriculture and rural development in land abundant developing countries for local consumption and export; and (2) improve and increase access to food for the poor and vulnerable. As discussed, this
approach invariably involves both the risks and opportunities of large-scale land acquisitions by foreign investors which need to be addressed. Host governments need to understand and clarify what kinds of investment they want to attract. A new national land acquisition policy in which land rights, food security and sustainable development are major objectives should entail in most cases options for legal recognition of customary tenure and the ability of African governments to negotiate land transfer contracts not only in terms of ‘fair price’, but also from the perspectives of livelihood gains in employment and income, rural development, and social and environmental impacts. Beyond this, there is also a need for African countries to implement regional approaches on food security centred on the Comprehensive Africa Agriculture Development Programme (CAADP) (Seters van et al. 2012).

Some African governments have now taken steps to address land rights and governance problems associated with large-scale land deals. Following the failed Daewoo land deal, Madagascar cancelled several land projects involving foreign investors and declared a moratorium on new large-scale land concessions at the end of 2009. Last year, the government introduced a new agricultural policy which incorporated a process of community land registration to protect smallholder rights. The government of Liberia, spurred on by local protest, recently renegotiated the contract for a large-scale commercial plantation with the Malaysian company, Sime Darby, to secure increased revenues and enforceable commitments on employment and business opportunities for local communities. Growing concern about international land deals is leading to a reconsideration of the ‘market-based’ option (‘let the market prevail’) by global multilateral institutions such as the World Bank, FAO, IFAD and UNCTAD, in favour of a more managed approach which calls for development of specific markets in land with recommendations to recognise titles linked to communal system of land ownership and for investors to consult and deal directly with local communities in land deals (World Bank 2008; UNCTAD 2008; FAO 2009, 2012; De Schutter 2009).

Above all, there is the need for African governments to look at the ‘bigger picture’ in relation to sustainable development: how to minimise the negative consequences of foreign land deals alongside policies for increasing the potential benefits form positive structural changes in the domestic economy and fuller integration in the global system. Through large-scale land-based investments, Africa could benefit from the development experiences of China, South Korea and Malaysia, particularly with respect to agribusiness and industrialisation strategies (Lisk 2011). Both China and South Korea have established continent-wide cooperative partnerships with Africa through institutional links with the African Union (i.e., the Forum for China – Africa Cooperation (FOCAC) and the Republic of Korea – Africa Forum), which can be useful for coordinating and providing technical assistance. Finally, in the light of current global economic
and social transformations which have profound implications for the livelihoods and food security in Africa, it is essential for African countries to approach international land transactions as strategic market opportunities for long-term development rather than short-term opportunistic deals.

Notes

1 As inventoried by the Spanish-based international non-governmental organization GRAIN, which provides information on all press reports of transnational large-scale land acquisitions worldwide on its website Food Crisis and Global Land Grab.

2 GRAIN first drew attention to this issue in its October 2008 brief, ‘Seized! The 2008 land grabbers for food and financial security’. Since then, the term ‘land grab’ has gained international recognition to describe investments in large tracts of land for food production and speculation by rich nations, private companies and individuals.

3 According to the UN Food and Agricultural Organization (FAO), high food prices in 2008 pushed an additional 40 million people in developing countries into hunger and increased the food import bill for developing countries by nearly 75% (FAO, Crop Prospects and Food Situation, 2008; www.fao.org/). During the six months from October 2007 to April 2008 the world price of rice trebled from US$335 to over $1000 per ton, and the consequent sharp rise in local prices of this staple led to violent food riots in a number of African countries – Burkina Faso, Cameroon, Mozambique and Senegal.

4 Major foreign investors in farmlands in Africa for food production include wealthier food-insecure Gulf states with scarce water and arable land resources, such as Saudi Arabia, Qatar, Kuwait and UAE. In addition, European investors are acquiring large tracts of fertile land in Africa mainly for production of sugar cane for ethanol, in response to the EU’s renewable energy directive to increase the proportion of biofuels in its total energy consumption.

5 Total Chinese land acquisition in Africa is recorded at just over 400,000 hectares, as compared to about 790,000 by South Korea, 733,000 by Singapore and 992,500 by Malaysia.

6 It is important to note the wide heterogeneity of actors even from the same group, such as those in the host country – central government ministries with different interests, the private sector which includes both national and international firms, local government authorities and civil society organisations, all facing different incentives and motivated by different interests.

7 The United States has been directing subsidies of several billion dollars to its farmers for the production of corn-based ethanol. The European Union’s Renewable Energy Roadmap, which includes policies to promote the use of bio-fuels for transport against time and quantity-based targets, is believed to be contributing to the increasing demand for agricultural land in Africa and other developing regions by European-based investment enterprises.


9 A report prepared by the McKinsey Global Institute in 2010, ‘Lions on the move: the progress and potential of African economies’, which is directed at global investors, announced that Africa was home to 600 million of uncultivated arable land – 60% of the world total.


12 The crucial link between access to land and food security is recognized in the post-apartheid constitution of South Africa identifies land reform (Section 25) as necessary to guarantee food security for all citizens (Section 27). See Republic of South Africa, Constitution of the Republic of South Africa, 1996.

13 The ILC, which consists of about 120 organisations, from community groups, to Oxfam, to the World Bank, adopted the Declaration on securing land access for the poor which denounced land grabbing at its Assembly in Tirana, Albania, in May 2011.

14 This implies benefit for all and gives rise to notions of ‘codes of conducts’ for land deals (e.g., voluntary guidelines by FAO, OECD and IFPRI, G8 L’Aquila Food Security Initiative).

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