Pushing the Limits: International Land Acquisitions in Comparative Perspective

Ariane Goetz

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PUSHING THE LIMITS:
INTERNATIONAL LAND ACQUISITIONS IN COMPARATIVE PERSPECTIVE

By
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Magister Artium in Philosophy and German Studies, Free University Berlin, 2004
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PHD DISSERTATION
Submitted to the Department of Global Governance
in partial fulfillment of the requirements for
Doctor of Philosophy in Global Governance
Wilfrid Laurier University
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ABSTRACT

The role of investor countries in large-scale land acquisitions is poorly understood in the contemporary “land grab” literature. Orthodox explanations largely build on deductive analyses that deviate from the emerging empirical evidence, and/or face analytical difficulties when trying to capture why large-scale land acquisitions happen. This thesis investigates the global phenomenon of “land grabbing” from the comparative perspective of two major investor countries: the UK and China. The regional focus is on Sub-Saharan Africa, a major target of land-consuming investments since 2000.

The dissertation advances three arguments: Firstly, the specific details of the home country’s industrial set-up, development challenges, ideological framing, political economy, and significant events are critical to understanding what is happening. Chinese outward FDI (OFDI) reflects the demands of the country’s resource-intensive and market-dependent manufacturing industry, and is part of economic upgrading. In the case of the UK, large-scale land acquisitions occur in response to reforms in the host countries, to international and domestic energy and climate policies, and to reindustrialization efforts.

Secondly, the comparative perspective reveals that in spite of their differences, both countries share many similarities, such as the complexity of agencies, structures, and events involved, the guiding ideology in place, and the institutional framework supporting OFDI. This fact is overlooked by orthodox explanations of “land grabbing” which apply a narrow state-capitalist or market economic framing to explicate Chinese and British investments, respectively. Importantly, both countries’ governments frame OFDI as a strategic instrument to pursue particular development ambitions.

This thesis has also reviewed the main features of late 19th-century colonial and imperial practices, to be aware of important factors and dynamics in the evaluation of contemporary land acquisitions. From this historical perspective, thirdly, it argues that contemporary land-consuming OFDI activities have novel and “old” features in comparison to the Scramble for Africa. On the one hand, core institutions, ideas, and structures that emerged in the 19th century are still part of the topography of today’s global society. The complexity of motives, actors, and sectors at play also strongly resembles that of the past. On the other hand, a more detailed assessment of those features highlights that their characteristics have changed in key respects: corporations have gained discretionary power vis-à-vis the state; host country governments proactively seek to attract foreign capital (rather than it being forced upon them); existing institutional structures supporting OFDI have been strengthened domestically and internationally, both in home and host countries; and contemporary capital exports by newcomers such as China reflect processes of global economic restructuring of which these overseas investments form a part.
ACKNOWLEDGEMENTS

This thesis would not be the same (or simply would not be) without the support and inspiration of teachers, colleagues, friends and family, for which I am very grateful.

I would like to extend my deepest gratitude to my committee, whose generous support, genuine interest, and insightful critique have been invaluable throughout this learning process. I am deeply indebted to my supervisors. Prof. Dr. Frederick Bird began to supervise me at a very early stage, when I was trying to figure out a way to bring together several disparate questions and thematic threads. His thoughtful advice, theoretical stimulus, and trust in the non-linear progress made allowed me to settle on the topic and approach that was most gratifying to me and see this project through. Thank you! I am also deeply indebted to my supervisor Prof. Derek Hall, who joined the journey once I had decided to focus on land acquisitions. His insightful guidance regarding methods, literatures, and land issues and his considerable support throughout the research and writing process were vital to the success of this project. Last but not least, Prof. Jennifer Clapp, the third member of my committee, has been a constant source of inspiration and critical advice. Her class on the political economy of food encouraged me to pursue the topic of land acquisitions from a home-country perspective, and her ever-open door was crucial to thinking through core theories of political economy and ecology.

I would also like to thank the faculty members of Wilfrid Laurier University (WLU) and the University of Waterloo (UW) for thought-provoking discussions and enduring support, particularly Patricia Goff, Dan Gorman, Randy Wigle and Gerry Boychuk. Further, I would like to thank Andrew Thompson for his great support from the
BSIA side, as well as Kelly Brown and April Wettig for their assistance in administrative matters. I am also very thankful for the funding from the Balsillie School of International Affairs and WLU, which provided me with the greatest of luxuries: more time for research. I also thank Loren King (WLU) for altruistically juggling ideas around at an early stage of proposal development. Moreover, I would like to thank my interview partners and the many colleagues who served as a willing sounding board or organized meetings with others engaged in the same topic.

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In Germany, I am deeply indebted to my friends for their encouragement and support throughout, and for being so forgiving about the fact that I have been largely absent. You are simply wonderful! Special thanks to Nina Lichtenberg, Dorota Cygan, Maja Mann, Corinna Bobzien, Hartmut Gruber, Marco Scherbarth, Jan Bauer, Barbara Then, Daniel Dückers, Viola Sikora, and Stéphanie Novak!

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different stages of the thesis, this research group provided me with the unique opportunity to partake in several workshops and a wonderful field trip to Mali. Thank you all! I would also like to thank Donald Blondin and Neva Nahtigal for their extremely helpful feedback on the last drafts of the thesis. I am also tremendously grateful for the support of Anneli Götz and Anne Boden. Once I reached the stage of thesis revision, I took on a job at the IASS in Potsdam. I would like to thank my remarkable colleagues at the Global Soil Forum and beyond for the inspiring discussions, laughter and cake that brightened the days after my nights of revision. You are the best! Several people prepared the ground for this thesis to grow on: thank you to Prof. Horst Denkler, Dr. Inge Kaul, and Prof. Markus Jachtenfuchs for the generous mentorship and inspirational work, which have been vital for my learning over the years!

Finally, I would like to thank my parents, Anneli Götz and Franz Josef Götz, and my brother Christopher Götz, for all the love, empathy, interest, and support throughout the years; and Oliver Eß for being there even when we were oceans apart: 25! This thesis is dedicated to you.
# Table of Contents

Abstract ................................................................................................................................. ii

Acknowledgements ............................................................................................................... iii

List of Abbreviations ........................................................................................................... 5
List of Tables ......................................................................................................................... 13
List of Figures ....................................................................................................................... 14

Chapter 1: Introduction ...................................................................................................... 15
  1. The Project ....................................................................................................................... 15
  2. The “Land Grabbing” Debate and Research Puzzle ..................................................... 22
  3. The Research Objective and Approach ....................................................................... 35
  4. Methodological Issues .................................................................................................. 38
     Database and Data Collection ...................................................................................... 39
     Methodological Approach ............................................................................................ 45
     Case Selection ............................................................................................................... 53
     Comparative Political Economy, OFDI and Home Country Development ............... 56
     Objectivity in Social Science ...................................................................................... 64
  5. Synopsis of Key Findings .............................................................................................. 66
  6. Structure of the Thesis .................................................................................................. 76

Chapter 2: International Land Acquisitions Today – The Debate Since 2008 ............... 79
  1. Introduction ....................................................................................................................... 79
  2. Why “Land Grabbing” Made It Onto the International Research Agenda .................. 81
  3. On Terminological Ambiguity ....................................................................................... 84
  4. The “Land Grab” Debate Since 2008 – A Literature Review ....................................... 88
  5. What About Policy? Influential Frames and Paradigms in the Debate ...................... 95
Peasant Activism ............................................................................................................. 97
Mainstream Economics ................................................................................................. 102
Right to Food .................................................................................................................. 106
6. Conclusion .................................................................................................................. 109

Chapter 3: Historical Perspectives on Overseas Land Acquisitions in the South .......... 113
1. Introduction .................................................................................................................. 113
2. Imperialism and Colonialism – Key Theoretical Explanations .................................. 118
3. The International Parameters of 19th-Century European Imperialism ..................... 126
5. Decolonization and Globalization ................................................................................ 156
6. Conclusion .................................................................................................................. 162

Chapter 4: Chinese Investments in Africa – “Create Infinity, Benefit Mankind” .......... 167
1. Introduction .................................................................................................................. 167
2. Background on China in Africa ................................................................................... 170
   Sectors .......................................................................................................................... 174
   Timelines ....................................................................................................................... 177
   Land: Its Role and Use in the Investments ................................................................... 182
   Actors and Institutions ................................................................................................. 195
4. The Investments in the Recipient Context: Stated Goals and Multifaceted Reality ...... 202
5. The Issue of Labor ....................................................................................................... 208
6. Conclusion .................................................................................................................. 214

Chapter 5: The Chinese Context: Investments from a Home Country Perspective ........ 219
1. Introduction .................................................................................................................. 219
2. Home Country Measures ............................................................................................ 221
3. Guiding Ideology ........................................................................................................... 235
4. Political Economy ........................................................................................................ 244
5. Development Context .................................................................................................... 255
6. Conclusion .................................................................................................................... 263

Chapter 6: British Investments in Africa – “The last frontier to find alpha?” .................. 270
1. Introduction .................................................................................................................. 270
2. Background on the UK in Africa .................................................................................. 274
   Sector ............................................................................................................................. 278
   Timelines ....................................................................................................................... 281
   Land: Its Role and Use in These Investments .............................................................. 290
   Actors and Institutions ................................................................................................. 301
4. The Investments in the Recipient Context: Stated Goals and Multifaceted Reality .... 306
5. Investment Funds for Agriculture ............................................................................... 310
6. Conclusion .................................................................................................................... 318

Chapter 7: The British Context: Investments from a Home Country Perspective .......... 323
1. Introduction .................................................................................................................. 323
2. Home Country Measures ............................................................................................. 325
3. Guiding Ideology .......................................................................................................... 343
4. Political Economy ........................................................................................................ 350
5. Development Context .................................................................................................. 362
6. Conclusion .................................................................................................................... 368

Chapter 8: Pushing the Limits – Conclusion and Outlook .............................................. 376
2. UK in Africa: Growth Regions, Climate and Energy Security, Reindustrialization .... 389
3. Comparing Chinese and British Land-Consuming OFDI ............................................................... 396

4. Chinese and British “Land Grabs” in Historical Perspective ................................................. 405

5. “Pushing the Limits:” Land-Consuming OFDI from the Home Country Perspective .. 412

Appendices ........................................................................................................................................ 417

Appendix A: Chinese Investments in Africa .................................................................................. 417

Appendix B: British Investments in Africa .................................................................................... 427

References ........................................................................................................................................... 443
## LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACP</td>
<td>African, Caribbean, and Pacific Group of States</td>
</tr>
<tr>
<td>ACP-EU</td>
<td>Refers to development cooperation between the ACP and EU</td>
</tr>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>AFTi</td>
<td>Africa(n) Free Trade initiative</td>
</tr>
<tr>
<td>AIM</td>
<td>Alternative Investment Market of the London Stock Exchange (&quot;International market for smaller growing companies&quot;)</td>
</tr>
<tr>
<td>AoA</td>
<td>WTO Agreement on Agriculture</td>
</tr>
<tr>
<td>AOCABFE</td>
<td>Assoc. Overseas Chinese Agricultural, Biological, and Food Engineers</td>
</tr>
<tr>
<td>AUC</td>
<td>African Union Commission</td>
</tr>
<tr>
<td>BAT</td>
<td>British American Tobacco</td>
</tr>
<tr>
<td>BIS</td>
<td>Department for Business, Innovation &amp; Skills (UK) (est. 2009)</td>
</tr>
<tr>
<td>BIT</td>
<td>Bilateral Investment Treaty</td>
</tr>
<tr>
<td>BRICS</td>
<td>Refers to Brazil, Russia, India, China, and South Africa</td>
</tr>
<tr>
<td>C/IPE</td>
<td>Combination of comparative political economy and international political economy as an academic discipline</td>
</tr>
<tr>
<td>CADFund</td>
<td>China-Africa Development Fund</td>
</tr>
<tr>
<td>CAITEC</td>
<td>Chinese Academy of International Trade and Economic Cooperation</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<td>--------------</td>
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</tr>
<tr>
<td>CAJCCI</td>
<td>China-Africa Joint Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party (also Communist Party of China [CPC])</td>
</tr>
<tr>
<td>CDB</td>
<td>China Development Bank</td>
</tr>
<tr>
<td>CDC</td>
<td>Development finance institution (formerly Commonwealth Dev. Corp.)</td>
</tr>
<tr>
<td>CDM</td>
<td>Clean Development Mechanism</td>
</tr>
<tr>
<td>CER</td>
<td>Certified Emission Reduction credit (equivalent to one tonne of CO2)</td>
</tr>
<tr>
<td>CIF</td>
<td>China International Fund Limited</td>
</tr>
<tr>
<td>CO2</td>
<td>Carbon Dioxide (primary greenhouse gas emitted by human activities)</td>
</tr>
<tr>
<td>COMPLANT</td>
<td>China National Complete Plant Import &amp; Export Corporation (Group)</td>
</tr>
<tr>
<td>CSFAC</td>
<td>China State Farm and Agribusiness Corporation</td>
</tr>
<tr>
<td>DECC</td>
<td>UK Department of Energy &amp; Climate Change</td>
</tr>
<tr>
<td>DEFRA</td>
<td>Department for Environment, Food &amp; Rural Affairs (UK)</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development (UK)</td>
</tr>
<tr>
<td>DRC</td>
<td>Democratic Republic of the Congo</td>
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</table>
| DTI          | Department of Trade and Industry (UK) (Formed in 1970, replaced in 2007 by the Dept. for Business, Enterprise and Regulatory
Reform [BERR] and the Dept. for Innovation, Universities and Skills [DIUS]; these two departments were merged to create the Department for Business, Innovation & Skills [BIS, see entry above] in 2009.

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<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ECGD</td>
<td>Export Credits Guarantee Department (UK)</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EPO</td>
<td>Equatorial Palm Oil Company</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
</tr>
<tr>
<td>FCECCPLP</td>
<td>Forum on Economic and Trade Cooperation between China and Portuguese Countries</td>
</tr>
<tr>
<td>FCO</td>
<td>Foreign &amp; Commonwealth Office (UK)</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FIAN International</td>
<td>Formerly, Food First Information and Action Network</td>
</tr>
<tr>
<td>FOCAC</td>
<td>Forum on China-Africa Cooperation</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>GEF</td>
<td>Global Environmental Fund (a firm focusing on clean tech operations; not to be confused with the Global Environment Facility)</td>
</tr>
<tr>
<td>GLP</td>
<td>Global Land Project</td>
</tr>
<tr>
<td>GOANA</td>
<td>Grand Agricultural Offensive for Food and Abundance (Senegal)</td>
</tr>
<tr>
<td>GTZ</td>
<td>German Agency for Technical Cooperation (Merged into the German Agency for International Cooperation [GIZ] in 2011)</td>
</tr>
<tr>
<td>HA</td>
<td>Hectare(s)</td>
</tr>
<tr>
<td>HCM</td>
<td>Home Country Measure</td>
</tr>
<tr>
<td>HK</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>IAASTD</td>
<td>International Assessment of Agricultural Knowledge, Science and Technology for Development</td>
</tr>
<tr>
<td>ICBC</td>
<td>Industrial and Commercial Bank of China</td>
</tr>
<tr>
<td>IDE-JETRO</td>
<td>Institute of Developing Economies</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IFDI</td>
<td>Inward Foreign Direct Investment</td>
</tr>
<tr>
<td>IFPRI</td>
<td>International Food Policy Research Institute</td>
</tr>
<tr>
<td>IIED</td>
<td>International Institute for Environment and Development</td>
</tr>
<tr>
<td>ILC</td>
<td>International Land Coalition</td>
</tr>
<tr>
<td>INKOTA</td>
<td><em>Information, KOordination, TAgungen</em></td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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</tr>
<tr>
<td>IO</td>
<td>International Organization</td>
</tr>
<tr>
<td>IPE</td>
<td>International Political Economy (as an academic discipline)</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial Public Offering</td>
</tr>
<tr>
<td>IRAD</td>
<td>Institut de Recherche Agricole pour le Développement</td>
</tr>
<tr>
<td>ISS</td>
<td>International Institute of Social Studies (The Hague)</td>
</tr>
<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>MAI</td>
<td>Multilateral Agreement on Investment</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
</tr>
<tr>
<td>MNE</td>
<td>Multinational Enterprise</td>
</tr>
<tr>
<td>MoD</td>
<td>Ministry of Defence</td>
</tr>
<tr>
<td>MOFA</td>
<td>Ministry of Foreign Affairs of the People’s Republic of China</td>
</tr>
</tbody>
</table>
| MOFCOM  | Ministry of Commerce of the People's Republic of China  
(succeeded MoFTEC in 2003) |
| MoFTEC  | Ministry of Foreign Trade and Economic Cooperation  
(preceded MOFCOM) |
| MoL(SS) | Ministry of Labor and Social Security of the People’s Republic of China  
(established on basis of the former Ministry of Labor in 1998) |
<p>| MoU     | Memorandum of Understanding |
| NDRC    | National Development and Reform Commission (China) |</p>
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>NEPAD</td>
<td>The New Partnership for Africa’s Development</td>
</tr>
<tr>
<td>NFCFPA</td>
<td>National Federation of Communal Forests and Pastures of Albania</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>NIEO</td>
<td>New International Economic Order</td>
</tr>
<tr>
<td>NPC</td>
<td>National Planning Committee</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Aid</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OFDI</td>
<td>Outward Foreign Direct Investment</td>
</tr>
<tr>
<td>ONS</td>
<td>Office for National Statistics (UK)</td>
</tr>
<tr>
<td>POE</td>
<td>Privately Owned Enterprise</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>RAI</td>
<td>Responsible Agricultural Investment</td>
</tr>
<tr>
<td>RFA</td>
<td>Renewable Fuels Agency (UK)</td>
</tr>
<tr>
<td>RMB</td>
<td>Renminbi (the official Chinese currency)</td>
</tr>
<tr>
<td>RFTO</td>
<td>Renewable Fuel Transport Obligation</td>
</tr>
<tr>
<td>SAFE</td>
<td>State Administration of Foreign Exchange</td>
</tr>
<tr>
<td>SAP</td>
<td>Structural Adjustment Program</td>
</tr>
<tr>
<td>SASAC</td>
<td>State-owned Assets Supervision and Administration Commission</td>
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<td>SBF</td>
<td>Sun Biofuels</td>
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<td>Acronym</td>
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<tr>
<td>SEPA</td>
<td>State Environmental Protection Administration (China)</td>
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<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>SLIEPA</td>
<td>Sierra Leone Investment and Export Promotion Agency</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SOE</td>
<td>State-owned Enterprise</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
</tr>
<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
</tr>
<tr>
<td>UEMOA</td>
<td>West African Economic and Monetary Union (French acronym; Union includes Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo)</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UKTI</td>
<td>UK Department for Trade &amp; Investment</td>
</tr>
<tr>
<td>UN DESA</td>
<td>United Nations Department of Economic and Social Affairs</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCCD</td>
<td>United Nations Convention to Combat Desertification</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organisation</td>
</tr>
<tr>
<td>UN-REDD</td>
<td>United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WFP</td>
<td>United Nations World Food Programme</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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</tbody>
</table>
LIST OF TABLES

Table 1-1 – Orthodox Explanations of Foreign Land Acquisitions: Prominent Examples............27
Table 1-2 – A Note on Terminology ..................................................................................................36
Table 1-3 – Evolving Listings: May 2012, September 2012, and April 2014 ........................................40
Table 1-4 – Overview of Informal Interviews ..................................................................................45
Table 1-5 – Summary of Orthodox Explanations about Land-Consuming FDI since 2007..........47
Table 1-6 – Categories and Sub-Questions Guiding the Assessment .................................................49
Table 3-1 – Main International Lenders and Borrowers, 1913 .......................................................129
Table 3-2 – Commodity and Geographical Composition of Exports, 1913.................................130
Table 3-3 – Restrictions on Foreign Ownership of Equity across Regions and Sectors ............159
Table 4-1 – The Case of the China State Farm and Agribusiness Corporation .........................190
Table 4-2 – Chinese Special Economic Zones in Africa .................................................................193
Table 4-3 – Project Projections from the CIF's Website .................................................................197
Table 4-4 – China in Africa: Actors involved in Land-Consuming OFDI ........................................200
Table 4-5 – Review of the Empirical Characteristics of Chinese OFDI .........................................218
Table 5-1 – Documents Outlining China’s Development and Its Presence in Africa...............238
Table 5-2 – Guiding Principles and Objectives of "China's Africa Policy" .................................241
Table 5-3 – Three Levels of Chinese Engagement in Africa .........................................................251
Table 5-4 – Review of the Home Country Context and Chinese OFDI in SSA .........................269
Table 6-1 – Discrepancies between Announced, Acquired, and Planted Land Areas ............293
Table 6-2 – The UK in Africa: Actors involved in Land-Consuming OFDI ..................................305
Table 6-3 – Examples of UK Financial Companies Investing in Africa......................................317
Table 6-4 – Review of the Empirical Characteristics of UK OFDI ...............................................322
Table 7-1 – Documents Outlining the UK’s Development and Its Presence in Africa ...............348
Table 7-2 – Brief Review of the Home Country Context and British OFDI in SSA ...............374
LIST OF FIGURES

Figure 4-1 – China-Africa Trade Flows, 2000-2009.................................................................172
Figure 4-2 – Distribution of China’s Direct Investment in African Industries .....................176
Figure 5-1 – China International Fund Information Material .................................................242
Figure 6-1 – UK OFDI in Africa by Industry, 2008 .................................................................281
Figure 6-2 – Three Examples of Crashes in Share Value, 2008-2012 .....................................287
Chapter 1: INTRODUCTION

1. The Project

This thesis investigates the global phenomenon of “land grabbing” from the comparative perspective of two major investor countries, the United Kingdom (UK) and China, and does so in the context of their political economy and development. The regional focus is on Chinese and British projects in Sub-Saharan Africa (SSA) – a region which appears to be a major target of land-consuming investments since 2000. Throughout, the project is guided by the two overarching questions it aims to answer: How do these investments occur? Why do these investments take place?

