FPIF Commentary

Global Land Grab

Alexandra Spieldoch | June 18, 2009

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Close to a billion people in the world are hungry, and there is growing poverty, unemployment, and displacement in the rural sector. The world community is in widespread agreement about the urgency of more investment in agriculture. The food crisis, partly characterized by unstable markets and low reserves, has led governments to seek measures to meet their food security needs more directly than through global trade. Even though this year's harvest was good and there was some replenishment of global stocks, there's no certainty of what markets will look like next year.

Governments and corporations looking to outsource food and energy more directly themselves are promoting a new wave of land acquisitions, also known as "land grabs." Persian Gulf states are working out land deals in Africa, Asia, and Eastern Europe. India has set up agricultural projects in Brazil. South Korea recently tried to buy up nearly half of the island of Madagascar.

"If food was ever a soft policy issue before," editorializes *The Financial Times*, "it now rivals oil as a basis of power and economic security." Control over the land that produces this power remains as critical today as it was in the past.

The Real Deal

Among the extraordinary number of new land deals, some have resulted in contracts while others have fallen through. Journalists have reported on the details of the deals, but so far there is little solid research from which to draw. Still, the deals are happening to such a degree that the World Bank and the UN are developing Codes of Conduct for Foreign Land Acquisition. The African Union will also publish investment guidelines in July, and Japan is pushing the G8 to get behind them. New websites tracking these land deals include the international land coalition and GRAIN.

Foreign investment deals in agriculture are nothing new. In colonial times, European countries established plantation economies in Africa, Asia, and Latin America to export food. Today there is large-scale investment in mining natural resources and contract farming as a means to source global supply chains. Yet these new land grabs are mammoth. The *Economist* reports that whereas land deals in Sudan used to be around 240,000 hectares, today's deals are three times as large. Before it fell apart, the proposed land deal between Madagascar and the South Korean company Daewoo would have included nearly half of the country's arable land. The lease would have lasted 99 years, with virtually no required taxes or other benefits flowing back to Madagascar or to the local community. Not surprisingly, the public in Madagascar rose up in protest, which contributed to the overthrow of the government.

During colonial times and in the recent past, developing countries exported cash crops such as cocoa and coffee. Now they are now exporting basic food staples. In many developing countries where land acquisition is taking place, the populations are already food insecure. So why are they exporting food crops instead of feeding their populations? For example, Ethiopia is the largest recipient of food aid from the World Food Program, but is also outsourcing food to Saudia Arabia. Cambodia, Niger, Tanzania, and Burma are other examples of countries receiving aid and also serving as host countries for foreign land acquisition.

Who's Behind the Grab?

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Contrary to past trends, countries in the Global South are initiating much of the investment. The Persian Gulf States, including Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates, are investing in many parts of Africa, as well as Asia and Eastern and Central Europe. These countries are rich in energy but lack arable land and water. For example, Saudi Arabia has acquired land in Sudan to plant wheat, which is inefficient to grow at home. China is also buying up large tracks of land throughout Africa to produce biofuels and to produce food. India's companies have formed a consortium to invest in corporate farming of oilseeds in Latin America, most notably Uruguay and Paraguay.

Companies seeking more stable long-term profits are investing in agricultural land. In countries that already have shaky governments or civil war, foreign corporate investment may not end up being that stable or even profitable. Deals have already fallen through because of the risk. Others firms like UK Sunbiofuels are ignoring the risks and moving full-steam ahead with investment in crops such as sugarcane for ethanol in Tanzania.

From the land deals, developing countries hope to gain more investment in infrastructure such as roads, ports and other facilities. They hope to acquire more technology, research and science. Their farmers need jobs and a place in the global market. Over the past few decades, as part of structural adjustment requirements and other domestic measures to facilitate trade, many developing countries have disinvested from their agriculture. International investment flows into these countries have also declined.

The result is that today, many countries lack productive capacity to grow and provide food for their populations. For example, most Least Developed Countries are now dependent on food imports and lack capacity to be self-sufficient in food production. To countries starved of investment and with little except natural resources to offer the global market, land deals are deceptively attractive.

Struggle for Land

The operative word in all of this is "land." Countries are diverting high-quality land from production for local and national economies to create large-scale plantations focused on feeding other nations. What governments might deem as marginal or unused land to sell may very well be meeting an important share of rural people's household needs, especially in the poorest households. Uncultivated land has many uses such as for animal grazing, wild foods, medicinal plants, and even water.

Land disputes for control of natural resources and food are inevitable. Land struggles have been and still are violent and destabilizing. Identity, culture, justice, and governments' legitimacy are closely tied to these power struggles. To superimpose foreign investment on areas that are already fraught with violent land disputes requires a great deal of sensitivity. This isn't a situation that can be captured in a simple cost-benefit analysis. Many of these deals reinforce the existing imbalances between haves and have-nots. Few of the deals acknowledge the poverty and power discrepancies that mar the context in which the deals are made.

A Better Deal

Foreign direct investment could provide all kinds of new opportunities for developing countries in need of resources. Such investment can help them achieve food sufficiency and food security within their borders, to restore the land with sustainable practices, and to promote long-term development. If the end goal is really to resolve the food and climate crises, all investment flows should be assessed based on their ability to achieve this.

Governments should articulate a national vision based on these goals. All investment measures should be transparent, participatory and accountable to those who will be most impacted, such as smallholder producers. A mandatory review of land use and land rights would be essential to understanding potential impacts and how to promote investment that makes sense for communities and their culture and environment. All national investment plans should be assessed based on international human rights obligations.

The convergence of the energy, land, and climate crises serves as a reminder of the limits to growth. The majority of these land deals could worsen the food crisis and the struggles associated with land use, human rights, and environmental degradation. To bring us back from the edge of resource depletion, governments need to increase aid for investment in small-scale producers and also regulate all investment so that it meets food security goals and promotes the realization of people's rights. This means promoting democratic consultation and transparent contracts. And it means promoting climate-friendly production methods based on smaller-scale, diversified planting systems rather than large plantations growing one commodity for export.

This article is based on a longer piece written by Alexandra Spieldoch and Sophia Murphy, to be published by the Woodrow Wilson International Center in summer 2009.

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