Except for a few case studies, orthodox explanations of “land grabbing” build on deductive analyses when trying to capture why large-scale land acquisitions happen from a home country perspective. The orthodox hypothesis states that contemporary land acquisitions are primarily a reaction to the 2007/2008 crises of energy, food, and finance. Accordingly, the increase of commodity prices, together with the implementation of export bans by major food exporting countries, brought resources-scarce state-capitalist countries (i.e. countries where the government plays a central role in the economic system) to focus on land-consuming investments as a way to secure resources “offshore” for consumption back home. This narrative is often applied when describing China’s activities in Sub-Saharan Africa. Simultaneously, land-consuming investment activities of actors from liberal countries are described as profit-driven and seen as a response to the wealth

\[^{1}\text{ILC (2012), 4. For a discussion and explanation of the term "land-consuming investments" that this thesis uses for describing investment projects of more than 100ha, see Table 1-2.}\]

15
destruction of equity investments during the 2007/2008 financial crisis. This narrative is used to describe overseas investments originating from the UK.

Importantly, this orthodox hypothesis about investor motives continues to inform widespread understandings of “land grabbing” from an investor country perspective. Take, for instance, the assessment by Magdoff in his 2013 publication on “land grabbing” in the South:

What has been happening over the last decade, and especially since the 2008 World Food Crisis, is clearly different in many respects than the earlier dispossession. (…) There are now sovereign wealth funds of countries such as Saudi Arabia, the United Arab Emirates, and China that are lacking in sufficient land or reliable water supplies to grow enough food to feed their populations and do not want to rely on the workings of the “free market” to supply their import needs. The high prices of 2008 made it abundantly clear that there could well be future problems in getting needed food supplies on world markets. In addition, investors of capital, mainly from Europe and the United States, think they can profit by growing food or biofuels or engage in other types of agricultural ventures for a world market.3

This thesis sets out to challenge the orthodox hypothesis about how and why international land acquisitions have occurred since 2000 from an investor (country) perspective. In doing so it searches for explanatory alternatives regarding the role of these land-consuming foreign direct investment (FDI) projects in the social, ecological, and political context of the home countries (see Table 1-2 for an explanation of the choice of terminology). By way of process tracing, and through a case study approach, the research project assesses who is involved, in which way, at what stage, and to which end. While process tracing “forces the researcher to consider alternative paths through which the outcome could have occurred,”3 the comparative research design with its evaluation of two unlike cases allows me “to uncover similar processes in unexpected contexts,” and on this

2 Magdoff (2013), 1.
3 Khan and Van Wyensberghe (2008), 5.
basis to draw broader conclusions about the role of land-consuming outward FDI from a home country perspective.⁴

A major challenge that this research project was confronted with was the collection of data to give an overall empirical sense of overseas land-consuming investments. The details of most investment projects are shrouded by secrecy, corporate reports are often vague, the projects themselves are constantly changing, and there exists no (accessible) land deal inventory that registers every investment that occurs. Nevertheless, the process tracing of specific Chinese and British outward foreign direct investments mentioned by three influential reports until 2012, and the continuous observation of both countries’ investment activities have allowed me to capture and understand the main empirical characteristics of what is happening and why in both country cases.

The findings of this research project support my overarching argument that the specific details of the home country’s industrial set-up, development challenges, ideological framing, political economy, and significant events are critical to understanding what is occurring.⁵ Both country cases are characterized by a complexity of (f)actors at play that is not adequately accounted for in the orthodox explanations. In the Chinese case, outward FDI (OFDI) reflects the interests of the country’s resource-intensive and market-dependent manufacturing industry, and is part of economic upgrading. Consequently, the land-consuming investments are intended to diversify the country’s energy and industrial

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⁴ Khan and Van Wynsberghe (2008), 5.
⁵ Importantly, my argument that a comprehensive assessment of “land grabs” has to account for the domestic political economy context of outward FDI activities is (at best) country-centric, not state-centric. While my analysis of Chinese and British land-consuming FDI activities in Sub-Saharan Africa takes note of the particular foreign economic policy, it does not primarily focus on the activities of the state.
minerals’ supply, open new export markets, and facilitate the internationalization of Chinese companies’ production chains. At the same time, Chinese diplomatic engagement with Africa aims to establish or maintain international political alliances.

In the case of the UK, large-scale land acquisitions occur in response to reforms in the host countries, to international and domestic energy and climate policies, and to reindustrialization efforts. This means they occur because companies make use of the business opportunities offered to them in the form of divestiture programs in host countries, or the creation of markets by (inter)national climate and energy policies. Moreover, the expectation that Africa will be the new growth region drives the investments to the continent at a time of the financial crisis and economic stagnation back home. The latter perception also led the current UK government to promote land-consuming OFDI to Sub-Saharan Africa as way to economic recovery and international political power through rising exports and industrial activity. The following paragraphs will further illustrate the main empirical and analytical results of the two case studies.

My empirical research has found that Chinese land-consuming investments in Africa have had the following characteristics. They target a wide-range of sectors, from construction and mining to farming, and they involve multiple actors from the public but also private sector. While state-owned companies feature prominently in large-scale projects, public actors often come from different levels of government and do not necessarily act in the best interest of the central government. Most projects predate the 2007/2008 timeline. Some even trace back to the 1970s; however, the way they are operated changed significantly since the late 1990s, switching from an aid to a profit rationale. In these projects, land is consumed as a resource for agricultural or mining
purposes, and as a space where industrial operations and construction takes place. This means that land is not necessarily the primary focus of these investment projects. Also, most projects produce for domestic and regional markets rather than for the home country economy – with the exception of energy and industrial crops. Access to land occurs on a contractual basis, through shareholding, leasing, or contract farming.

Concerning the main empirical characteristics of British land-consuming OFDI, my research found that the projects comprised largely farming, mining, and construction activities. A significant share of the investments investigated predates the 2007/2008 timeline. Some even trace back to the mid-1990s. Different from the Chinese case, a substantial portion begins in 2007/2008 in response to the crises of finance, energy, and food. Land is consumed by these investment projects as a resource, as a space for productive activities, and more recently, as a financial asset. Access to land is facilitated on a contractual basis, through equity investments, and/or outgrower schemes. Actors in these investments are corporations with a long presence in the host economies, early-stage companies, and financial investors. Also, public finance and government officials are active in their promotion. Most British investments in land as a resource envisioned producing for export to international or home country markets, but ended up selling locally.

Analyzing these findings in the particular home country context, I argue that the patterns of Chinese investments are mainly explained by the following features of the Chinese political economy. Political reforms since the 1980s have increasingly reformed the country’s economic and corporate governance structure, and turned government officials into bureaucratic entrepreneurs. This explains the interest of state-owned enterprises in profitable business opportunities. At the same time, the structural
composition of the home country, where the resource-intensive export-oriented manufacturing industry is a major foreign exchange earner explains the interest by core political and economic actors involved in the investments to open new markets, globalize Chinese companies’ production process, and access external resources that these investments are part of. This interest structure of the home country’s political economy also explicates the small share of Chinese OFDI that is directed towards agricultural production, compared to the large share of investments in manufacturing, (trade) infrastructure, and resources. The set of ideas rationalizing and legitimizing Chinese land-consuming OFDI to African countries further emphasizes the fundamental politico-economic changes that the country has witnessed since the 1980s. Today (as of 2014), Chinese OFDI activities are embedded in a narrative that associates these with growth, profit, and other economic interests, rather than plunder and exploitation as was the case in the past.

In the case of the UK, I argue that the empirical investment patterns reflect the following traits of the country’s political economy. These investments highlight the British investor legacy and the country’s liberal OFDI policy stance since the 1970s. Both features explain the greater capacity, advantage, and international outlook of British investors compared to those of emerging economies such as China. For instance, investments around the year 2000 involved companies with a long presence in African economies that took the opportunities on offer in the form of policy reforms in the host countries; in addition to early-stage companies that responded to transnational climate regimes and the new markets these create. At the same time, the strong presence of financial investors and stock-markets in these investment projects refers back to the “financial orthodoxy” at the core of British
political economy since the 1980s. On the one hand, the project details highlight that the productive segment of the British economy has to rely on the stock exchange and venture capital to finance industrial operations. Consequently, these companies are confronted with the problem of a lack of patient capital, a dysfunctional trait of the British political economy that plays out prominently in the case of agricultural greenfield investments. A significant share of those projects faced financial problems, partially because the long-term maturation timelines did not match the short-term return expectations of these types of “creditors.” On the other hand, the failure of the financialization-led development model promoted by UK governments since the 1980s to deliver sustained growth and social welfare explains the rise of overseas investments at the time of the financial crisis in 2007/2008. The related economic recession and crash of equity value has led financial investors to seek (allegedly) profitable investment outlets overseas, and to target land as an asset and resource. In addition, the public sector has begun to promote overseas investments through means of public finance and commercial diplomacy, rationalizing and legitimizing it as a way to open new markets and/or business opportunities for its productive sector to create jobs back home and create or maintain political and economic networks that will allow the country to sustain its favorable international position in institutions and networks of economic and political governance.

From a comparative perspective, I make the broader argument that these investments “push the limits” that different actors are facing at home in view of advancing their economic, political, and/or ideology-driven interests. This explains why Chinese and British land-consuming OFDI projects are pursued, even when they are not at all economically successful. The empirical evidence of the two country cases shows that a
substantial number of projects do not live up to the promise of extraordinary returns, and many projects collapse in the medium-term. Nevertheless, they seem to serve the interests of diverse agents (firms, governments, individuals) who are involved with them, (geo-)politically and/or economically. This is true for both countries, in spite of the quite different forms of these investments.

In the next sections, this introductory chapter moves on to provide a brief background on the empirical characteristics of “land grabbing,” highlights the gaps in the literature that have led to this thesis’ focus on international land acquisitions from the viewpoint of home country development, and summarizes the main insights derived. The following two sections describe the research approach and methodological issues and also provide a synopsis of the key findings of the case studies that explicates the above summary in greater detail. The introduction concludes with an outline of the overall thesis structure.

2. The “Land Grabbing” Debate and Research Puzzle

In order to understand the contemporary debate on “international land acquisitions,” or “FDI,” and the related research puzzle, it is necessary to revisit the year 2007/2008 – a time of financial, food (price), and energy (price) crisis, during which rising commercial pressure on land and agriculture in the form of land-consuming FDI gained international attention under the headings of “land grabbing,” “international land acquisitions,” or “land deals.” The term “land grabbing” was first applied by the

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6 See Chapter 2 (Section 3).
international non-governmental organization (NGO) GRAIN to describe events of dispossession, privatization, and ownership concentration in the form of FDI in agriculture.\(^7\) Since then, hundreds of studies have been published underlining the dramatic empirical dimensions of this phenomenon, both with regards to the affected lands and project scales. The International Land Coalition (ILC), for instance, suggests that approximately 71 million hectares (ha) of land were confirmed to be under negotiation during the 2000 to 2012 period.\(^8\) And research by the World Bank (WB) concludes that approximately one quarter of such land-consuming projects were larger than 200,000ha, while only one quarter of the reported “land deals” involved less than 10,000ha.\(^9\)

The debate about “land grabbing” has been constantly evolving. While the initial focus lay on the agricultural sector and related dynamics threatening the livelihoods of peasants in the form of dispossession, farmland-use change and ownership concentration, later, the body of empirical research on the topic of commercial pressure on land came to include non-agricultural forms of “land grabbing.”\(^{10}\) Accordingly, the 2012 report by the ILC about international, large-scale investments in land demonstrates that these occur in multiple sectors, such as tourism, industrial production, forestry, and mineral extraction. And while FDI flows in agriculture seem to make up the largest share, representing 78% (by value) of total investments since 2000, it is important to note that approximately three

\(^7\) GRAIN (2008).
\(^8\) ILC (2012), 4.
\(^9\) WB (2011), 51.
\(^{10}\) For a review of the available literature on the topic and the overall development of the “land grab” debate, see Chapter 2.
quarters of these investments have targeted biofuels rather than food production. At the same time, the ILC report indicates great differences across regions, both with regards to the share of total land-consuming FDI and to the origin of related FDI flows. Africa takes a unique position, as it has received the largest overall share of land-consuming FDI flows, which have reportedly implicated 134 million ha (34 million of which have been confirmed). In addition, the largest share of FDI in Africa has come from outside the continent, allegedly from Asia; while intra-regional capital flows have predominated in “land grabbing” events in other regions, namely Europe, Latin America, and Asia.

The available literature remains inconclusive regarding the implications of this phenomenon. Existing analyses oscillate between descriptions of “development opportunity” and “land grab,” often depending on the particular framing underpinning the respective study rather than empirical substantiation. However, the emerging empirical evidence lends urgency to the topic, with a large number of case studies reporting negative effects of such “land deals” for the recipient country’s social, economic, or ecological development. A report by the World Bank, for instance, concludes that contrary to the (liberal) theoretical promises of job creation, diffusion of technology, capacity building,


12 It is followed by Asia, with 29 million ha (confirmed). See ILC (2012), 4.

13 ILC (2012), 22. Note: Given the complex set of data constraints that the Land Matrix, as well as other databases on the topic, is confronted with, the argument that Asia is the largest provider of FDI to Africa seems questionable. For a discussion of data problems, see Section 2 of this chapter.

14 IIED/FAO/IFAD (2009). Also see Chapter 2 of this thesis for a detailed literature review.

15 To ensure terminological clarity, I would like to point out that the terms “recipient country” and “host country” are used interchangeably.

16 See, for instance, WB (2011), xxv-xlv.
productivity increases, and/or food security improvements associated with capital imports in the form of FDI, many projects seem to have “contributed to asset loss and left local people worse off than they would have been without the investment.”

My findings support this observation, particularly in view of the many instances in which projects failed due to unrealistic business models, financial constraints, or fraudulent behavior. Further, research on sustainable resources management emphasizes that the process of privatization of communal or public lands, which often accompanies land-consuming FDI projects, may constrain a country’s future land planning capacity, thereby curtailing its ability to manage and provide for key social needs, such as housing, food, energy, and water, in the face of rising eco-scarcity and climate change.

Thus, while the emerging empirical evidence about the scale and impact of “land grabs” explains the alarming tone underpinning the contemporary international debate in policy and academia on land-consuming FDI, it simultaneously raises questions about why these land-consuming investments occur in the first place, particularly in countries with weak governance, high political risk, and, in many cases, a deteriorating security. In contrast to the diverse set of analyses of the impact of land-consuming FDI projects, explanations about why these projects occur remain surprisingly homogeneous and superficial. The answer is commonly hypothesized by pointing at the investor countries,

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17 WB (2011), 51. Also see Chapter 2 of this thesis for a detailed discussion of the contemporary debate on "land grabbing."
18 See empirical evidence presented in Chapters 4 and 6.
19 Home (2009), 107. Also see the literature review in Chapter 2.
20 For instance, Africa Confidential (18 October 2013) suggests a deteriorating security situation in countries that have been favored by investors during recent years, such as Ethiopia, Rwanda, Nigeria, and the DRC. Concerning the regional distribution of land-consuming FDI, see ILC (2012), 4.
21 For a more detailed literature review, see Chapter 2.
with the standard explanation relying on stereotypical notions about the home country’s politico-economic constitution in combination with international timelines, namely crises. Accordingly, the so-called state-capitalist countries are said to “grab” overseas to manage domestic resources shortages back home, while “grabs” by the liberal economies are portrayed as market driven, individualist and for profit (see Table 1-1 for examples).

More in detail, the general reasoning of orthodox explanations assumes that the crises of food, finance, and energy in 2007/2008\(^{22}\) triggered the global “land rush.”\(^{23}\) Alongside the crises, continues the narrative, “more immediate drivers” were the rising “market demands for food, biofuels, raw materials, and timber” and the resultant scarcity that drove up commodity prices. In addition, carbon offset markets and capital flows speculating on an increase in the value of land have been important.\(^{24}\) Take, for example, the widely cited analysis by McMichael which states that “the land grab is both a response to food price reversals generating export bans and government initiatives to secure offshore food and biofuel supplies and reflects a speculative interest in food and biofuel futures and associated land price inflation on the part of finance capital.”\(^{25}\) Also, see the Table 1-1 for further examples of this narrative that continues to be present in key academic publications, as well as reports by the civil society and policy institutions.

\(^{22}\) For a detailed and orthodox explanation of the interdependency effects of rising food and energy prices, see Headey and Fan (2010), xii-xvii.
\(^{23}\) E.g., GRAIN (2008); and Arezki et al. (2013), 1; ILC (2012), 4; and Weingärtner (2010), 13.
\(^{24}\) ILC (2012), 4.
\(^{25}\) Mc Michael (2012), 683.
### Table 1-1 – Orthodox Explanations of Foreign Land Acquisitions: Prominent Examples from Academia, NGOs and Development Agencies

<table>
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| Ingwe et al. (2010), 29-30. | “Some attempts to explain the motives and forces driving these MNCs to grab land IN [sic] DCs have presented two major agenda [sic] thought to be behind their quest. The first agenda has been linked to food security problems in their home countries. It has been posited that due to the dependence of the populations of such countries, on food imported from abroad and the tightening of the global food markets, they have been forced to embark upon a new programme of outsourcing their national food production to others countries where MNCs provide a suitable platform for implementing the food production projects. Some of the countries that have been listed under this category are: Saudi Arabia, Japan, China, India, Korea, Libya, and Egypt.

The second agenda is linked to profit making potential or favorable financial returns that the MNCs have overseen in the outsourcing of food production. It is argued that under the context of the ongoing global financial meltdown and economic recession, MNCs think that land acquisition presents a good strategy for making higher and reliable profit. Two strategic thoughts or considerations have emerged in the debate on land grabbing in developing countries (DCs). Some attribute the new scramble for Africa to the collapse of derivatives markets that were involved in the management of investments, private equity funds, investment houses, and so forth before the global financial and economic crisis of 2008. Therefore, the new thinking by investors in land is that food production constitutes a business sector that guarantees fast and stable turnover. Second, the investors in land in DCs, think that land serves multiple purposes of profit making, including its other uses (e.g. for the production of either food or bio-fuels and so forth).” |
<p>| R.Hall (2011), 194. | “China, India, South Korea and the Gulf States are among those at the forefront of this agricultural expansion, as they seek to produce food overseas for their growing populations. Most deals are private investments (...). Among these are European and North American banks and financial investors seeking alternatives to volatile international financial markets.” |
| White et al. (2012), 627. | “High world food and fuel prices in 2007-08 led to a wave of protests and anti-government riots in more than 60 countries (...), precipitating protectionist measures by those with food production capacities and expansionist strategies by those without. The combined effects of global climate change, agro-industrial development, natural resource extraction, neo-liberal austerity policies and rapid urbanization have increased insecurity and vulnerability in rural areas across the globe.” |
| Cotula (2012), 649. | “These acquisitions involve outright land purchases or, more commonly, long-term leases mainly on government-owned land. It is widely thought that private sector expectations of higher agricultural commodity prices and government concerns about longer-term food and energy security underpin much recent land acquisition for agricultural investments.” |</p>
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<tr>
<td>Michael (2012), 681</td>
<td></td>
<td>“Land grab appears to be a phenomenal expression of deepening contradictions in the corporate food regime. In particular, the end of cheap food (signaled in the 2008 ‘food crisis’) has generated renewed interest in agriculture for development on the part of the development industry, matched by a rising interest in offshore land investments, driven by governments securing food and fuel exports and financiers speculating on commodity futures and land price inflation.”</td>
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<td>Brown (2013), 1.</td>
<td></td>
<td>“Saudi Arabia, South Korea, China, and India are among the countries that are leading the charge to buy or lease land abroad, either through government entities or through domestically based agribusiness firms. Saudi Arabia’s population has simply outrun its land and water resources. The country is fast losing its irrigation water and will soon be totally dependent on imports from the world market or overseas farming projects for its grain. (…). Investment capital is coming from many sources, including investment banks, pension funds, university endowments, and wealthy individuals. Many large investment funds are incorporating farmland into their portfolios. In addition, there are now many funds dedicated exclusively to farm investments. These farmland funds generated a rate of return from 1991 to 2010 that was roughly double that from investing in gold or the S&amp;P 500 stock index and seven times that from investing in housing. Most of the rise in farmland earnings has come since 2003.”</td>
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<tr>
<td>GRAIN (2008), 1.</td>
<td></td>
<td>“Today’s food and financial crises have, in tandem, triggered a new global land grab. On the one hand, “food insecure” governments that rely on imports to feed their people are snatching up vast areas of farmland abroad for their own offshore food production. On the other hand, food corporations and private investors, hungry for profits in the midst of the deepening financial crisis, see investment in foreign farmland as an important new source of revenue. As a result, fertile agricultural land is becoming increasingly privatised and concentrated. If left unchecked, this global land grab could spell the end of small-scale farming, and rural livelihoods, in numerous places around the world.”</td>
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<td>Shepard and Mittal (2009), 3-4</td>
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<td>“A number of factors threatening food security (…) have led many nations, particularly in the Middle East and Asia, to reexamine domestic food security policies. Many governments are looking to stabilize supplies by acquiring foreign lands for food production in the hopes of averting domestic social unrest and political instability over food price and supply. (…) nations such as China, Japan, and South Korea are also seeking to acquire land as part of a long-term strategy for food security. China, which aims to increase its rice production from 100,000 tons to 500,000 tons in the next five years, has looked abroad to other Asian and African states, purchasing 101,171 hectares in Zimbabwe in June 2008 and investing 800 million dollars in Mozambique to modernize agriculture for export rice production.”</td>
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“The biggest deals are negotiated with investors from Saudi Arabia, other Gulf States and some Asian countries (China, South Korea, India). These countries are characterised by a shortage of fertile land due to unfavourable climate conditions or population growth on the one hand and sufficient financial means on the other hand. (…) Based on available information, it seems that the investors from oil rich and emerging countries mainly are governments or state enterprises or state funds respectively. In contrast, investors from industrialised countries primarily are private companies investing mainly in agro-fuel projects. When governments try to follow their food or energy strategies by investing in foreign lands, they usually set up investment contracts with the governments in the target countries themselves or with companies through which they act. While private investments are mainly driven by the goals of the companies (especially short and long term profit, sustainable development of the firm), public investments can result from different objectives.”

“Foreign Land purchases: Private investors and governments have recently stepped up foreign investment in farmland in the form of purchases or long-term lease of large tracks [sic] of arable land, notably in Africa. (…) Importantly, the new investment strategy is more strongly driven by food, water and energy security than a notion of comparative advantage in the large scale production of indigenous crops for global markets, which has been more characteristic of foreign owned plantations since the end of the colonial era. The current land purchase and lease arrangements are about shifting land and water uses from local farming to essentially long distance farming to meet home state food and energy needs. It is, in practice, purchasing food production facilities. The growing scale of this practice today, combined with the increasing economic and environmental concerns that are motivating this surge, are creating a new dynamic of global importance. “

The quotes (presented in Table 1-1) also highlight that orthodox explanations tend to differentiate further between two types of economies to elucidate how “land grabs” occur. In the case of the state-capitalist countries, the state is said to be the main actor in large-scale land acquisitions, and often state-owned enterprises and sovereign wealth funds are seen as major facilitating mechanisms. For instance, China’s sovereign wealth fund Chinese Investment Corporation (CIC), established in 2007, has been critically observed internationally: “Some observers were apprehensive that the Chinese government would

26 GTZ is the acronym for German Agency for Technical Cooperation (merged into the German Agency for International Cooperation [GIZ] in 2011).
27 UN DESA is the acronym for United Nations Department of Economic and Social Affairs.
use the CIC to acquire control over strategically important natural resources, obtain access to sensitive technology, and/or disrupt international financial markets.”

In the case of the liberal economies, large-scale land acquisitions are what Hall and Soskice have (in another context) called “equilibrium outcomes of firm behavior” in a free market system, outcomes based on market factors such as demand/supply and/or capital rich/resource-rich rationales. For example, a “land grabbing” panel at the 2014 academic conference of the European Consortium for Political Research announces that “increasing concerns about scarcity of water resources and arable land have incentivized investor groups from capital-rich, resource-poor countries to engage in large-scale land acquisitions (...) in resource-rich, capital-poor countries.” Similarly, Odusola argues that “the primary factor pulling investors to grab land on the continent is that Africa is home to 600 million ha of uncultivated arable land — about 60 per cent of the world’s total (...).”

In practice, however, these standard explanations, which run through major academic publications of otherwise different framing and outlook, deviate from the emerging empirical evidence on the topic. They also deviate greatly from historical explanations of economic expansion, and suffer from serious analytical incoherence. In the following paragraphs, I will briefly highlight each of the explanatory shortfalls that

28 Martin (2010), summary.
29 P. Hall and Soskice (2001), 8.
30 Haller (2014). Also, see Rulli and D’Odorico (2014), 1; and Odusola (2014), 9. The projections about land availability that led to the above framing of countries as land-scarce and land-abundant largely stem from modelling exercises. Consequently, these figures about arable land reserves available for cultivation are highly contested. It is safe to say that these models are problematic, as many of them only assess the potentially suitable land as measured by irrigation or climatic conditions, without considering its actual use, or the socio-economic and ecological repercussions of land use change. See, for instance, the models used by the FAO (Bruinsma, J. (2003)). Also see footnote 44.
sparked my interest in assessing “land grabbing” dynamics from a home country perspective.

Most importantly, the few studies that do provide a detailed empirical assessment of investor countries all cast doubt on the stereotypes and presumptions on which this orthodox explanation relies. For instance, research on Chinese “land grabbing” projects in African countries highlights that they are not intended for food security back home, as would be expected from the common narrative about state-driven investments, but serve multiple purposes and involve numerous actors, both public and private.\(^{32}\) Moreover, a study on Japan suggests that even though the country should rank among the major investor countries – with its levels of foreign exchange reserves and dependency on food imports – this seems not to be the case.\(^{33}\) Even the case of South Korea, whose failed investment project by Daewoo in Madagascar has become a prominent example of offshore farming in the literature, the dynamics are more complex, the scale exaggerated, and the whole undertaking only marginally related to the 2007/2008 food crisis.\(^{34}\) The orthodox hypothesis also fails to account for agency in the recipient countries, while empirical evidence suggests this to be a significant component of how and why these investments take place.\(^{35}\)

From a historical perspective, this common narrative is surprising, if not puzzling. Implicitly, it proposes that contemporary land acquisitions differ from past ones in fundamental ways. Contemporary “land grabs” are portrayed as an outcome of purely

\(^{32}\) See Chapters 4 and 5. Also see Ekman (2010); Rosen and Hanemann (2009); and Brautigam (2011a).

\(^{33}\) See D.Hall (2012).

\(^{34}\) Lee and Riel Müller (2012).

\(^{35}\) Boamah (2014); Kragelund (2009); and Brautigam and Ekman (2012).
economic factors. Historical evidence about international land acquisitions in the past, however, highlights that many factors were not economic in character, but rather related to particular ideologies (e.g., civilizing mission), actor constellations, or incidents of great power competition. Moreover, contemporary explanations often assume that international land acquisitions are driven by a rational choice interest in land as a natural resource, whereas historical research shows that other functions of land as a territory, strategic post, sphere of influence, or mythical promise were equally important in previous “grabs.” So, does this mean that contemporary “land grabs” together make up a historically unprecedented phenomenon? And if so, in which way would this be the case? Unfortunately, the available literature does not provide a detailed historical comparison, nor does it offer any evidence for its implicit claims. Instead, most descriptions either reveal an unawareness that the alleged resource focus of contemporary land acquisitions would make them different from the ones in the past, or they tend to oversimplify key traits of historical land acquisitions.

Finally, this orthodox hypothesis faces analytical challenges. Most importantly, it builds on presumptions and dichotomies that stem from mainstream economics (e.g.,

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36 See extended version of a speech on socialism and colonial policy by Kautsky (1907).
37 See Chapter 3 for the historical review.
38 See Chapter 3 for the historical review.
39 Explicitly, some authors argue that the “land grabs” in Africa, a continent that has been most affected by the phenomenon since 2000, resemble strongly the Scramble of the late 19th century. At that time, European powers brought most of the continental territory under their control. Many infer the historical similarity on the basis of particular empirical traits, such as poor labor conditions, resources focus, and/or asymmetric trade relations (e.g., Jauch [2011]). For a critical discussion of this narrative in view of historical evidence on late 19th-century colonialism and imperialism, see Chapter 3.
40 This thesis follows the assessment and definition of mainstream economics provided by Lavoie (2014). Accordingly, mainstream economics can be used interchangeably with orthodox economics, neoclassical economics, marginalism, and/or the dominant paradigm. Distinct from heterodox economists, “mainstream economists exhibit great confidence in the ability of uninhibited markets to
liberal vs. illiberal economy; state vs. market; supply and demand; pricing signals), the prevailing operative paradigm of (inter)national economic governance. Yet, this frame cannot meaningfully explain the “accumulation of anomalies” that these land-consuming capital flows represent for it. Why, for instance, would rational actors prefer to acquire land in countries with weak governance and/or a deteriorating context of political stability, a particular characteristic of international land acquisitions since 2000? And why would governments back these capital exports in some cases, particularly at a time of financial crisis when capital markets are tight? In fact, explanations that try to accommodate such “anomalies” within the reasoning of the mainstream economics framing are rare, empirically unsound, and tend to contradict themselves analytically. For instance, the report by the WB argues that land acquisitions are a function of “commodity price volatility, growing human and environmental pressures, and worries about food security.” Interestingly, all of these factors are key indicators of a failure in the liberal deliver stability and full employment, and to deliver solutions to any economic or social problem. The most extreme versions of neoclassical theory claim that instability and unemployment can prevail only when government interferes in the operation of markets, thus hampering the price mechanism from achieving equilibrium” (Lavoie (2014), 5-30). Regarding international organization, the World Bank (WB) and the International Monetary Fund (IMF) are the two most prominent institutions whose policy advice has been informed by and promoted mainstream economic theory. For a detailed overview of key parameters and theoretical proponents, see Lavoie (2014).

41 P. Hall (1990), 9.
42 For instance, see data for major recipient countries under the WB Worldwide Governance Indicators, 1996-2011 (http://info.worldbank.org/governance/wgi/sc_chart.asp); the Ibrahim Index of African Governance (http://www.moibrahimfoundation.org/iiag/).
43 P. Hall (1990), 9.
44 The case of Ethiopia is particularly interesting. It has been argued that Ethiopia is a major target of foreign investments in land and agriculture due to its comparative advantage of land-related resource abundance. However, according to research in the field of ecological economics, Ethiopia is categorized as a country with an “ecological deficit.” This implies that it belongs to the bulk of countries identified as “net-exporters of biomass and sink-capacity” whose ecological capital is “eroding already due to local overuse of available biocapacity,” a fact that is worsened by the external factor of trade. See Andersson and Lindroth (2001), 116. Also, see Zebregs (1998).
45 WB (2011), xiii.
paradigm despite its promotion as the best alternative for the effective and efficient provision and use of cheap resources. Yet, the WB recommends further liberalization as a remedy to the crises and promotes the creation of land markets.\textsuperscript{46} This approach screens out the analytical incoherence, while ignoring the question of the degree to which the operative paradigm might have contributed to the commercial pressure on land through policy advice and/or theoretical framing, as critiqued by Olivier De Schutter.\textsuperscript{47}

Apparently, the context of crises, the high-risk environment of recipient countries, and the supporting role of states, as well as the multitude and diversity of actors and events that together compose the global “land grab” phenomenon, render an international assessment of what is happening impossible. Having to rely on aggregate-level conceptualizations of actors and events, and/or having to draw on broad theoretical frames for explanatory purposes, such assessments necessarily fail to fully capture how and explain why these investments take place. More particularly, they cannot explain why the investments take place in some country cases but not others, why different countries display different patterns in view of these international land acquisitions, or the significance of different actors in these investments.

Thus, this thesis argues that the phenomenon of “land grabbing” cannot be meaningfully understood through a deductive analysis that assumes unitary actor groups and states that exhibit rational (choice) behavior, and relies on predefined ideas about causal mechanisms in the form of demand and supply to explain what is happening. Clearly, rational (choice) and economic motivations and/or circumstances play a role in

\textsuperscript{46} WB (2011).
\textsuperscript{47} De Schutter (11 June 2009), 15.
this phenomenon, as do international events. However, they do not *a priori* define actor motivations, policy outcomes, and/or land uses as is commonly hypothesized. Instead, contemporary, as well as historical, research about decision making and foreign (economic) policy indicates that non-rational (choice) and non-economic factors, such as ideas, political economy, development ambitions, events, or power politics might be equally important factors.

3. The Research Objective and Approach

To address this research puzzle and meet the research objective of explaining how and why international land acquisitions have been happening since 2000 from an investor’s perspective, this research project conducts a historical-institutional and politico-economic study that accounts for the multiplicity of actors, sectors, timelines, institutions, events, interests, and rationales at play. It also explores the specific roles of these investments in home country development beyond the narrow concepts of supply/demand or global resource scarcity. In more detail, the thesis comparatively assesses land-consuming FDI in Sub-Saharan Africa by actors of two investor countries, the UK and China. The time frame from 2000 onwards has been chosen for two reasons: First, to investigate whether the 2007/2008 crises that orthodox explanations cite as having triggered the “land rush” actually led to a dramatic rise in land-consuming OFDI. Second, it is logical to consider investments starting in 2000 because the debate about “land grabbing” arose in relation to FDI projects that occurred at the beginning of the 21st century. Additionally, the most comprehensive database on “land grabs,” the Land Matrix, lists projects from 2000 onwards.
The empirical assessment of contemporary “land grabs” since 2000 is complemented by a historical review of land acquisitions during the late 19th century, to clarify to what extent and in which ways today’s land-consuming FDI projects differ from those of the past. Due to the emphasis on an investor (country’s) perspective, empirical evidence about the impact of land-consuming FDI in host countries or the role that host country actors play in this phenomenon are mentioned only insofar as they contribute to a better understanding of the nature of these projects.

Table 1-2 – A Note on Terminology

<table>
<thead>
<tr>
<th>FDI in Land, Land Grab, or Land Acquisitions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The terminological ambiguity that characterizes the “land grab” debate represented a conceptual challenge for this thesis. Hereafter, the thesis will primarily use the term “land-consuming FDI” to refer to listed “land grab” projects of over 100 hectares in scale. The use of other terms will be identified by quotation marks, inserted to remind the reader about the diversity of terms characteristic of the contemporary debate. The term land-consuming FDI highlights that the primary purpose of many investments mentioned in the “land grab” debate is neither the acquisition of land nor the investment in agricultural production. Instead, “land grabs” occur due to investments in all sectors and industries of a host country. Often, these investments have commercial opportunities or the acquisition of financial assets as a primary driver. However, what is characteristic of these investments is that they consume large areas of land in their operations.</td>
</tr>
<tr>
<td>Importantly, the use of these terms does not mean that I subscribe to the assumptions of the particular frame that usually accompanies them. Also the conceptual choice of referring to these activities as capital flows and FDI is due solely to the fact that under the contemporary operative economic paradigm that is embedded in domestic and international institutions, as well as programs of economic governance, these flows are framed and treated as FDI. At no point does the use of this terminology imply that the assessment and explanation follows the normative statements of many policy makers and/or theoretical discussions about FDI. For a more detailed discussion of the political dimension of “land grabbing” terminology, see Chapter 2 (Section 3).</td>
</tr>
</tbody>
</table>

48 For a discussion of mainstream economic assumptions about FDI costs and benefits, see, for instance, Sornarajah (2010), 49-53; and Moran (2011), 1-9.
The approach taken in this thesis results in three contributions to the available body of literature on “land grabbing,” all of which are effectively alternative interpretations of what happened from 2000 to 2012. Firstly, the study provides an empirically grounded overview and meaningful understanding of Chinese and British land-consuming FDI in Sub-Saharan Africa. Through process tracing, the main empirical characteristics evident since 2000 are presented, connecting project-level data with insights about relevant aspects of the home country’s political economy, ideology, and development. Secondly, the study contributes to the existing body of research through its comparative design, which allows it to identify similarities and differences between the two cases. It highlights that the differences of political economy between the two investor countries are exaggerated, and it suggests that they are not necessarily significant for the explanation of “land grabbing,” as is commonly assumed. Moreover, thirdly, the comparative study of two unlike cases contributes to the debate about “land grabbing” through moderate theory building about the role that these land-consuming capital exports play in the context of home country development.

The remainder of this chapter will continue as follows: Section 1.4 explicates the research approach in view of methodological issues, and Section 1.5 summarizes key findings of the case studies. The chapter concludes with an outline of the thesis structure (Section 1.6).

49 For a detailed discussion, see Chapter 2.
4. Methodological Issues

The research approach of this thesis is to disaggregate the global phenomenon of “land grabbing” and comparatively assess international land acquisitions in the context of national and historical differentiations of political economy and development. This investigative, analytically inductive, and qualitative research approach was operationalized through a two-phase research process. Firstly, the empirical characteristics of land-consuming FDI projects by Chinese and British actors in Sub-Saharan Africa were explored. This was done by using the method of process tracing and triangulation. Secondly, and building on these empirical findings, alternative analytical explanations of why these actors have been involved in these activities were investigated, largely by analyzing key empirical characteristics in the context of the home country’s political economy and in view of its social, ecological, political, and economic development context.

The comparative research design, as well as case selection, allowed for differentiation between common and unique patterns of each country’s land-consuming outward foreign direct investment (OFDI) activities. The selection of unlike cases was also intended to challenge the orthodox hypothesis’ typology of investor countries previously outlined, and to engage in moderate theory-building on the role of land-consuming OFDI from a home country perspective.

The following paragraphs will discuss the methodological issues in greater detail. Firstly, it will introduce the database and identify the data constraints that this thesis was confronted with, noting that these may limit the scale of the conclusions that can be drawn on the basis of its findings. Secondly, it will explain the methodological approach of process tracing and case study design in greater detail. Thirdly, this section will elucidate
the main considerations regarding the selected cases, and it will, fourthly, lay open the key assumptions and variables that have guided the study of political economy, as well as OFDI, in the context of home country development. Finally, the section will highlight the study’s objectivity criteria.

Database and Data Collection

A major challenge for this study has been the unreliable nature of the data available on the topic, together with its high degree of politicization. While the latter results in a biased focus on large-scale FDI in farmland in the available “land grab” literature, the first feature means that existing databases can only serve as starting points of research, because they contain false reports, double postings, and outdated information. They also obviously suffer from the unwillingness of many governments and corporations to share information about investment deals. Even the World Bank was unable to overcome this lack of transparency and ultimately had to rely on the scattered information available in NGO-led databases. Against this background, Oya’s methodological critique of the “land grab” literature warns us that many “authors’ conclusions have an air of scientific rigour” that “represent[s] an instance of ‘false precision’,” particularly in those cases where “the

50 The multiple epistemological and methodological challenges that researchers as well as available “land grab” databases (provided by Land Matrix and GRAIN) are confronted with have been discussed in detail by Oya (2013b); Edelman (2013); Anseeuw et al. (2013); GRAIN (2013); Sooones et al. (2013a).
51 The WB report primarily relies on the collection of data available on the blog hosted by the international NGO GRAIN (www.farmlandgrab.org). Contrary to the WB Managing Director Ngozi Okonjo-Iweala’s promise that the report would help to lift “the veil of secrecy that often surrounds these land deals,” the report does not provide any information (data) in addition to that available on the blog. Moreover, instead of introducing 30 country case studies, it only includes 14. Out of these, not a single contract was published at the time. See WB (2011). Also see GRAIN’s critique of the report (8 September 2010).
underlying data are actually riddled with uncertainties,” and where selection biases and/or prevailing assumptions go unchallenged.\(^\text{52}\)

The assessment process of this thesis confirmed that most databases seem to lack rigid fact checking of reported projects. Take, for example, the Land Matrix, which is the most comprehensive database on large-scale land acquisitions. Since it went public in 2012, it has constantly faced the problem of incorrect listings, resulting in great deviations of the number of “land grabs” over time (due to corrections and new listings). This is also the case regarding China and the UK: while in May 2012, China ranked above the UK, by September of that year, China ranked below the UK among the top investor countries. This was largely due to corrections (rather than new listings) in the database (see Table 1-3). It is important to note that in June 2013, the Land Matrix initiative relaunched the database, implementing major changes in how data is collected, monitored, and categorized. Therefore, data differences between September 2012 and April 2014 are strongly related to these changes in categorization and the introduction of a basic data updating system.

<table>
<thead>
<tr>
<th>Country</th>
<th>May 2012 (Land Matrix)</th>
<th>Sept 2012 (Land Matrix)</th>
<th>April 2014 (Land Matrix)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>46 projects, 3,008,472ha</td>
<td>41 projects, 2,736,104ha</td>
<td>98 projects, 2,232,547ha</td>
</tr>
<tr>
<td>China</td>
<td>51 projects, 3,482,616ha</td>
<td>46 projects, 2,068,796ha</td>
<td>90 projects, 1,342,034ha</td>
</tr>
</tbody>
</table>

\(^\text{52}\) Oya (2013b), 503-504.
\(^\text{53}\) These listings are taken from the Land Matrix at different points in time, namely May and September 2012, and April 2014.
Overall, it must be acknowledged that no complete list of total hectares by sector and/or country could be found – nor does it seem likely or even feasible for such a list to exist in the future, due to terminological inconsistencies of what constitutes a “land grab,” the lack of administrative data by states and companies, and/or the constant changes to project details during a project’s lifecycle. Consequently, the figures of, and information about the phenomenon of “grabbed land” are only a proxy for commercial pressure on land, and they vary greatly across databases and reports, as a brief comparison of the total number and scale of assumed “land grabs” highlights: as of 2012, GRAIN listed 416 land deals in the agricultural sector that had been reported since 2006. Altogether these were using “35 million hectares of land in 66 countries.” In comparison, The Land Matrix, which lists land-consuming investments from multiple sectors, including tourism, agriculture, mining and petroleum, and forestry, since 2000, counted 924 land deals covering 48,829,193ha of land. Lastly, the “grassroots environmental network” Friends of the Earth has been quoted as saying “that anywhere from 80 to 227 million hectares of rural, often agrarian land, typically in poorer countries hungry for foreign investment, have been taken over by private and corporate interests in recent years.”

In addition, the ahistorical, in time approach of these databases ignores land banks accumulated by foreign companies over time and prior to 2000. This posed a particular challenge for the comparative research design of this study with its focus on new and established investor countries, specifically China and the UK. For example, a rough

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54 GRAIN (23 February 2012).
56 Friends of the Earth website (http://www.foei.org/).
57 Biron (23 April 2012).
investigation of the situation in Kenya (based on a review of corporate reports) showed that between 1999 and 2010, British food companies controlled approximately 22,000ha of agricultural land in the form of plantations or outgrower schemes under a fully integrated supply chains system – some being present in the Kenyan economy since 1869, as the case of Williamson Kenya illustrates. Yet, none of these projects or hectares existed in the above-mentioned databases. And while these figures might seem insignificant in view of the scale of some contemporary FDI projects, they do highlight that investor (country) legacy, and the related foreign control over land banks accumulated before the year 2000, deserve greater scrutiny to ensure a balanced comparison of emerging powers and Organisation for Economic Co-operation and Development (OECD) countries.

Finally, the method of crowdsourcing to collect data that is applied across databases and reports aggravates the problem of false and/or biased data on the phenomenon, as the active contributors that function as the “crowd,” such as international media outlets, governments, and NGOs, often appear to give skewed attention to certain countries and phenomena, such as emerging countries’ investment activities or biofuel projects. As a result, it seems that some countries’ activities or certain investment types are potentially underreported in the aggregate.

This research project uses the 2008-2010 project listings of three influential reports, published by the International Institute for Environment and Development (IIED)/United Nations Food and Agriculture Organization (FAO)/International Fund for Agricultural

Development (IFAD), the Global Land Project (GLP), and the International Food Policy Research Institute (IFPRI), as a starting point (not endpoint) of the research process (see Appendices 1 and 2 for the finalized list of process-traced projects by British and Chinese actors in Sub-Saharan Africa).\(^5^9\) While this approach clearly limits the scale of the conclusions that can be drawn from the research findings, it still allows testing of common propositions of deductive explanations on the topic; exploring specific factors and causal mechanisms that play a role in each case, namely “relationships between conditions and outcomes that can be applied to other contexts;”\(^6^0\) and, on this empirical basis, it allows engaging in moderate theory-building on the interrelation of OFDI and home country development through the cross-country-analysis of two cases.\(^6^1\)

The assessment and analysis of the projects draws on a wide range of data accessible via desk review, including official documentation, corporate reports, speeches, field reports, semi-scholarly literature, statistical accounts, and academic publications. Additional data has been retrieved by email enquiry (e.g., UK Trade and Investment, FIAN Germany, Information, Koordination, Tagungen (INKOTA)). Importantly, a process of data collection that involves a lot of grey literature and a body of research characterized by a strong normative orientation must treat the empirical information separately from the analytic interpretation that accompanies it. The diversity of actor motivations and interests, as well as the high degree of polarization among key stakeholders, makes the use of interviews with key actors as a primary source of information implausible. Instead, formal

\(^{59}\) IIED/FAO/IFAD (2009); GLP (2010); and IFPRI (2009).
\(^{60}\) Falleti (2006), 5.
\(^{61}\) Khan and Van Wynsberghe (2008), 5.
and informal interviews were conducted during 2010-2013 to double-check the research findings and conclusions and to keep the exploratory process open for additional variables, perspectives, and empirical data that the extensive desk review might have missed.

Three semi-structured interviews were conducted with British or formerly British corporate actors from the financial sector (Highbury Finance), the consultancy industry (Africa Matters Ltd), and agribusiness (Jatropha Africa, now a Ghanaian company). The interview partners were chosen because of their active role in land-consuming investments as facilitators with headquarters in the home country, as well as their experience as operators on the ground in the host countries. Consequently, the qualitative interviews retrieved information about the actors’ outlooks on, and insights about land-consuming FDI targeting African economies, their clients’ motivations, the alleged drivers of land-consuming investments, the dynamics of political economy on the ground, significant events influencing investor choices, relevant home country dynamics and policies, problems in the operationalization and operation of land-consuming FDI, and the sustainability of prevailing business models and land management. The interviews were conducted over the phone or in-person in London.

Moreover, I conducted a series of other interviews with researchers, corporate actors, NGO activists, and policy makers from various countries (e.g., China, the UK, Saudi Arabia, Germany, Zambia, Tanzania, Madagascar, Ghana, the Netherlands, Kenya, and Ethiopia) and organizations (e.g., FAO, WB, OXFAM, Food First) between 2010 and 2014. These informal interviews were, again, intended to interrogate my conclusions about mechanisms, factors, and dynamics related to the how and why of Chinese and British land-consuming FDI projects, to unearth new evidence, or to take notice of changing
trends and diverging perspectives (Table 1-4). They took place at conferences and workshops, and interview partners were selected with the intent to learn more about their organizational position and perspective on land-consuming investments; relevant research projects and findings; and/or their personal experience regarding the empirics and politics of land-consuming overseas investments.

<table>
<thead>
<tr>
<th>Actor type</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academia</td>
<td>31</td>
</tr>
<tr>
<td>NGO/Association</td>
<td>12</td>
</tr>
<tr>
<td>Government officials</td>
<td>15</td>
</tr>
<tr>
<td>Private Sector/ Business</td>
<td>10</td>
</tr>
</tbody>
</table>

**Methodological Approach**

In its attempt to gather reliable data, interrogate common propositions, and develop alternative explanations, the study applies two qualitative methodological tools: systemic process tracing combined with triangulation, and country case studies. Notably, the analytic inferences from this methodological approach do not aim to “establish universal generalizations across a broad (…) range of cases” beyond those studied, nor does this approach focus on prediction.62 It also does not aim to identify causal effects in the sense of independent and dependent variables. Instead, process tracing and the comparative

research design match the goal of this study to “test, challenge, and shift the prior beliefs about the cases under study.”

Process tracing and triangulation generate rich and differentiated evidence about the main empirical characteristics of Chinese and British land-consuming investments and uncover causal mechanisms about how and why they seem to take place. And the comparative study of at least two unlike cases, such as the UK and China, allows the researcher to identify whether an aspect is unique to the country case or resembles a “common pattern” across the two seemingly different contexts. Together with the rich and differentiated empirical evidence, it also highlights the relative significance of factors that would be difficult to understand in any single case study.

With regard to the exploratory research interest in alternative explanations of large-scale land acquisitions, the context orientation of case studies permits the study “to achieve high levels of conceptual validity” in the face of rich and differentiated empirical data generated through process tracing. The results of the focus on empirical evidence at the project and country level, as well as on different and common patterns across the two cases, and comparison to historical evidence, also allows the researcher to provide for a “rich, but differentiated theory” about “land grabbing” that discusses OFDI in the context of home country political economy and development.

63 Goldstone (2008), 50-51.
64 Khan and Van Wynsberghe (2008), 5.
65 George and Bennett (2005), 27, 19.
66 See George and Bennett (2005), 216.
67 See George and Bennett (2005), 216.
It has been mentioned before that the orthodox hypothesis about land-consuming FDI from an investor country perspective \textit{a priori} assumes key characteristics, based on an antithetic actor typology (state-capitalist: security concern; private: for profit); the theoretical tenets of the current operative paradigm (rational choice, supply/demand); or their alleged correlation with the crises of food, energy and finance in 2007/2008 (see summary in Table 1-5).

Table 1-5 – Summary of Orthodox Explanations about Land-Consuming FDI since 2007$^{68}$

<table>
<thead>
<tr>
<th>Actor Typology / Description and Explanation</th>
<th>What is happening?</th>
<th>Who is acting?</th>
<th>How is it occurring?</th>
<th>What events?</th>
<th>To which end?</th>
</tr>
</thead>
<tbody>
<tr>
<td>State-capitalist country (e.g., China)</td>
<td>Land-consuming FDI overseas to secure domestic energy and food “needs”</td>
<td>The State (usually described as unitary actor)</td>
<td>Through state-owned enterprises and Sovereign Wealth Funds</td>
<td>Crises of food, energy and finance is of major importance in explaining them</td>
<td>For export back home</td>
</tr>
<tr>
<td>Liberal country (e.g., UK)</td>
<td>Land-consuming FDI for profit and as a function of international division of labor (e.g., cheap land and labor abroad)</td>
<td>The Market (usually described as the sum of individual actors)</td>
<td>Capital flows by private sector actors (e.g., entrepreneurs, banks)</td>
<td>For market (unclear, which market)</td>
<td></td>
</tr>
</tbody>
</table>

To achieve the study objective of “evaluating prior explanatory hypotheses, discovering new hypotheses,” and considering alternative explanations about the two country cases, the process of data collection and analysis via process tracing and country case comparison is guided by several categories relevant for generating rich and

68 Also see the literature review in Chapter 2.
differentiated data on Chinese and British land-consuming FDI. These categories allow for the testing of existing hypotheses about actors, timelines, events, institutions, purposes, and land use. At the same time, they enable the exploration of alternative analytical explanations. Accordingly, each FDI project in Sub-Saharan Africa, and the associated country case, was assessed in view of 13 categories, namely the *actors, institutions, and sectors* involved throughout the project cycle; particular *timelines* of the projects (i.e. When did it begin, was it followed through?); the *role of land* in the investments (i.e. How was it used? How was it accessed? How was it governed?); the *purpose* of the investments (For export or domestic use?); and the role of the projects in the *recipient country context* (Was the project part of a national development plan?). Key outcomes of this process are documented in the appendix tables on Chinese and British investments since 2000. These also provide the final list of projects that I investigated in great detail.

Moreover, the empirical findings were discussed in view of the *political economy* and social, economic, and ecological *development context* of the home country. Particular attention was given to relevant *home country measures* and *guiding ideologies*; specific *events* significant for investor choices, investment outcomes, and/or OFDI-relevant regulations; and the role played by *investor legacy* in these investments, in the form of linkages, quality of connections, and foreign policy traditions (see summary in Table 1-6).

In order to enhance comparability of empirical findings over time, the historical review of

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69 Collier (2011), 824.
69 Collier (2011), 824.
70 Home country measures refer to the policy frameworks of the investor country that support OFDI activities of the domestic industry. See, for instance, Sauvant et al. (2010).
international land acquisitions at the turn of the 20th century was also structured according to these categories (see Chapter 3).

Table 1-6 – Categories and Sub-Questions Guiding the Assessment of Land-Consuming FDI

<table>
<thead>
<tr>
<th>Empirical Characteristics of FDI in SSA</th>
<th>Home Country Context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actors</strong></td>
<td>Development context</td>
</tr>
<tr>
<td>• Who is involved?</td>
<td>• What is the social, economic, and ecological state of home country development?</td>
</tr>
<tr>
<td>• At which stage of the project?</td>
<td></td>
</tr>
<tr>
<td>• To which end?</td>
<td></td>
</tr>
<tr>
<td><strong>Institutions</strong></td>
<td>Home country measures</td>
</tr>
<tr>
<td>• What institutions play a role in these projects?</td>
<td>• What is the institutional framework that OFDI is embedded in?</td>
</tr>
<tr>
<td>• Do these institutions play a role in OFDI in SSA?</td>
<td></td>
</tr>
<tr>
<td><strong>Sectors</strong></td>
<td>Guiding ideologies</td>
</tr>
<tr>
<td>• What sectors do these projects go to?</td>
<td>• How are capital exports rationalized by actors involved?</td>
</tr>
<tr>
<td>• What are core characteristics of this sector in the host country?</td>
<td></td>
</tr>
<tr>
<td><strong>Timelines</strong></td>
<td>Investor (country) legacy</td>
</tr>
<tr>
<td>• What does the project life-cycle look like?</td>
<td>• Does the investor legacy play a role in how these investments occur?</td>
</tr>
<tr>
<td>• When did the project start?</td>
<td></td>
</tr>
<tr>
<td>• How does the project develop?</td>
<td></td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Political Economy</td>
</tr>
<tr>
<td>• Is the project producing for export markets?</td>
<td>• What are relevant features of state-market relations?</td>
</tr>
<tr>
<td><strong>Role of land</strong></td>
<td>Events</td>
</tr>
<tr>
<td>• How is land used?</td>
<td>• Which events were significant in the context of OFDI?</td>
</tr>
<tr>
<td>• How is land governed?</td>
<td>• In which ways were these events significant?</td>
</tr>
<tr>
<td>• How is land accessed?</td>
<td></td>
</tr>
<tr>
<td><strong>Recipient country context</strong></td>
<td></td>
</tr>
<tr>
<td>• What is the official position towards inward FDI?</td>
<td></td>
</tr>
<tr>
<td>• Is the project embedded in national development plans?</td>
<td></td>
</tr>
</tbody>
</table>

In addition to the very detailed empirical information that this approach generated on the investigated projects and home country contexts, I also incorporated other data(bases) (such as investment inventories by government agencies) in my analysis of
what has been occurring, to put things into a broader perspective. Moreover, I conducted an extensive literature review about “land grabbing,” the history of the OFDI regimes, foreign economic policies, development trajectories, and the political economies of the home countries. Also, to the degree necessary, I accounted for the political economy in host countries. This extensive literature review complements the very detailed information obtained during process tracing. The findings presented in this thesis are my best estimate of the main trends and periods of Chinese and British land-consuming OFDI since 2000.

In sum, this methodological approach allows for identification of the main empirical characteristics of Chinese and British land-consuming investments throughout their life cycle, and it highlights the guiding ideology and home country measures in which they are embedded, as well as the particular traits of political economy which they reflect. Moreover, the approach enables a comparative discussion of empirical findings in view of the commonalities, differences, and significance of actors, institutions, interests, and causal mechanisms. And it allows me, in the context of each country’s development trajectory, to account for domestic development ambitions and challenges under a given political economy, while also acknowledging the importance of transnational factors in answering the question of why the investments occur. Thus, process tracing “show[s] how (…) events are plausibly linked given the interests and situations faced by groups or individual actors” to the extent that “actions are understandable in terms of knowledge, intent and

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71 For instance, Chinese projects listed in the “land grab” databases are primarily agricultural ones, whereas government data on Chinese FDI in SSA shows that this type of investment actually only comprises a minor share of the total investment activities.
circumstances that prevailed at the time decisions were made.”\(^{72}\) And the comparative research approach then takes the findings of this assessment “to challenge and improve our understanding of how particular cases of interest are related or different”\(^{73}\) – and, more broadly, to deliberate on the role of OFDI from a home country perspective.

In view of the question of objectivity, the method of process tracing and triangulation permits researchers to address the problem of unreliable data, generating an overview of the main empirical characteristics that followed from the assessment of the rich and detailed data collected across the core categories mentioned above. Also, the comparative case study approach has been guided by several considerations that are related to my research interests as well as associated objectivity concerns. Firstly, comparative case study research is an excellent tool that allows us to develop “an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research.”\(^{74}\) In this regard, it ideally matches this project’s research objective of a “detailed contextual analysis of a limited number of events or conditions and their relationships.”\(^{75}\) While not offering highly generalizable findings, the case studies are useful in answering questions which begin with "how" or "why," thereby helping to fill a gap in current literature on international land acquisitions. Secondly, comparative case study research enables variation-finding comparisons (larger N, but not matched). Regarding the astonishingly homogeneous explanation of distinct investor countries in the literature, it seems highly beneficial to compare cases in view of their

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\(^{72}\) Goldstone (2008), 48.
\(^{73}\) Goldstone (2008), 48-50.
\(^{74}\) See, for instance, Soy (1997).
\(^{75}\) Soy (1997).
similarities and/or variations. Thirdly, the comparison of cases will allow us to engage in moderate theory building about the (f)actors driving these investments.

Clearly, the chosen research approach and method come with particular limitations and challenges attached. Firstly, as I have highlighted above, my research approach does not allow me to derive broad generalizations beyond the two case studies and their investments in Sub-Saharan Africa. Secondly, the method of process tracing has been difficult, for two reasons. On the one hand, it is impossible to find data for every one of the multiple categories that guides my systematic assessment of Chinese and British land-consuming FDI projects. On the other hand, the data generated is very detailed, revealing many nano-level stories and factors that are interesting, but not necessarily significant in the micro- and macro-level analysis of how and why Chinese and British land-consuming projects occur from a home country perspective.

Consequently, this thesis’ analysis of land-consuming FDI is the result of a trying decision-making process with respect to what information to include and what to exclude. Since I am not pursuing a single argument in this research project, the decision about significant and insignificant information has been influenced by the set of criteria that structure the broader assessment and analysis (see below). Moreover, I have been determined to depict the diversity of factors at play in each of the case studies, and to weigh them according to their importance. Therefore, this thesis presents the empirical and analytical findings of each case study in two distinct chapters. This structure provides the space to highlight the multiple factors that are part of the main empirical characteristics of each case and, in a second step, to draw broader analytical conclusions about why they occur from a home country perspective.
Case Selection

The case selection of China and the UK complemented this exploratory research and methodological approach. Both countries are among the top 10 “land grabbers” according to the existing databases (measured by the total scale of their companies’ operations overseas), which makes their study important for a more meaningful understanding of what seems to be happening.\(^7\)\(^6\) Moreover, they are also commonly framed as embodiments of the above-mentioned antithetic investor country model (i.e., state vs. market) that underpins the orthodox hypothesis, meaning that a comparative study of these unlike cases allows the researcher to test the orthodox hypothesis and systematically explore alternative explanations of the political economy of “land grabs,” in view of the case-specific factors and dynamics at play, as well as regarding those that apply across the two cases.

In addition, the choice of China and the UK as comparative cases was compelling with regards to this thesis’ intent to investigate and consider the role of land-consuming FDI in the context of home country development. This is because the countries differ in their industrial set-up and socio-economic orientation and history. They thus allow us to comparatively explore the ways in which international land acquisitions are reflective of a home country’s particular setting and development context in and over time. On the one hand, Chinese OFDI is interesting because the country is a newcomer as a source of capital exports. Such exports have to be understood against the background of China’s opening up in the late 1980s, which turned the country into an increasingly powerful international

\(^7\)\(^6\) See Land Matrix (http://landmatrix.org/en/get-the-idea/web-transnational-deals/).
actor in the group of so-called “emerging economies.” Therefore, any study of Chinese land-consuming investments in Sub-Saharan Africa has to be aware of the potential processes of international development, such as the global economic and political restructuring, that these investments might reflect. The rise of China since the 1990s has been closely associated with a domestic development path that Jiang summarized as “heavy industrialization, labour- and capital- intensive manufacturing industries, export-led growth, low labour cost and high environmental damage.”\(^77\) In 2013 (est.), the industrial sector continued to represent the largest share of gross domestic product (GDP) at 45.3%, compared to 45% for services and 9.7% for agricultural activities.\(^78\) With respect to the benchmark of genuine and sustainable development, this economic success has come at a high price in the form of low wages and worker welfare, plus contentious issues associated with “the eco-system and political reforms.”\(^79\)

On the other hand, and quite removed from China’s emergence as the “Workshop of the World”\(^80\) since the 1990s, the UK, as a former empire, has a long (industrial) history of economic presence worldwide, both as an investor and trading country. After the empire’s disintegration post-WWII, the UK has remained a ‘cosmopolitan’ economy, whose operations are integrated in, and dependent on the world economy. Domestically, its economic development after WWII was characterized by deindustrialization and the post-oil-crisis collapse of the manufacturing sector during the late 1970s, the financialization of the economy, and the adoption of neo-classical development policies that slowed

\(^{77}\) Jiang (2009), 587.
\(^{78}\) US Central Intelligence Agency (20 June 2014).
\(^{79}\) Jiang (2009), 587. Also see Chapter 5 (Section 5).
\(^{80}\) See, for instance, Martin and Manole (June 2004).
reinvestments by the private sector which would have been needed to modernize the UK’s industrial base. As a result, the tertiary sector features prominently in the UK’s development context: financial and other services make up 78.9% of GDP (est. 2013), and related (overseas) earnings have become an increasingly important revenue source for the state, compensating for the negative terms of trade that result from the economy’s great dependence on foreign inputs and its relatively small secondary and primary sectors, which represent 20% and 0.7% of total GDP, respectively. The political economy of UK development since the 1980s, characterized by an “embedded financial orthodoxy” and a financialization-led growth model, has come at the high price. The country faces an escalating private and public sector debt, rising wealth inequality, a jobs crisis, and a growing fear that heightened international economic competition might weaken the positional ability of the country to “punch above its weight” in world politics. Alongside the financial sector crisis, which has led to a prolonged stagnation of the home economy, the government has recently begun to consider the possibility of modifying economic policy to rebalance the distribution of economic sectors through reindustrialization.

In both countries, the costs of these development challenges have become a matter of concern for the political elite due to a dramatic increase in domestic protests over working conditions and pollution (China), and public concerns over inequality, economic recession, and the consequences of the latter for the country’s international positional status (UK).

81 The New Political Economy Network (2010), 14, 11-12. Also see Chapter 7.
82 US Central Intelligence Agency (20 June 2014).
83 Cerny and Evans (2004), 51.
84 See Chapter 7 for a detailed discussion.
Comparative Political Economy, OFDI and Home Country Development

Due to the complexity of state-society relations and development dynamics, this study argues that a meaningful understanding of how and why land-consuming FDI is occurring from an investor country perspective has to: (1) take into account who is involved, in which way, at which stage of the overall process, and to which end; (2) investigate which processes and institutions carry out the investments, how they do so, and to what end; and (3) identify the differences and commonalities of the projects, both on an intra- and inter-country basis. But how can a study of “land grabbing” approached through the lens of political economy and development generate the rich and differentiated data and analysis necessary for a meaningful understanding of what is happening in the cases of China and the UK? To achieve those goals, the research project is inspired by three sets of literature: comparative political economy, FDI, and development. These will be introduced in this section in order to elucidate the premises upon which this study’s assessment and analysis of Chinese and British land-consuming FDI is built.

Political Economy

Firstly, the study of the comparative political economy of these projects was inspired by the work of key historical institutionalists. Drawing on the theoretical work of C/IPE\(^{85}\) scholars such as Katzenstein, Hall, and Rueschemeyer and Mahoney, the study did not assume that the interests of involved actors are exogenous, fixed, or necessarily

\(^{85}\) C/IPE refers to scholars that combine comparative political economy (CPE) and international political economy (IPE) research.
material. Instead, the research was based on the assumption that any study of the political economy of land-consuming FDI would have to be open to potentially new factors and variables that might shape relevant policy, project, and/or actor rationale, including the decision-making environment itself, psychological factors, international factors, domestic factors, and economic reasoning.

Additionally, the study’s interest in OFDI from the viewpoint of political economy was influenced by Katzenstein’s argument that the “management and the analysis of interdependence must start at home.” Conventionally, IPE scholars accentuate the role of international factors in the form of international regimes, trade, FDI, epistemic communities, and civil society, while the comparativists concentrate on domestic factors to explain policy outputs and outcomes. In the case of land-consuming OFDI, however, neither approach can fully capture what is happening. Instead, the literature review suggests that national and international factors are at play, and that distinct domestic developments together make up the global phenomenon. In this context, the work by Katzenstein exemplifies a third way to study land-consuming FDI. He bridges the outlined divide between C/IPE scholars in his research on the foreign economic policy making of advanced industrial states, highlighting that it is the outcome of “the interaction of international and domestic forces.”

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86 See, for instance, Katzenstein (1977a; 1978); P. Hall (1990); and Rueschemeyer and Mahoney (2003).
87 Other disciplines have acknowledged the multiplicity of factors in decision making. See DeRouen and Mintz (2010).
88 Katzenstein (1977b), 606.
89 See Chapter 2.
90 Katzenstein (1977b), 587, 591.
This research project’s assessment and analysis of land-consuming FDI adopted Katzenstein’s argument that it is not possible to understand societies without examining the regional and global contexts within which they exist. At the same time, this logic suggests that one cannot understand regional and global phenomena without considering the distinctiveness of the societies (and the domestic structures of the nation-states) involved. Katzenstein’s work also underlines the importance of accounting for differences in national responses to international challenges, such as the food or energy crisis in 2007/2008, even at a time when international interdependence and “the pervasiveness of transnational relations” are important phenomena in the reality of nation-states.\footnote{Also see, for instance, Dore (2000).} For this project, the above implies that the assessment of how international land acquisitions are actually carried out by actors from two major investor countries provides for a better understanding of why they might be happening in the home country context, how they relate to issues of crisis, and what their implications could be for international economic and political relations. Moreover, Katzenstein’s conceptual framework matches the exploratory research design, thus enabling the study to capture the dynamic and complex nature of Chinese and British land-consuming FDI in Sub-Saharan Africa. Accordingly, the institutional assessment differentiates between means (instruments) and ends (objective) while remaining aware that “means can become an end in itself, and ends can become a means in the attainment of other objectives.”\footnote{Katzenstein (1977b), 588.}

With regard to actor analysis, the study starts out by sorting actors into major interest groups of production relations (such as industry, finance, commerce, labor and...
agriculture) and political action groups related to the structures of political authority (state bureaucracy and political set-up). However, I recognize that neither actor group should ultimately be seen as unitary during the process of assessment and analysis; nor should a strict normative distinction between private and public actors be upheld during process tracing and analysis. State power itself, for instance, is made up of particular individuals belonging to a particular group in society, and their strategic considerations for foreign (economic) policy might end up conflicted between national interests (as state power held by particular groups) and the public good. And private actors within the same field might pursue very different interests and experience highly dissimilar outcomes. Also, with regard to influence, a priori presumptions are not helpful for a meaningful understanding of how and why land-consuming FDI occurs. While interest groups, particularly in the field of economic policy, are important in influencing public preference and choice, it can also work the other way around, with public policy influencing private preferences.

More broadly, this thesis’ analysis of land-consuming OFDI from an investor perspective treats agencies, clusters of ideas that perform ideological functions (hereafter: guiding ideologies), structures, and events as co-determinant, and it does not assume

94 With ideological functions, I refer to the fact that ideologies tend to justify and reflect powerful interest structures. In my assessment of Chinese and British OFDI from a home country perspective, I take note of such powerful clusters of ideas that play a role in the promotion and rationalization of these investments. However, Gouldner (1976, 33) stressed that ideologies differ from propaganda which is purely strategically in nature. Instead, ideologies “are intended to be believed in by those affirming them publicly and by all men, because they are “true,” and they thus have universal character.” The universal appeal of ideologies, such as the claim that they serve the national interest, conceals the interest formation that they represent in their “concern for What is and by their world-referencing “reports”.” In this sense, I argue that the clusters of ideas supporting OFDI to Africa fulfill an ideological function: they mobilize support, conceal the interests of the particular political economy that drives them, and appear to be universal in character. Moreover, these guiding ideologies justify as well as create the institutions and purposeful agents at play in OFDI activities to Africa.
variable independence. Consequently, the emphasis is on studying “these interactive effects of the interdependence of multiple causal variables” in-depth in the Chinese and British cases. The thesis accepts that “history and ideas matter,” that “institutions structure actor choices but are subject to change by actors themselves,” and that actors “make decisions that are not always efficiently or purely self-interested.”

Concerning the aspect of power in the study of the two home countries’ political economy, the thesis’ assessment has been influenced by the theoretical work of Barnett and Duvall. The authors developed a heuristic model of power as a social relation. Their conceptualization of power correlates with the above discussion of the importance of ideas, structures, and agencies in the study of “land grabbing.” Accordingly, power transpires in the interaction of actors (“power over”), as well as in the structural setting within which this interaction takes place (“power to”). In the first dimension (i.e. interaction), power can be compulsory or institutional. In my assessment of Chinese and British investments, therefore, I take note of the material, symbolic, and normative resources that are part of relevant compulsory or institutional contexts and that play a role in the interaction of actors involved in these investments. In the second dimension (i.e. structure), power transpires in the form of structural circumstances and “through more diffuse constitutive relations to produce the situated social capacities of actors.” Therefore, my assessment takes note of the home countries’ development trajectories and political economies, as well as the

95 Steinmo (2008), 166.
96 Steinmo (2008), 178.
98 Clearly, this distinction should only be understood as a heuristic tool, because in practice, both power dimensions are intertwined.
existence and application of a particular discourse or cluster of ideas and reference systems that determine the subjectivities of actors, their capacity, and that shape preferences and perceptions.  

FDI Research

Secondly, in order to investigate Chinese and British land-consuming FDI in the context of home country development, the study draws on FDI research. This allows for consideration of potential links between OFDI flows, domestic development, and foreign economic policy. Importantly, the OFDI research, which largely comprises economic-historical and legal-institutional studies on OFDI in and over time, bridges the analytical divide between micro-level OFDI activities and macro-level economic development by documenting the empirical correlations between them. These insights proved helpful during the conceptualization stage of this thesis. They suggest that “OFDI is one part of the country’s overall strategy of economic development,” i.e. “a means to an end, not the goal itself,” and they therefore support this thesis’ argument that a meaningful assessment of OFDI projects has to acknowledge their particular framing and context back home.

In this context, the essay by Lall was particularly helpful, as it provides important findings on the significance of particular development challenges in influencing government policies on FDI activities. Lall’s research documents the use of “FDI flows for furthering the growth of national ownership and locational advantages,” mostly in cases of

100 Gouldner (1976), 33.
101 Broadman (2010), 331.
102 See, for instance, Sauvant et al. (2010); Te Velde (2007); Hyam (2010); Nunnenkamp (2006); and Dumett 1999.
market failure, and it reveals the relevance of the home country context for explaining the large OFDI variations between and within investor countries in and over time.\(^{103}\) The documented cases are not confined to state-capitalist countries, as the orthodox description of “land grabbing” countries would suggest, but include liberal economies such as the UK, whose statistics from 1973-2002 show that investment-related bilateral aid to improve the host country’s investment environment positively correlated with OFDI flows over time.\(^{104}\)

Also, the comparative study on OFDI by emerging economies, edited by Sauvant et al., contributed greatly to this thesis during the conceptualization phase due to its critical interrogation of the stereotypical notions of the orthodox hypothesis’ political economy. It identifies key frameworks and elements of OFDI regulation by emerging economies, as well as OECD countries; and it outlines their emergence in the context of their economic development process. Core findings support this thesis’ hypothesis that from a legal-institutional standpoint, the antithetic framing used in the contemporary debate on “land grabbing” (e.g., state vs. market) is not helpful in explaining what seems to be happening, since the resulting contrastive description of Chinese and British political economies does not correspond with the actual institutional frameworks in place in both countries, which are relatively similar with regard to OFDI regulation and promotion (also see Chapters 5 and 7).\(^{105}\)

At the same time, this body of research indicates that any implicit or explicit claims about the benefits of OFDI for domestic development need to be critically probed against

\(^{103}\) Lall (1996), 324-325.
\(^{104}\) Te Velde (2006), 24-25; and Te Velde (2007), 96.
\(^{105}\) Sauvant et al. (2010).
empirical evidence. In practice, particular cost and benefit rationalizations by investors and governments often do not materialize, and capital exports might not turn out to be in the best interest of the country. Prominent examples are the “hollowing out” of the Japanese manufacturing industry,\textsuperscript{106} the export of jobs, or cases of wealth destruction through project failure.\textsuperscript{107} Historical FDI research also raises awareness of the fact that the contemporary promotional policy stance towards OFDI that is characteristic of China and the UK (since 2000) is unique. Over time, governments have shifted back and forth between restricting and/or liberalizing such capital flows, which emphasizes the need to be aware of potential changes in the respective policy landscape and guiding ideology over time.

\textit{Home Country Development}

Thirdly, this thesis studies Chinese and British land-consuming investments in view of home country development. Specifically, four development dimensions are considered during the assessment process: the ecological dimension (pollution; resource availability and access); the social dimension (unemployment; education; lack of skilled personnel; demographic change; inequality of wealth and opportunity); the political dimension (public policies; political landscape; state-market relations); and the economic dimension (crisis; debt; job creation; sectoral distribution; productivity; external vulnerability; ambitions). These factors have been derived from a body of literature that discusses the trajectories,\textsuperscript{106,107} Also see Moran (2011), 124. See Lall (1996); Moran (2011); Snyder (1991); and Cottrell (1975). Also see historical evidence in Chapter 2.
dynamics, potentials, and challenges of development approaches since the late 19th century.\textsuperscript{108}

**Objectivity in Social Science**

The exploratory and largely qualitative research design, together with the small-N case study approach might raise concern over the objectivity of the conclusions drawn. How can a researcher control for his or her own biases in such a case? The wide range of literature on the topic of objectivity in the social sciences and the role of case studies in assessment and theory development suggests that qualitative and small-N studies need not be an obstacle to the production of objective results.\textsuperscript{109} As a reminder, the research goal of this thesis is not to provide results that are generalizable, or ones that can be used for prediction. Instead, it intends to provide an empirically rich and differentiated narrative about how and why “land grabbing” occurs from the perspective of two specific investor countries, in the context of their development. And, it aims at developing a framework that could also be utilized to study other cases.

The project follows the understanding of objectivity outlined by Bird in reference to Max Weber.\textsuperscript{110} Accordingly, it tries to realize the requirements of objectivity in the social sciences by providing a “public account” that is “honest, intelligible, and reasonable,” can be understood by diverse publics, and is responsive to “reasonable

\textsuperscript{108} E.g., Gillespie (2001); Bird and Velasquez (2006); Robbins (2004); Victor (2008); Hirsch (2005); Snyder (1991); Jackson (2011); Cato (2011); Ekins (1993); and Saeed (2008). Also see the literature review in Chapter 3 on the historical dynamics of home country development and overseas investment.

\textsuperscript{109} George and Bennett (2005); Rueschemeyer and Mahoney (2003); Bird (1998).

\textsuperscript{110} Bird (1998).
criticism.” 111 With regard to value judgments, this thesis follows Bird’s argument according to which these are part of social research and occur in several forms and at different stages in the research process, such as topic selection; the making of “evaluative judgments” about events and persons studied; or in the form of value judgments about coherence, value or reliability of data studied. 112 While these forms of value judgments are unavoidable, they must not undermine “objectivity rightly understood.” That is to say, it is not the question of value judgments as such, but the distinction between evaluative judgments and empirical ones which then is the criterion of objective scientific undertaking in the social sciences. 113 Researchers who try to stay “aloof and without perspective” to avoid value judgments run the risk that they will “simply de facto assume or reflect the prevailing values of our times or their professions.” 114

Consequently, the research and methodological approach of this thesis are guided by three considerations that constitute “generic aspects of social scientific investigations:” the representation of research subjects, which measures to use, and how to proceed in order to arrive at reasonable judgments. 115 Concerning the representation of research subjects – i.e. the public and private actors whose rationales and motivations this study tries to better understand – I am aware of the need to account for the insider-outsider problematic posed to the researcher. This means taking the reasons provided by the actors seriously, while nevertheless checking them against empirical facts. Clearly, the challenge lies in

111 Bird (1998), 27.
112 Bird (1998), 27.
113 Bird (1998), 27.
114 See Bird (1998), 28. Also see Luckmann and Berger (1966) on the social construction of reality alias meaning.
115 Bird (1998), 27.
discovering the actors’ interests and motives. This thesis rises to that challenge, and uses empirical data about the projects, development contexts, events, political economies, and guiding ideologies to evaluate actors’ ambitions. On the basis of this empirical information about how these investments occur (which is revealed to the reader in Chapters 4 and 6), the reader can also judge for him- or herself the reasonability of the conclusions drawn.

5. Synopsis of Key Findings

The findings of the two country case studies suggest that land-consuming FDI projects are indeed reflective of their particular home country context. They are embedded in guiding ideologies and domestic development approaches, influenced by specific events relevant for the particular country, supported by government measures, and related to the particular country’s political economy. At the same time, the two country cases suggest that simplified assumptions about their political economies and underpinning motivations are not conducive to a meaningful understanding of what is happening from an investor country perspective. While key differences in how these investments take place do exist, they do not necessarily imply a divergence in the investments’ purposes (to which end) or in other aspects relevant for “land grabbing.” Moreover, antithetic explanations tend to ignore the multiple commonalities and/or the complex nature of both countries’ investments, which are characterized by multiple purposes, actors, and dynamics.

The process tracing of Chinese land-consuming FDI projects in Sub-Saharan Africa reveals that they are not undertaken for resource-related reasons alone. I argue instead that they are part of China’s resources and expansion diplomacy which aims to diversify the country’s supply of resources and its export markets; strengthen international partnerships,
and globalize its industrial base, which is characterized by resource-intensive and export-oriented manufacturing operations.

A closer look at the main empirical characteristics reveals the complexity of Chinese OFDI activities in Africa. They involve multiple sectors, from farming to construction, and show a mixed track record regarding the status of project implementation and, in some cases, project failure. The Chinese “farmland grab” often mentioned in the literature does not hold true: as of 2010, the agricultural sector only amounted to 3.1% of overall Chinese investments in Africa (measured by value), while many agricultural projects took place upon the request of African governments in exchange for resources. Moreover, the project timelines show that Chinese land-consuming FDI in African countries predates the 2007/2008 international crises of food, energy and finance. Most projects have their origins prior to 2000, though many of these projects have significantly changed their operations over time. In fact, Chinese state-owned enterprises (SOEs) have switched from an aid and technical cooperation approach towards a market rationale, a trend that applies across sectors, as well as aid projects.

Importantly, these investments involve multiple actors from the private and public sectors in the host countries (e.g., ministries, banks), multilateral organizations (e.g., FAO), and intergovernmental cooperation programs. From the Chinese side, government representatives, embassy personnel, and private and state-owned entrepreneurs are involved during a project’s lifecycle, whereas SOEs are particularly dominant in large-scale projects. Contrary to the widespread assumption that subsumes SOEs under the

116 State Council (2010).
agency of the Chinese central state, investments often occur outside of central state control, and in the case of provincial SOEs even against the interests of the central government. The use of land is twofold in these investments: as soil with particular qualities and as space where industrial or modernization projects can be realized. The majority of land-consuming projects in African countries seem to produce for domestic or regional consumption, except in the case of energy. These findings match official trade statistics which highlight that Chinese imports from African countries are largely composed of industrial minerals and energy. Land is accessed through leasing contracts, contract farming schemes, or through joint ventures with local companies. These access strategies reflect considerations of risk minimization, as well as the importance of liberal domestic legislation regarding foreign equity ownership in the host countries.

From the home country perspective, several events led to a policy position increasingly supportive of OFDI and to an Africa-specific foreign policy. These include rising resource dependency in the 1990s, when industry demand exceeded the country’s resource capacity; the Asian crisis in the late 1990s and the associated collapse of export markets; and the World Trade Organization (WTO) accession in 2000 that heightened domestic competition and resulted in a strategy to develop national champions, i.e. transnational corporations (TNCs) able to compete internationally. In addition, the unsustainably high social and environmental costs of the export-oriented, inward foreign direct investment (IFDI)-driven development path, particularly the high pollution and the low wages, led the government to focus on industrial upgrading, and to promote the globalization of Chinese companies’ production processes through OFDI. Together, these circumstances and their rationalization show that investments largely represent an attempt
to establish an economic system that can draw on other countries’ resources, skills, markets, and productive opportunities to further the development process, thereby moderating domestic social, economic, and ecological pressures. In fact, the guiding ideology embedded in official documentation embraces OFDI as an important policy tool to realize domestic development ambitions; and supports the notion that Chinese-African cooperation is mutually beneficial. Hereby, African countries and China are said to profit from engaging with each other due to the complementarity of their “needs,” namely China’s interest in resources and African countries’ interest in export markets for their resources. Consequently, the resulting trade and investment relations are less unique than the rhetoric about the mutual benefits for the partners involved might suggest: while a greater share of Chinese FDI (compared to FDI from the North) goes into manufacturing, the asymmetric trade relations strongly resemble North-South trade patterns.

At the same time, the profit orientation, the positive attitude towards OFDI, the adoption of liberal economic principles in its policy, and the diversity of actors in Chinese land-consuming OFDI reflect profound changes in the country’s political economy. These have resulted from substantive political reforms and the related dynamics: government agents have turned into “bureaucratic entrepreneurs” who market their power for public but also private gain; corporate governance of SOEs has been eased, transferring some discretionary power to the companies from the state; and various policy areas have been decentralized, resulting in the rise of sub-state actors. At their core, land-consuming FDI projects are part of a trend to liberalize in order to cater to the interests of the resource- and export-dependent industrial base, the main source of foreign exchange since the 1990s. However, the choice of this approach has been influenced by the particular actor
constellation, specific events, and the international context that encourages economic expansion through OFDI.

In the case of British land-consuming FDI in SSA, the process tracing shows that “land grabbing” is not only the result of individual investor choices. I argue that they also reflect the UK’s investor legacy, the country’s liberal OFDI policies, and the self-perception as a great power with a globalized economy “punching above its weight.” In many cases, they also respond to public-policy induced incentives. Originally, British land-consuming OFDI in SSA was driven by a highly diverse private sector in search for new growth markets and business opportunities at a time of economic stagnation; climate regulations that promote investments in biofuels; and/or the 2007/2008 financial crisis. More recently, the current government has begun to promote overseas investments as a grand strategy to economic recovery and reindustrialization through securing access to resources, promoting exports to growing African consumer markets, and identifying contract-based work opportunities for UK business overseas. Moreover, land-consuming OFDI has become part of a political strategy to maintain the UK’s influential international status as a major investor and trading country.

More in detail, the empirical evidence highlights that such investments involve established corporations, often possessing a century of experience on the continent, that exploit business opportunities which opened up as part of the reform processes in the host countries; early-stage companies that respond to new policy regimes in the climate and energy sector; and financial investors that seek profitable investment options during a time of financial crisis. While the private sector has been a frontrunner in its turn to Africa since
2000, the government has begun to promote the trend in the aftermath of the financial crisis.

With respect to sectoral composition, resources figure prominently in UK land-consuming FDI in Sub-Saharan Africa, but these are not the only kind of investment taking place. The UK investments\textsuperscript{117} explored here include a range of projects, from food production and livestock farming to mineral extraction and construction services. However, official UK OFDI data highlights that in 2008, financial services (43.5%) and mining (42.5%) were the largest sectors (measured by value), reflecting the UK investor legacy with its focus on natural resources, as well as its economic constitution with a strong financial-sector orientation back home. Regarding land use, the above highlights three key uses: as a natural resource, as space for industrial and construction projects, and/or as an asset. Contrary to the rhetoric of biofuels, such as Jatropha being grown on marginal lands, project data highlights that most investments consume prime land that is characterized by a mild climate, water availability, productive soils, and nearby infrastructure and markets. Similar to Chinese operations, British investors accessed land through various contract arrangements.

But how do these investments relate to the home country context and development? Clearly, the UK – a former empire – has a long history as an investor country. Starting with EU accession and the oil crisis in the early 1970s, OFDI promotion was basically framed in economic terms. First it was pointed to as a resource-acquiring measure, then increasingly as a way to enter markets and access technology needed to sustain domestic

\textsuperscript{117} See Appendix B.
industrial operations, or as a means to mitigate market failure. Over time, OFDI has also increasingly taken over the income-earner role due to structural changes in the form of UK deindustrialization, deteriorating terms of trade, and changes in the international economic structure that have left the UK as only one of many industrial countries.\textsuperscript{118} As of 2014, OFDI is one of several instruments of UK industrial and foreign economic policy, and it focuses on export promotion, resource acquisition, and competitiveness. Only recently has it been referred to as a tool for opening up new growth markets in the context of the economic crises currently affecting established trading partners (e.g., US, EU). Notably, it has become part of the current government’s (since 2011) reindustrialization strategy which has emerged as a result of the financial crisis and the related economic recession in the UK’s large financial sector. As a consequence, the Commonwealth Development Corporation’s (CDC) institutional development finance as well as aid-funded programs offer business opportunities for British companies investing in SSA.

In view of British OFDI in SSA, the promotional policy stance explains why external events such as reforms in host countries or international policy incentives and frameworks have featured prominently in the business rationales of British investors in Africa since 2000. Also, the dominance of the financial sector in British OFDI in SSA highlights core traits of the country’s political economy: it is a reflection of domestic actor constellations and the “embedded financial orthodoxy” that has guided domestic development policies since the Thatcher era, and it mirrors the overlap of interests and the “intellectual capture” across different actor groups in the public and private sectors. In

\textsuperscript{118} See Chapter 6.
British OFDI in African countries the financial sector has a strong presence not only as an investor but also as the primary provider of industry finance; however, the investments are not necessarily driven by it.

A comparison of the main empirical characteristics of contemporary Chinese and British overseas investments with historical evidence highlights that most aspects of the ongoing “land grab” phenomenon are by no means new, as the common narrative, with its narrow focus on resources, (implicitly) claims. Instead, the empirical data on Chinese and British land-consuming FDI projects since 2000 shows that these occur in multiple industries, many of which use land not as a resource but as space for productive activities (e.g., manufacturing) and/or as an asset. Moreover, many projects are a function of multiple factors (e.g., ideological and political factors) rather than a function of pure economics and/or resource constraints back home. For instance, a large share of Chinese investments in agriculture are for domestic or regional consumption in the host countries; happen at the request of African governments; are part of China’s commercial and resource diplomacy; are promoted as a way to internationalize the operations and skills-set of Chinese agribusinesses; and are ideologically captured under the principle of “mutual development.”

Contrary to the labels – such as, for instance, “efficiency,” “utility,” or “profit” – that are frequently used by public and private actors, as well as the orthodox hypothesis, to describe and justify land-consuming FDI activities, these activities have historically been and continue to be exposed to great risk, often to a greater degree than other

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119 See Chapter 3 for the historical review.
120 See Chapters 4 and 5.
entrepreneurial endeavors. In fact, in many instances these risks have materialized and resulted in project failure, leading to wealth destruction and negative impacts on the ground.\textsuperscript{121} This makes it rather difficult for both home and host countries to assess the costs and benefits of such FDI projects. However, this risk exposure serves as a warning not to uncritically succumb to the rhetoric of success and extraordinary revenues applied by actors during their search for funding or political support. Potential host countries need to look beyond the seemingly convincing logic of scarcity and rising demand as a guarantee for success. Instead, a close assessment on a case-by-case basis is needed to capture what is happening, and whether the business model seems feasible.

In fact, the findings of this thesis, as well as the interviews with representatives of three British corporate actors, all indicate that companies that lack prior experience and/or apply a narrow economic rationale to their operations which focuses on quick profits and efficiency while ignoring the specific social, ecological, economic, and political contexts in which they operating, are doomed to failure.\textsuperscript{122} At the same time, unexpected (or expected but unrealized) events back home can bring a project to a close, as the examples of economic crisis, regulatory reform, and/or protest highlight. Cases in point are the British Jatropha projects that started out on the false premise that Jatropha would be suitable for marginal lands and low quality soils. While the plants clearly survived under these conditions, they did not produce the much-needed fruit in sufficient quality or quantity. Moreover, the maturation timeline of five years drove away financial investors

\textsuperscript{121} Compare empirical evidence in Chapters 3, 4, and 6.
\textsuperscript{122} Interviews with representatives of Highbury Finance, Jatropha Africa, and Africa Invest (see Chapter 1 (Section 2) on data collection).
who were expecting quicker returns on their investments in these projects. Together with either poor plantation management or a negative public image of “biofuels” in the home country, which led main purchasing clients, such as airlines, to withdraw their support in the form of take-off agreements until a certified production line was in place, this has resulted in the collapse of most of the Jatropha projects since 2000.123

Finally, it is important to note that this thesis’ assessment and analysis of “land grabbing” focuses primarily on investor countries, their perspectives, and the role of these investments in the context of their development. As a result, dynamics, impacts, and events in the host countries have only been touched on in order to acquire a sufficient overview to be able to judge the nature of these investments in the particular context in which they are occurring – regarding, for instance, the specific market conditions, political economies, the uniqueness in comparison with other countries’ investment projects, the embeddedness in the local economy, the connection to political leaders, and/or the ecological, social, and environmental implications. However, this approach is largely due to the time and space constraints posed by the thesis, and not reflective of any conclusion that the actors, institutions, and other host country factors are unimportant with regard to a comprehensive explanation of what is occurring. To the contrary, as of 2014, there is ample empirical evidence in the form of reports and case studies124 which highlights the importance of host country actors, dynamics, and institutions in these investment processes – they often shape what takes place and how. Early descriptions of what seems to be occurring were

123 See Chapters 6 and 7.
124 See, for instance, Sikor (2012); Fairbarn (2013); McCarthy et al. (2012); Visser et al. (2012); and Wolford et al (2013b). See also the papers presented at the conferences “Global Land Grabbing I” in 2011 (Sussex University) and “Global Land Grabbing II” in 2012 (Cornell University).
especially prone to too easily dismissing the aspect of recipient country agency and responsibility, trotting down the well-known path of critiquing big (agri)business and contemporary (post-colonial) economic governance. In practice, however, these analyses do not mutually exclude each other. On the contrary, they call for more research on the linkages, overlaps, distinct agencies, events, contexts, ideologies, and broad structures that together compose the global “land grab.”

6. Structure of the Thesis

The remainder of this section will outline the structure of this thesis. Chapter 2 reviews the contemporary body of research on “land grabbing” that has emerged since 2007; identifies gaps in the literature; and concludes by highlighting the key aspects that this thesis will contribute to the debate.

The review of historical literature on international land acquisitions in Chapter 3 then complements the contemporary debate, which remains inconclusive and relatively imprecise in view of the questions of how, and in which way, contemporary “land grabs” differ from or resemble those of the past. The overview of the key features of “land grabs” in the late 19th century, often referred to as the high watermark of globalization, aims to contribute a meaningful summary of key empirical characteristics and explanations. To that end, the categories studied are similar to the ones applied in the empirical assessment process of the case studies in order to ensure comparability of data (e.g., sectors; timelines;

\[125\] Jauch (2011).
the roles of land, actors, and institutions; recipient context; political economy; home country measures; guiding ideology).

Together, Chapters 4 and 5 compose the China case study. First, Chapter 4 presents the main empirical characteristics of Chinese land-consuming FDI in African countries. The chapter is structured according to the same categories that guided the historical review and process tracing. Additionally, this chapter incorporates a section on the role of Chinese labor in these projects, a hotly debated phenomenon that requires clarification for a meaningful explanation of what is happening.

The presentation of empirical evidence in Chapter 4 is then complemented by Chapter 5’s discussion of these investments’ characteristics in light of the empirical evidence about China’s political economy; OFDI policy framework (called “home country measures”); guiding ideology; and development context. On the basis of this empirical overview of the key aspects of Chinese land-consuming FDI in African countries from a Chinese perspective, the chapter concludes by discussing how and why these investments are taking place, and what makes them Chinese, rather than British, in nature.

The UK case study is also divided into two chapters. Chapter 6 presents the key empirical characteristics of British land-consuming FDI in African countries since 2000. Again, it does so according to the categories outlined previously. Similar to the China case study, this chapter contains a country-case-specific section on the role of British investment funds active in agricultural investments. This allegedly novel phenomenon features prominently in the “land grab” debate and thus merits a detailed discussion. Highlighting the key characteristics and dynamics provides the opportunity to clarify
misconceptions about these cases, which seem to represent a significant share of the UK investments, thereby contributing to a more meaningful understanding of the phenomenon.

Chapter 7 discusses these investments and their characteristics in view of the empirical evidence about the UK’s particular political economy; the relevant OFDI policy framework (“home country measures”); guiding ideology; and development context. On the basis of this empirical overview of the key aspects of UK land-consuming FDI in African countries from a UK perspective, the chapter concludes by addressing how and why these investments are taking place, and what makes them British in nature.

Chapter 8 comparatively summarizes and compares the key findings of both country cases, and contrasts them with both historical evidence on international land acquisitions and the orthodox hypothesis in the contemporary “land grab” debate. It concludes with a discussion of what these findings might tell us with regard to the linkage of OFDI and home country development.
Chapter 2: INTERNATIONAL LAND ACQUISITIONS TODAY – THE DEBATE SINCE 2008

A new international division of labour in agriculture is likely to emerge between countries with large tracts of arable land – and thus a likely exporter of biomass or densified derivatives – versus countries with smaller amounts of arable land (i.e. biomass importers, e.g. Holland). The biggest biomass export hubs are expected to be Brazil, Africa and North America.

– World Economic Forum 2010

Like trade, foreign direct investment (FDI) has occurred throughout history. From the merchants of Sumer around 2500 BCE to the East India Company in the 17th century, investors routinely entered new markets in foreign dominions. In 1970 global FDI totaled $13.3 billion. By 2007 it was nearly 150 times higher, peaking at $1.9 trillion.

– WB 2010

Importantly, the new investment strategy is more strongly driven by food, water and energy security than a notion of comparative advantage in the large scale production of indigenous crops for global markets, which has been more characteristic of foreign-owned plantations since the end of the colonial era. The current land purchase and lease arrangements are largely about shifting land and water uses from local farming to essentially long-distance farming to meet home state food and energy needs.

– UN DESA 2010

1. Introduction

Chapters 2 and 3 provide an overview of the key explanations and empirical characteristics of past and present international land acquisitions – focusing on the how and why. In doing so, they contribute to the thesis’ investigative research objective by challenging common assumptions, identifying important issues, and raising questions deemed relevant for the meaningful understanding of what seems to be happening in the present, and how it resembles the past. These findings have informed the thesis’ research outlook, and they will be taken up again in the concluding Chapter 8, where historical and contemporary explanations will be compared with the evidence gathered via the country cases.
Chapter 2 will proceed as follows: Firstly, key factors will be discussed that might explain the unexpected surge of international interest in, and research on the topic of “land grabbing.” Secondly, the main terminological challenges will be outlined. Alongside the data challenges presented in Chapter 1, these are important in understanding the constraints and pitfalls that confront research on this topic. Thirdly, a literature review of major publications since 2008 will be presented, highlighting core explanations, and summarizing how the debate has evolved over time, analytically and empirically.\textsuperscript{126} Fourthly, the three most influential framings that shape the policy debate and the research literature will be discussed. Aside from their significant role in identifying the problems of “land grabbing,” and, on that basis, recommending potential remedies, these framings also mirror core actor constellations and paradigmatic contestations that affect what is being discussed in the academic literature on the topic. Finally, the contribution made by this thesis to the literature will be briefly outlined.

A review of the “land grab” debate since 2008 reveals few meaningful assessments of OFDI from a home country perspective – a gap that this thesis intends to address with its study of the UK and China. Most explanations continue to rely on a resource-scarcity framing in combination with stereotypes about the investor countries’ politico-economic constitutions. Moreover, they primarily refer to international events as major drivers (see Table 1-5). At the same time, the more nuanced assessments that have emerged to highlight the complexity of home-country-specific political economies, plus the significant

\textsuperscript{126} For clarification: While the “land grabbing” debate begun with the framing by GRAIN (2008) in 2008, it is important to note, that the projects that are referenced in the debate often trace back to the year 2000, or even further back.
share of non-resource focused, yet land-consuming OFDI projects, support this thesis’ exploratory research approach of studying how and why “land grabs” occur from a home country perspective.

2. Why “Land Grabbing” Made It Onto the International Research Agenda

Before going into the debate on “land grabbing” itself, it seems important to reflect upon its basic parameters on a broader scale, namely the factors that put this topic on the international research agenda in the first place as well as the terminological ambiguity that characterizes it. These prior considerations about the context and terminology of the debate will allow us to identify potential interests, dynamics, and events that might be important for a better understanding of the “land grab” phenomenon. Clearly, processes of dispossession, concentration of ownership, and other aspects of commercial pressure on land that are discussed under the heading of “land grabbing,” “international land acquisitions,” or “FDI in land and agriculture,” are by themselves nothing new, nor do the authors who contribute to the respective literature and policy debate seem to make a particular effort to understand whether anything about the phenomenon differs from the past (see Chapter 3). What exactly does the broader context of timing, actor constellation, or terminology then tell us about the renewed popularity of land issues?

I argue that the interplay of five factors appears to have prepared the ground for new interest in the phenomenon. These factors can be described under the headings of framing, empirical evidence, crisis, competition, and opposition.

Firstly, the “land grab” framing itself seems important. In fact, “land grabbing” has not only become the title under which a growing body of interdisciplinary research on the
topic is emerging, but it also provides international NGOs such as GRAIN\textsuperscript{127} with a powerful diagnostic tool and political platform to pool and jointly articulate their discontent with the predominant policy paradigms of the national and international development institutions and agencies that initially supported these “investments” and related policy reforms in the name of “development,” “poverty reduction,” and/or “food security.”\textsuperscript{128}

Secondly, in this process of paradigmatic contestation there is growing empirical evidence of the often high social, environmental, and/or economic costs of “land grabs” at the local level, which has been admitted by the WB.\textsuperscript{129} Together with the sheer, unheard-of scale of the projects, this has lent practical credibility to the alternative framing that challenges the widely institutionalized policy paradigm of mainstream economics over its failed promises – pointing, for instance, to the poor job creation and skills transfer, limited taxation, dispossession, displacement, pollution, and ownership concentration.\textsuperscript{130}

Thirdly, the context of the financial, energy, and food crises of 2007/2008 also added to interest in the topic. On the one hand, the rise of FDI in land and agriculture, especially at a time when investments elsewhere were declining, generated attentiveness to the phenomenon on a general level – first from a quantitative angle by UNCTAD, and increasingly from a qualitative angle.\textsuperscript{131} On the other hand, the crises had governments worldwide worrying about political and economic regime security in the face of food riots.

\begin{footnotes}
\footnotetext[127]{GRAIN (2008).}
\footnotetext[128]{WB (2007); De Schutter (2011a); Caffentzis (2002); De Angelis (2005).}
\footnotetext[129]{WB (2011).}
\footnotetext[130]{WB (2011).}
\footnotetext[131]{UNCTAD (2009).}
\end{footnotes}
high energy and food prices, unemployment, debt pressure, and lagging growth. These concerns redirected their attention towards issues of food, job, and energy security, all of which are issues linked to land-consuming investments.\textsuperscript{132}

Fourthly, the renewed attention to “land grabs” was also fuelled by the widespread concern among public and private actors in old investor countries over heightened international competition and global economic restructuring.\textsuperscript{133} This is evidenced by the high research output of OECD-based institutions on the rise of new economic powers as well as the officially documented fears of old economic powers over their declining international influence (see Chapters 6 and 7 on the UK).

Finally, the opposing interests and paradigms of dominant institutions, such the WB, the FAO, or the UN Special Rapporteur on the Right to Food, have led to a lively, global-level policy debate on the issues of “land grabbing,” food security, and the role of agriculture for development (see Section 5).\textsuperscript{134} In this context, a well-prepared civil society, which had pushed the FAO since 2002 to change the course of its agricultural policy stance towards smallholder farming, also played a prominent role. It made productive use of the 2007/2008 food crisis and its established institutional linkages with the Rome-based agency once the crisis hit.\textsuperscript{135}

\begin{flushleft}
\textsuperscript{132} Against this background, the observation by Ayoob (2005) that the securitization of an issue is preceded by its politicization seems important.
\textsuperscript{133} See UNCTAD (2009, 124), especially regarding the rise of transnational corporations (TNCs) from Asian countries among the top 25 TNCs globally. Also see Dicken (2007), 33-69.
\textsuperscript{134} See WB (2007); IAASTD (2008); De Schutter (2011a); WB (2011); and IIED/FAO/IFAD (2009).
\textsuperscript{135} Personal communication, Steering Committee member of the Committee on World Food Security, November 2013.
\end{flushleft}
In sum, these elements point to the political side of the “land grabbing” debate, and they call attention to the fact that not everyone who engages in the debate does so out of an interest in “land grabbing” itself. Instead, part of the discussion taking place under the label of “land grabbing” seems to be the result of media diplomacy and the furthering of other agendas. This is highlighted by the great discrepancy between empirical facts and rhetorical claims about what is happening. This discrepancy, which this research project witnessed in many cases during process tracing, cannot be explained by the complex set of data constraints alone.

3. On Terminological Ambiguity

The politics of the discourse on “land grabbing” that were discussed in the previous Section 2 are also reflected in the history of its terminology. This section will briefly summarize the terminological development to ensure an informed understanding.

The “land grab” terminology was brought to life by GRAIN’s publication “Seized,” which first applied it to describe an allegedly new global trend, namely the securing of large tracts of (farm)land by foreign governments and private actors. While the term “land grabbing” had previously been used to describe historical incidents of “arbitrary seizure of land either by military force or through dishonest or illegal means,” GRAIN’s reframing of international investments in land as “land grabs” pointed to the similarities between contemporary events and those of the past for the affected populations in the form of “the

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136 UNCCD (2010).
brutal expulsion of indigenous communities” and intensifying “struggles over land.” At the same time, it put the spotlight on the prevailing economic approach’s “accumulation of anomalies,” such as misleading assumptions about the benefits of foreign investments for the social and economic development of host countries. These assumptions did not match the empirical evidence and were plagued by an analytical inability to explain these investments meaningfully: why would investors target primarily countries with particularly low governance performance?

Subsequent reports by international institutions, NGOs (e.g., Action Aid and Oxfam), and academia followed up on the core questions raised by GRAIN’s alternative framing by assessing whether farmland acquisitions constituted a “land grab” or a “development opportunity.” Yet, these reports continued using different terminologies to describe land-consuming investments, such as “FDI in land,” depending on their respective framing (also see Table 1-2 on terminology). In addition to the resulting pluralism of terms and frames to describe foreign investments in farmland, academic research broadened the focus of “land grabbing” to include “radical changes in the use and ownership of land” through FDI in sectors other than agriculture, such as tourism or industry. The resulting terminological ambiguity led Borras and Franco to conclude that

137 GRAIN (2008), 1-2.
138 P. Hall (1990), 9.
140 Action Aid has a thematic work area and several publications on “Biofuels and Land Grabs” (http://www.actionaid.org/eu/what-we-do/biofuels-and-land-grabs).
141 Oxfam produces research on the political economy and outcomes of land policy (http://oxf.am/4LX).
143 Weingärtner 2010; WB (2011); and WB (2010).
144 Zoomers (2010).
“the 'global land grab' has become a catch-all to describe and analyze the current explosion of large scale (trans)national commercial land transactions.”

At the same time, the analytical value of the concept came under increased scrutiny: as not all “land grabs” are the same, R. Hall argued that the concept’s primary value was for activist rather than analytical purposes, because it ignored the context-specific dynamics and processes at play in the host countries. Moreover, an increasing number of case studies began to question certain presumptions at the core of the “land grab” framing that were related to its peasant activist origin. Studies on international farmland acquisitions in Russia and Ukraine challenged, for instance, the common supposition that peasants are inherently opposed to large-scale investments and farming models. Instead, large-scale investments in farming can encounter a relatively positive expectation of production and expansion in country contexts where uncultivated land has a negative connotation as a further retreat of the state. This clearly highlights that research on “land grabbing” must account for the host country’s specific development practice and history, rather than assuming a unitary peasant culture. Moreover, D. Hall’s research on South East Asian crop booms advises “that we need to pay attention to smallholders as potential agents of land grabbing,” instead of assuming (a priori) that they are all necessarily victims in the process. At the same time, the shortcomings of the “land grabbing” frame’s

147 Borras et al. (2011).
148 Steggerda and Visser (2012); Mamonova (2012). Also see special journal editions on “Global Land Grabs” by Third World Quarterly 2013 (Volume 34, Issue 9) (see Edelman et al. (2013)); and “Land Grabbing and Global Governance” by Globalizations 2013 (Volume 10, Issue 1) (see Margulis et al. (2013)).
narrow focus on smallholder farming and food sovereignty in particular institutional contexts and in view of de-peasantization have been highlighted (also see the policy debate review under Section 2.5).\textsuperscript{150}

Currently (in 2014), this struggle over the adequacy of the terms and frames used to describe what seems to be happening in the context of “land grabs” continues. How significant this struggle is for the assessment of “land grabbing” becomes obvious when considering that under the existing terms and frames, it is impossible to clearly identify whether a “land deal” is a “land grab” or not.\textsuperscript{151} While GRAIN used the term to refer to any foreign investment in agriculture, over time research has challenged this definition, which only captures a minor share of the total dynamic, ignoring, for instance, the significant dynamics of land dispossession and ownership concentration attributed to domestic investors of the respective host countries. The importance of the latter has resulted in case studies assessing “land grabbing” through a focus on the political economies of the host countries. Similarly, attempts to update the “land grab” terminology in line with the empirical evidence, such as the Tirana Declaration,\textsuperscript{152} tend to forget that even under democratic methods, compensation and deliberation procedures might not solve the underpinning conflicts of land use and land struggles. Again, the definition is not precise enough to differentiate what is not a “land grab.” Yet, such a definition would be needed to discuss “land grabbing” in the broader development context, especially in view

\textsuperscript{150} De Master (2013).
\textsuperscript{151} See also D. Hall (2013), 1592.
\textsuperscript{152} The Tirana Declaration (ILC (2011), 8-10) was the outcome document of an international multi-stakeholder conference organized by the National Federation of Communal Forests and Pastures of Albania (NFCFPA), the Government of Albania, and the ILC on the theme “Securing land access for the poor in times of intensified natural resources competition” (24-26 May 2011).
of the fact that it is both part of and symptomatic of pressure on land in the form of economic upscaling, growth, and/or economic liberalization.

For the purpose of this research project, it is important to remember that I largely use the term land-consuming FDI. It is my understanding that this term best captures a common feature of many “land grab” projects that matters when assessing them from a home country perspective, – namely, that their primary purpose is neither the acquisition of land nor the investment in agricultural production. Instead, what is characteristic of these investments is that they consume large areas of land in their operations.

4. The “Land Grab” Debate Since 2008 – A Literature Review

The previous sections (and Chapter 1) highlighted that qualitative and quantitative information about “land grabbing” or commercial land transactions has to be treated with caution. In spite of the widespread and growing academic criticism of “false precision,” it is important to note that in the ongoing debate, as well as the public perception about the topic, a set of empirical facts continue to form a sort of “empirical fiction” about the phenomenon. Borras and Franco argue that the predominant empirical storyline about “land grabbing,” which runs through many scholarly, as well as para-scholarly, publications from the beginning, basically consists of five hypotheses: (1) land used for domestic consumption changes into land used for export production; (2) the main investor

\[\text{153} \text{ This term does not mean to argue that the empirical observation of a concentration of land ownership, access, and control is false. I just want to highlight that available reports and databases often pretend to provide precise figures in view of land “grabbed” by project or in aggregate (e.g., Land Matrix), even though these figures might frequently be incorrect for various reasons (see discussion of data constraints in Chapter 1).} \]

\[\text{154} \text{ For a detailed critique of the data foundation of the “land grab” debate, also see Rulli and D’Odorico (2013a) and (2013b); Scoones et al. (2013b); and Oya (2013b).} \]
countries are “the Gulf states, Chinese and South Korean governments and companies;” (3) land deals also “involve finance capital, partly leading to speculative deals;” (4) they “are often shady in character, being non-transparent, non-consultative, and fraught with corruption involving national and local governments;” and (5) “land grabs” necessitate better regulation to prevent negative, and generate positive, outcomes. In light of the growing and increasingly differentiated research on land-consuming FDI since 2008, this simplified empirical narrative is predominantly an ossification of the original theme of 2008, when the topic attracted international attention. The remainder of this section will provide an overview of the main themes, publications, and perspectives that have been characteristic of the evolving debate on land-consuming FDI over time.

The key milestones in the literature are reports by NGOs and international institutions; research papers submitted to four conferences on “Land Grabbing” and “Food Sovereignty;” and articles in particular journals, such as the “Global Land Grabs” issue of the journal Development, the Journal of Peasant Studies, which not only published selected papers on the topic, but also special issues covering specific aspects of international land acquisitions (e.g., green grabbing; the peasant in relation to the state

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155 Borras and Franco (2012), 38.
156 GRAIN (2008); and ILC (2012).
158 See the conference documentation of the international conferences on Land Grabbing I (6-8 April 2011 at University of Sussex) and II (17-19 October 2012 at Cornell University), and the conferences on Food Sovereignty: A Critical Dialogue (14-15 September 2013 at Yale University; and 24 January 2014 at the International Institute of Social Studies (ISS), The Hague).
159 Harcourt (2011).
160 E.g., Zoomers (2010).
and class; biofuels, land, and agrarian change);\textsuperscript{161} the Globalizations journal (e.g., land grabbing and global governance);\textsuperscript{162} or Third World Quarterly (e.g., agrarian reform).\textsuperscript{163} In addition to this increasingly multi-faceted body of literature, numerous books on the topic have been written.\textsuperscript{164}

When starting off in 2008, the discussion of “land grabbing” focused largely on investments in farmland made by foreign agribusiness or financial investors in the context of the global food and financial crises.\textsuperscript{165} Based on over 100 cases of “offshore food production,” GRAIN argued that the governments of food importing countries, namely China, Saudi Arabia, Japan, China, India, Korea, Libya, and Egypt, were “snatching up vast areas of farmland abroad for their own offshore food production” and food security, as the food price crisis and food export bans in 2008 indicated the market’s failure to provide for cheap and secure food commodities. Foreign agribusiness and private investors were also identified as acquirers of farmland, but for different reasons, namely the search for profitable investment opportunities at a time of financial crisis (also see quotes in Table 1-1).\textsuperscript{166}

The empirical description of investments in farmland has become more detailed and complex. Institutional and academic publications largely followed the original description

\textsuperscript{161}Fairhead et al. (2012); JPS (Vol. 34, Nr. 3-4, 2007); McMichael and Scoones (2010).
\textsuperscript{162}Margulis et al. (2013).
\textsuperscript{163}Edelman et al. (2013).
\textsuperscript{164}Fritz (2010); Pearce (2012); and Liberti (2012),
\textsuperscript{165}See more about the interrelation of food prices and financial sector speculation in the joint report by UNCTAD and Arbeiterkammer Wien (2011).
\textsuperscript{166}GRAIN (2008).
of what seems to be happening, but added the energy alias “peak oil” crisis and the climate crisis to the range of “land grab” triggers – with the argument that these had resulted in domestic legislation with land-intensive (trans)national consequences.

Accordingly, under the header of “green grabbing,” a growing number of publications study the implications of biofuel policies, the REDD scheme, and/or other policy regimes and cases “where ‘green’ credentials are called upon to justify appropriations of land for food or fuel – as where large tracts of land are acquired not just for ‘more efficient farming’ or ‘food security’, but also to ‘alleviate pressure on forests’.”

At the same time, the 2009 report by FAO/IIED/IFAD emphasized the importance of domestic investors. It suggested that government-backed deals could be more about investing profitably than securing food, and stressed that the terminology of land acquisition might be misleading overall, as many land deals – depending on the regulatory context of the host country – were in effect land leases rather than purchases.

With time, more sub-themes emerged. For instance, the definition of “land grabbing” was broadened by some authors to include a wide range of land-consuming investments, such as tourism, infrastructure, and mining. This broader definition illuminates the land-use competition dynamics at play. Additionally, the notion of

170 See the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) website (http://www.un-redd.org/).
171 See the introduction of the special issue of JPS 2012 (Vol. 39, No. 2) on Green Grabbing: a new appropriation of nature?, written by the editors Fairhead et al. (2012), 237. For an overview of relevant green grabbing publications, also see Steps Centre (25 April 2012).
172 See IIED/FAO/IFAD (2009); also see review of the debate by D. Hall (2013).
“grabbing” was taken up by (often environmental) researchers and applied to other resources whose “grabbing” seemed to be part of the “land grab” package, particularly water and forests. The briefing by Skinner and Cotula, titled “Are land deals driving ‘water grabs’?” is an example of this discursive shift from a focus on peasant struggles and food security to the topic of comprehensive and integrated resource management.\(^{174}\) The publication highlighted that the Malian government transferred water (use) rights together with land (use) rights to large investors, “with little regard for how this will impact the millions of other users – from fisherman to pastoralists.”\(^{175}\) It also warned about the potential consequences of such transfers, namely the corresponding inflexibility and exclusiveness that would hamper future attempts to implement comprehensive resource management in the affected countries.\(^{176}\) In fact, the latter aspect has been underlined by research on the relation of population, land use, and land ownership; for example, a study on the UK concludes that private land ownership at a time of rising eco-scarcity and climate change is unsustainable and might necessitate a public intervention in the medium term in order to regain the land planning capacity needed “for the successful management and security” of key social needs, namely “housing, food, energy, water, waste, ecosystems, transport and utilities.”\(^{177}\)

Simultaneous to the build-up of empirical case studies and the diversification of the debate, there has also been a rising number of distinct analytical approaches observable in the academic “land grab” debate. The phenomenon has been investigated using (multiple)

\(^{175}\) Skinner and Cotula (2011), 1. Also see Smaller and Mann (2009) and Bizikova et al. (2013), 1.
\(^{176}\) Skinner and Cotula (2011).
\(^{177}\) Home (2009), 107.
theoretical frames and related concepts of political ecology, Marxism, world system theory, mainstream economics, human rights, peasant studies, gender studies, political economy, discourse analysis, and/or (global) governance. This varied body of analytical approaches has contributed to a more comprehensive understanding of what seems to be happening by studying the object from multiple angles.

However, related assessments largely focus on the host country and IFDI-side of “land grabbing.” Moreover, the existing explanations of what is happening, and why, remain divided between two analytical (deductive and inductive) trends. On the one hand, fairly structuralist approaches address transnational zero-sum dynamics, but neglect to account for more complex or less clear dynamics on a case-by-case basis. Take, for example, the Marxist or political ecology delineations, which often limit their focus to instances of, and pre-assumed ideas about “accumulation through dispossession” and/or the transnational, socio-economic, and environmental consequences of land-intensive policies, such as the renewable energy policies. On the other hand, more case-based analyses in the area of human geography that do examine the details of local politics and the concrete business models of particular investors lack a structural outlook that would

178 White et al. (2012).
179 Oya (2013a).
180 Baumann (2013).
182 Bernstorff (2013); and Golay and Biglino (2013).
183 Jansen (2014).
184 Zetterlund (2013).
185 Chasukwa (2013).
186 Li (2012).
187 Margulis et al. (2013).
188 Harvey (2003), 137-182; also see the critical commentary on this framing by D. Hall (2013).
189 Ariza-Montobbio et al. (2010); Borras et al. (2010); and Fairhead, et al. (2012).
190 See for instance Boamah (2011).
place the findings in the broader context of (trans)national developments and home country dynamics that they are part of – such as economic restructuring and/or geopolitical strategizing.\textsuperscript{191}

Overall, the debate about “land grabbing” still suffers from being “both wide and narrow,” not only with regard to analytical explanations, as highlighted above, but also in terms of focus on investments in farmland (also see Section 5).\textsuperscript{192} FAO case studies, for instance, account merely for “broad processes of rural land and capital concentration in the context of neoliberal globalization,”\textsuperscript{193} and confine the assessment to themes of food security, foreign government involvement, and the significance of scale. Environmental groups\textsuperscript{194} primarily focus on the problem of resource security, often without consideration for social implications. And land governance research\textsuperscript{195} tends to leave out the ecological implications of “land grabs.”

Moreover, studies generally do not account sufficiently for the differences and commonalities between and within regions, while the emphasis on conflictive land deals in Africa has yielded a particular understanding of the “land grabbing” dynamics that does not seem to be applicable to other parts of the world.\textsuperscript{196} Take, for instance, “land grabbing” in Latin America, where empirical evidence shows that land acquisitions are largely made by regional or domestic actors rather than extra-regional actors as in Africa, and that they

\textsuperscript{191}The special issue “Governing the Global Land Grab: The Role of the State in the Rush for Land” in Development and Change 44:2 (Wolford et al. (2013a)) tries to address this problem.
\textsuperscript{192}Borras et al. (2012), 847. Amanor (2012), 731-49.
\textsuperscript{193}Borras et al. ( 2012), 847.
\textsuperscript{194}See, for instance, Bizikova et al. (2013).
\textsuperscript{195}ILC (2012).
mostly occurred prior to the year 2000. Due to the narrow focus on foreign investors, these trends often remain invisible in many of the aggregate accounts on the phenomenon which center on foreign investments since 2008.\textsuperscript{197}

Finally, a large share of the research output concentrates on host countries and the implications of capital imports, whereas the depiction of investor countries relies strongly on preconceived notions of their motivations that I also outlined in Chapter 1.\textsuperscript{198} The few (yet rising number of) studies that do provide a detailed assessment all call to question related stereotypes.\textsuperscript{199}

5. What About Policy? Influential Frames and Paradigms in the Debate

The review stressed that the range of analytical approaches to study the “land grabbing” phenomenon has diversified with time, particularly regarding the dynamics in the host countries. At the same time, the above sections and Chapter 1 highlighted the persistence of an orthodox narrative that framed the debate in the beginning and shaped this thesis’ research interest.\textsuperscript{200} Home country governments and corporations, so goes the narrative, acquire (farm)land overseas to produce food and other primary resources for export back home; or speculate on rising land values and commodity prices.

Against this background, I argue that a review of the policy debate is important. It is a major component of the overall body of research on “land grabbing,” and it greatly

\textsuperscript{197} Borras et al. (2012), 847.
\textsuperscript{198} These preconceived notions about investor country’s rationales largely reflect on the predominance of themes of the first “land grab” publication by GRAIN (2008).
\textsuperscript{199} See, for instance, D. Hall (2012) on Japan; and Alden (2007); Brautigam (2009); Ekman (2010); Rosen and Hanemann (2009); Smaller et al. (2012); Cotula (2012) on China in Chapter 1.
\textsuperscript{200} Borras and Franco (2012), 38.
\textsuperscript{200} ILC (2012), 4.
contributes to the predominance of the orthodox narrative – particularly, the application of a resource-security framing. Moreover, its competing frames and normative judgments about international land acquisitions strongly influence the scholarly research output.

Essentially, the academic and policy debates overlap in view of framings and persons, making it often impossible to clearly differentiate between scholarly and policy-related research outputs. For instance, the NGO publication by GRAIN set the tone and focus of the debate on “(farm)land grabbing,” and the original assessment and problem definition continues to inform a significant share of academic research or media output.\(^{201}\) Moreover, the work of certain actors, such as Deininger from the WB, is published and widely cited in academic as well as policy channels. Deininger’s publications are referenced in the “land grab” literature as a source of empirical evidence, and/or discussed regarding their conceptual validity.\(^{202}\) In particular, the World Bank report\(^{203}\) on large-scale land acquisitions, produced under the lead authorship of Deininger and Byerlee - has stirred a conceptual and highly normative debate in the “land grab” literature. In this context, Starr writes that Deininger and Byerlee “are among a handful of authors who have built typologies of land deals.”\(^{204}\)

Most importantly, however, the policy debate is characterized by a competition of different framings that also influence the academic research output, particularly regarding

\[^{201}\text{See, for instance, Simantke (12 August 2013).}\]
\[^{202}\text{See, for instance, Voget-Kleschin and Stephan (2013) referencing Deininger’s work as empirical input. Also, see critical discussion of Deininger’s work in view of concepts and norms in Li (2011); Wolford et al. (2013a); McMichael (2014).}\]
\[^{203}\text{WB (2011).}\]
\[^{204}\text{Starr (2013), 6.}\]
the problem definition of “land grabbing.” Therefore, the next sections will review these key framings of the policy debate and their respective actor constellations. At first glance, two factors stand out: Firstly, the focus of the policy debate remains largely limited to investments in agricultural production, in spite of the empirical evidence that emphasizes the importance of other land-consuming activities in the global “land grab,” such as tourism, infrastructure, manufacturing, and mining. Secondly, most documents have a reductionist explanation of why international land acquisitions are occurring at this moment in time, based on economic notions of supply, demand, and international crises/resource scarcities that are also a core part of many academic explanations.

Overall, the review shows that the policy debate has at its core a process of contestation or defense of the prevailing operative paradigm of (inter)national economic governance; and is shaped by (the interests behind) the three predominant analytical approaches. The next paragraphs will discuss these approaches under the labels of peasant activism, mainstream economics, and Right to Food.

**Peasant Activism**

Central to the policy debate on “land grabs” is the corresponding framing GRAIN that is a function of a peasant activist worldview and shared by other civil society

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205 See, for instance, Skinner and Cotula (2011).
206 Accordingly, the increasing food commodity demand (e.g., population growth and rising middle class), declining food supply (e.g., climate change and biofuel production), and the financial crisis (e.g., search for new speculative assets and biofuel production reducing food production) have led to a rise in food prices. As a result, there has been a surge in “FDI in land, agriculture, forestry” motivated by the profit rationales of private investors, and a strategy by investor countries to engage in “offshore” production to increase global supply and/or secure resources for import back home. Time-wise, the international food and financial crisis in 2007/2008 has become the marker to explain the occurrence of “land grabbing” in time. See ILC (2012), 4. Also, see Weingärtner (2010), 13.
organizations, such as the international NGO La Via Campesina. Its recommendations are closely aligned with the policy advice of the final report of the International Assessment of Agricultural Science and Technology for Development, an intergovernmental panel under the co-sponsorship of the FAO, Global Environmental Fund (GEF), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Educational, Scientific and Cultural Organization (UNESCO), the WB, and the World Health Organization (WHO) (2005–2007) which was entrusted to assess how agriculture, science, and technology could contribute to a rural development process that was socially, economically, and environmentally sustainable. This peasant activist framing challenges the predominant frame of mainstream economics (see below).

According to the peasant activist worldview, the fundamental complex of problems identified with regard to international land acquisitions relates to the fact that “fertile agricultural land is becoming increasingly privatised and concentrated,” a tendency that “could spell the end of small-scale farming, and rural livelihoods, in numerous places around the world” – “[i]f left unchecked.” In particular, four problems stand out as worrisome: 1) the securing of food supplies overseas by state-capitalist countries that have lost faith in the market and are bypassing existing market structures to reduce food import costs, thereby aggravating the world food crisis; 2) the loss of access to, and control over land by local communities and governments, and the prioritizing of “large industrial estates” that are connected to world markets – all of which will undermine the future

208 GRAIN (2008), 1.
ability of countries and communities to implement the concept of food sovereignty; 3) the lack of sustainable investment planning by host governments in two areas: a long-term vision of economic activity and agricultural development, both of which are necessary to ensure that agricultural investment contributes to rural development; 4) food insecurity in host countries that are themselves net food importers might be growing as a result of these investments, particularly as the policy leaning in these countries heads towards an industrial model of export-oriented agriculture with a track record of “creating poverty and environmental destruction, and exacerbating loss of biodiversity, pollution from farm chemicals and crop contamination from modified organisms.”

Food sovereignty is a central concept in this framing, and it takes on multiple functions as analytical tool, as well as vision, depending on who is promoting it. Contrary to the concept of food security which disregards considerations about how and by whom such security should be achieved, the concept of food sovereignty deliberately “puts the aspirations and needs of those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations” – to use the words of the Declaration of the Forum for Food Sovereignty. It provides an antithetic frame to the mainstream economic paradigm and the related “corporate trade and

209 GRAIN (2008), 7-8.
211 At the first multi-stakeholder Forum for Food Sovereignty in Mali in 2007, participants endorsed the Declaration of Nyéléni, which sets out the core principles of food sovereignty. See Nyéléni (2007); and Rosset (2011).
food regime,”\textsuperscript{212} and it also represents part of a mobilizing rhetoric that passes the “revolutionary agency (...) from the proletariat to the peasantry.”\textsuperscript{213} The latter aspect differentiates it from Marxist framings,\textsuperscript{214} and it re-politicizes the questions of resource management in view of use, access, control, distribution, and location.\textsuperscript{215}

In practice, the actors that use this food sovereignty perspective, such as FIAN and GRAIN, have cooperated with the FAO in an initiative to develop guidelines for the governance of land tenure and natural resources which are supposed to ensure “adequate and secure access to land and natural resources by the rural and urban poor” and serve as “an instrument for social movements, marginalized groups and civil society at large democratizing land and natural resources tenure for the well-being of the whole society.”\textsuperscript{216} In May 2012, after three years of negotiations between multiple stakeholders (governments and civil society organizations) the FAO’s Committee on World Food Security recognized suitable principles and practices under the “Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests.”\textsuperscript{217}

Overall, the peasant activist framing has questioned the notion, widespread in mainstream economics, that the location of capital ownership is irrelevant to assessing its potential impact or related implications for the host country. It has also mobilized widespread political support. However, from a methodological and analytical point of view, the framing has several shortcomings. For instance, it reflects a certain degree of peasant

\textsuperscript{212} Nyéléni (2007).
\textsuperscript{213} Brass (1997).
\textsuperscript{214} For a comparison of Marxism and peasant populism, see Brass (1997).
\textsuperscript{215} Nyéléni (2007).
\textsuperscript{216} Suárez et al. (2009), 1.
essentialism.\textsuperscript{218} This is necessary for ascribing “revolutionary agency”\textsuperscript{219} to the peasantry, but it also poses a methodological challenge. According to Bernstein and Byres, this challenge lies in the “argument (or assumption) that the core elements of peasant ‘society’ – household, kin, community, locale – produce (or express) a distinctive internal logic or dynamic, whether cultural, sociological, economic, or in some combination,”\textsuperscript{220} which is oppressed by external actors and factors.\textsuperscript{221} This assumption does not match empirical evidence on “land grabbing,” which calls into question the unitary (essentialist) peasantry presumption, as highlighted before.\textsuperscript{222} So far, the food sovereignty concept does not sufficiently explain how it can be gradually realized and implemented in countries where corporations are already important actors in food production and trade activities; in countries where peasants are integrated in the corporate food and trade system through outgrower schemes and/or processes of de-peasantization are at work; or against the background of a global setting in which the prevalence of private governance schemes (i.e. transnational supermarket chains) has led to the systemic marginalization of local voice and/or representation, while agriculture has become part of the food business within the global governance structures.\textsuperscript{223} Finally, from a systemic point of view, the primary focus on the Global South fails to account for equal processes in the Global North, while perhaps overemphasizing the role of foreign investors in the “land grab” dynamics.

\textsuperscript{218} Bernstein and Byres (2001).
\textsuperscript{219} Brass (1997), 27.
\textsuperscript{220} Bernstein and Byres (2001), 6-7.
\textsuperscript{221} Bernstein (1977), 73.
\textsuperscript{222} D. Hall (2011); Steggerda and Visser (2012); and Boamah (2014).
\textsuperscript{223} Konefal et al. (2005).
Mainstream Economics

The second worldview, the one challenged by the peasant activist framing of “land grabbing,” is composed of the models and assumptions of mainstream economics. It refers to “land grabs” as “international land acquisitions” or “investment projects,” and it applies a supply/demand market lens to the phenomenon. Compared to the activist peasant framing, which supports an agro-ecological model, the mainstream economics framing promotes a productionist agricultural model with life science elements.\(^\text{224}\) It associates the transition from small- to large-scale farming with economic development, often constricts the analysis of poverty to an evaluation of income levels, and supports the coexistence of genetically modified and organic, peasant and industrial farming. In the policy debate, the mainstream economic frame is applied by key policy entrepreneurs and policy makers, such as the WB,\(^\text{225}\) bilateral development agencies,\(^\text{226}\) many host governments’ national development plans, and/or private actors.

The most influential framing in (inter)national economic governance since the 1980s, this mainstream economic worldview does not identify “rising global interest in farmland” by corporate investors or government companies as itself problematic.\(^\text{227}\) Instead, international land acquisitions are proof of the underpinning assumption that the “market” is driven by supply and demand and that it has a natural “tendency toward convergence,

\(^{224}\) Classification taken from Lang and Heasman (2004), 126-167.
\(^{225}\) WB (2007); WB (2011).
\(^{226}\) Weingärtner (2010).
\(^{227}\) WB (2011), xxv.
toward equilibrium”\(^\text{228}\) of the factors of production. International land acquisitions are seen as part of a market process in which land-scarce but capital-rich countries (or their corporations) invest in land-abundant but capital-poor countries, creating a “win-win” scenario and development opportunity. Importantly, this assessment is a core component of the orthodox narrative about investor motives that I summarized in Chapter 1.

According to the theoretical appraisal of FDIs under the liberal paradigm, benefits for host countries come from multiple factors. FDI flows make domestic capital available for other uses of public benefit; transfer and diffuse technology; create new employment; build capacity (new job profiles); transfer skills (labor); and build necessary public infrastructure.\(^\text{229}\) Against the background of decreasing aid flows and tight public budgets, such capital imports allow the host countries to increase productivity and efficiency levels in the agricultural sector and to improve food (supply) security both domestically (due to corresponding increases in food supply and income levels) and globally.\(^\text{230}\) This narrative is supported by a technical discussion that identifies “yield gaps” (i.e., the difference between the potential and the actual amount of crops grown in a country) as problem that these investments help to close.\(^\text{231}\)

\(^\text{228}\) This argument rests on Harvey’s Marxist reflection on conventional economics: “So conventional economics is always talking about the tendency toward convergence, toward equilibrium, and that equilibrium is possible provided the right mix of policies and as long as there isn’t anything external that disrupts the whole system. External problems would be so-called natural disasters, wars, geopolitical conflicts, and protectionism. Crisis would then arise because of these external interventions, which take us away from the path to equilibrium, which is always possible.” See Harvey, D., & Rivera, H.A. (September 2010).
\(^\text{230}\) WB (2011).
\(^\text{231}\) E.g., WB (2011); also see Li (2012).
The problem then is empirical. Emerging evidence about “large-scale land acquisitions” highlights that in practice, many investment projects do not live up to their theoretical promise. In its 2011 report, the WB admits that in addition to low job creation, many projects turn out to be economically unviable, do not improve food security or productivity levels significantly, and have a negative impact on rural livelihoods. Consequently, good governance mechanisms are suggested as the solution to the negative side effects of the commercial pressure on land. These take the form of a voluntary set of “Principles for Responsible Agro-Investment” that corporate investors should abide by; the establishment of “effective consultation,” that comprises representation, administration, and monitoring; the development and improvement of transparent land transfer mechanisms; the introduction of an open land market; and the negotiation of terms of investment that distribute the benefits more equitably in the recipient context. Moreover, Deininger, lead economist in the rural development group within the WB’s Development Research Department, argues that the focus should be on raising the productivity of land under cultivation, rather than focusing on land expansion.

Overall, this frame runs into several problems that have been outlined before (see Chapter 1) when trying to assess or solve what is happening in the context of “land grabbing.” The narrow focus on productivity and efficiency in the context of food security, and on transparency and good governance in view of land deals, prevents the identification of structural problems that might greatly impede the multiplier effect of agriculture. For

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232 WB (2011), 51; WB (7 September 2010).
233 WB (2011), xiv, xxv.
234 WB (7 September 2010).
instance, the assessment leaves aside aspects of political economy, and it argues for the coexistence of peasant and corporate farming, thereby masking asymmetric power constellations in the global food and trade regime.\textsuperscript{235} Moreover, the fact that FDIs are not only capital flows but also part of “a process whereby residents of one country (the investor country) acquire ownership for the purpose of controlling the production, distribution and other activities of a firm”\textsuperscript{236} and/or land in another country is left outside the mainstream economic assessment of productivity and governance. Yet, it is exactly this aspect of international investment that has been critiqued for its political, environmental and socio-economic implications.

Consequently, assessments using this frame tend to negate the problematic history of FDI in the form of colonialisms and imperialisms, and they are in constant danger of continuing the disreputable “tradition of imperial historiography,”\textsuperscript{237} with its uncritical description of the first wave of globalization.\textsuperscript{238} At the same time, such analyses remain inconsistent. It is, for instance, unclear why such reports end on overly optimistic notes by suggesting that the benefits of international land acquisitions can be captured through good governance, even though major host countries show deteriorating governance performance

\textsuperscript{235} WB (2011).
\textsuperscript{236} Moosa (2002), 1.
\textsuperscript{237} Mann (2012), 406.
\textsuperscript{238} See, for instance, the WB (2010, 2) on overseas investments. The report refers to the East India Company as a (positive) example of FDI: “Like trade, foreign direct investment (FDI) has occurred throughout history. From the merchants of Sumer around 2500 BCE to the East India Company in the 17th century, investors routinely entered new markets in foreign dominions.” Such a narrow framing of capital flows obscures the very violent history of FDI enterprises, such as the East India Company. It also fails to mention that this example is hardly suited to the promotion of “free market” policies, as the empirical reality of that time was characterized by trade monopolies and/or alien investment restrictions. Also see the historical review of late 19th-century colonialisms and imperialisms in Chapter 3; Mann (2012); and Davis (2002), 11-13.
according to the WB’s governance assessment method.\textsuperscript{239} Most problematic, however, is the unwillingness or failure to engage in more profound reflection about the sources of the current crises in the fields of agriculture, environment, and governance – an aspect that was critiqued by De Schutter, \textsuperscript{240} and one that constitutes a general problem in the available body of research on land-consuming FDI and commercial pressure on land.

**Right to Food**

The third framing in the policy debate about “land grabbing,” the Right to Food approach, has been promoted by both civil society and the UN Special Rapporteur on the Right to Food, Olivier De Schutter. Focusing on the human rights challenge represented by increased commercial and speculative interest in land, the *right to food* framing considers issues of access, culture, and livelihood that are impacted by shifts in access to, and ownership of land.\textsuperscript{241}

De Schutter criticizes the widespread assumption that the problems associated with large-scale investments in farming can be solved simply through regulation based on (voluntary) principles and governance approaches, such as the above-mentioned Principles for Responsible Agricultural Investment (RAI) put forward by the WB, or the FAO’s

\begin{itemize}
  \item \textsuperscript{239} See Worldwide Governance Indicators by WB (http://info.worldbank.org/governance/wgi2007/sc_chart.asp#).
  \item \textsuperscript{240} De Schutter (2011a), 274-275; De Schutter (2009), 15.
  \item \textsuperscript{241} The definition says that "the right to food is the right to have regular, permanent and unrestricted access, either directly or by means of financial purchases, to quantitatively and qualitatively adequate and sufficient food corresponding to the cultural traditions of the people to which the consumer belongs, and which ensure a physical and mental, individual and collective, fulfilling and dignified life free of fear." See United Nations Human Rights, Office of the High Commissioner for Human Rights (n.d.).
\end{itemize}
These governance approaches were developed and promoted by the very same institutions whose policy advocacy has in the recent past contributed greatly to the “land grab;” for example, by advising host governments to “cut (...) down administrative requirements and consultations that might slow down or restrict investments” by foreign investors. The question of regulation also ignores the “question of opportunity costs” brought about by acquisition-related changes in land access and ownership. For instance, the *right to food* could be undermined since large-scale investments in farmland reduce the multiplier effect of agriculture in view of sustainable development. Meanwhile, regulation is likely to actually increase the commercial pressure on land and other resources. Moreover, the governance initiatives proposed by the FAO and WB are arguably marginal in comparison to pre-existing treaties, agreements, and related obligations which both restrict the performance requirements that can be imposed on foreign investors and severely limit the leeway of host governments to negotiate and steer investments in their interest or seek alternative investment models that do not result in changes of access or ownership, for instance, through contract farming.

Thus, the human rights framing identifies the absence of (a broader debate about) a strategy and long-term vision of rights-based resource management as a key problem that needs to be addressed – particularly in view of growing commercial pressures, of which

242 De Schutter (2011a); FAO (2012b).
243 Compare also Shepard and Mittal (2009); quote from De Schutter (2011a), 254.
244 De Schutter (2011a), 255.
245 De Schutter (2011a), 249.
246 The legal agreement on Trade-Related Investment Measures (TRIMS), for instance, regulates the treatment of foreign investors by host countries. The agreement is part of the WTO regime, and it bans local content requirements and trade balancing rules from the (industrial) policy framework of signatory countries.
247 De Schutter (2011a), 250, 266.
“land grabbing” is one.\textsuperscript{248} Accordingly, the question is how to invest in a way that best takes into consideration the “context of ecological, food, and energy crises.”\textsuperscript{249} In practice, the approach proposes Minimum Human Rights principles.\textsuperscript{250} These define states’ obligations on the basis of already existing human rights instruments “to clarify the human rights implications of land-related investments, in order to make it clear that governments had obligations they could not simply ignore for the sake of attracting capital.”\textsuperscript{251} The key elements of the principles are related to the right of self-determination and the right to development, both of which call for governments to ensure that investments do not weaken food security by generating a dependency on foreign aid or volatile markets if the produced food is intended for export (to the home country or the international market); that they do not dispossess local populations from productive resources indispensable for their livelihood; and that they protect workers’ rights and tenure rights.\textsuperscript{252}

The human rights approach provides a comprehensive analytical basis for questioning the limitations of the predominant policy frame of mainstream economics in terms of solving the relevant problems, as it accounts for aspects of political economy and ecology. However, and this is due to the nature of the UN Special Rapporteur on the Right to Food’s mandate, it continues to focus primarily on investments in farmland, even though commercial pressure on land comes from multiple sources, namely industrialization and urbanization. Moreover, while putting the role and responsibility of host country

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\textsuperscript{248} De Schutter (2011a), 275.  
\textsuperscript{249} De Schutter (2011a), 250.  
\textsuperscript{250} De Schutter (2011a), 253.  
\textsuperscript{251} De Schutter (2011a), 254.  
\textsuperscript{252} De Schutter (2009).
governments in the spotlight of analysis, the responsibilities of investor countries remain largely ignored. Given that land-consuming domestic policies in the form of renewable energy policy for biofuels, as well as unsustainable consumption and production patterns in home countries,\(^\text{253}\) are among the factors driving “land grabs,” it seems that a crucial link in the rights-based resource management approach is still missing. As long as this aspect remains unaddressed, home country governments will continue to make unsustainable policy choices that have global repercussions. Notably, the rights-based approach itself might pose more challenges than solutions. While ideally delivering a strong analytical and legal instrument to judge the performance of states in fulfilling their obligations towards their citizens – revealing an important aspect that should be part of the responsibility that comes with sovereignty – its reliance on legal structures might prove ineffective in countries with weak legal capacities, limited rule of law, and a high degree of corruption. As I stated earlier (Chapter 1), the latter holds true for many of the host countries, as the examples of Sierra Leone and Sudan highlight.

6. Conclusion

The literature review emphasizes the rising number and increasingly differentiated body of empirical studies and analytical approaches on the topic. In discussing this diverse

\(^{253}\) See Chapters 5 and 7 on the role of OFDI in the context of home country development. Also, analyses of society-nature interactions show that industrialization led to a dramatic increase in the material use per capita. In fact, the material use doubled in the global economy, even though the material intensity (i.e. materials used per unit of GDP) declined over time. Overall, the material use “increased 8-fold” on a global scale from the beginning of the 20th century to 2005. A closer assessment highlights distinct trajectories of consumption of different materials: while “biomass use hardly keeps up with population growth,” mineral use increases dramatically, indicating that “an increase in material productivity is a general feature of economic development.” See, for instance, Krausmann et al. (2009), 2696; and Krausmann et al. (2008).
body of research, I have tried to contribute to a more nuanced yet comprehensive understanding of what seems to be happening with regards to the empirical phenomenon of “land grabbing.” Concurrently, I have tried to point out the political nature of the debate which takes place in academia as well as policy circles; and in which competing frames seem to be as important as empirical facts in shaping the perspectives, narratives, and responses towards land-consuming OFDI. This is also evidenced by the politics of terminology that sometimes cloud our understanding of what is happening.

Overall, the review underlines the need for a critical handling of data and potential explanations throughout the research process. It has also become evident that certain aspects of “land grabbing” and commercial pressure on land are often absent from the literature and policy debate. Take, for example, the historical transformation of institutions, ideas, and political economies at the national, local, and international level that has resulted in natural resources, such as land and forests, being relatively accessible through economic mechanisms in many countries’ economies today.  

This constitutes a fundamental change from prior understandings and institutions that restricted foreign access to food and land, framing these resources as critical infrastructure to meet a society’s basic social needs.  

In addition, the policy debate, which is largely reflective of the contemporary actor constellation in the area of agriculture, needs to start incorporating non-farming aspects of

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255 This fact is, for instance, reflected in governance systems that restricted alien land ownership at the time of the last international food crises in the 1970s; and it calls for case-based research on how this transition towards liberalizing access to primary resources occurred in different countries. Compare Weisman (1980) and WB (2010). See Chapter 3 for more details.
commercial land pressure highlighted in the “land grab” literature, as these can impact farming in the form of land use and ownership changes, soil erosion, or migratory pressures (as a side effect of extractive industry). Interestingly, these aspects have so far primarily entered the policy dialogue through broader development debates outside the issue of “land grabbing,” such as the negotiations over the Post-2015 Development Agenda, or the development and application of certain methods of measurement (e.g., virtual land imports). Moreover, more academic and policy-relevant research about the implications of land-consuming FDI and related changes in rural development for regions, urban populations, and local, national, and global food systems would be important to grasp the multiple repercussions in terms of food security, conflict, exodus, health, and demographic development that this trend might be part of or cause.

Regarding the investor countries, the following assumptions persist about how and why “land grabs” occur, particularly in the large majority of reports that study the host country context: foreign governments and corporations are involved in land-consuming OFDI through land-intensive policies (e.g., green grabbing); the launching of offshore agricultural production to secure resources for consumption back home; and/or the search for profitable business at a time of financial crisis.

I have shown earlier (see Chapter 1) that this explanation does not offer any evidence on the home country and/or project-specific (f)actors at play. Moreover, it easily undervalues the role of host country actors, institutions, and contingent events in the commercial pressure on land. Therefore, my research approach studies in great detail a

256 E.g., Tortajada (2013); and Marmo (2013).
257 Borras and Franco (2012), 38. Also see the literature review in Chapter 1.
limited number of projects to generate rich empirical data about project timelines; the role of land in these investments; the markets they produce for; the range of actors involved in a single project throughout its lifecycle; the role of the ecological, financial, food and/or other crises; the political economies; and/or the cluster of ideas that are part of Chinese and British land-consuming OFDI. On the basis of the rich empirical accounts of the two countries’ overseas investments, I then identify the main country-specific as well as cross-country dynamics and factors at play, compare the findings with the above assumptions, and deliberate on the role of OFDI from a home country perspective.
Chapter 3: Historical Perspectives on Overseas Land Acquisitions in the South

1. Introduction

In view of the question of what differentiates the allegedly new “global land rush” from those of earlier times, the “land grab” debate since 2008 remains inconclusive. The ILC report argues that the international timelines can only explain the surge of acquisitions, while “[t]he dispossession and marginalization of the rural poor are nothing new.” 258 Accordingly, the “land rush represents an acceleration of ongoing processes, and one that appears set to continue.” 259 A UN Briefing states that the novelty of the phenomenon is to be found in the details, namely the trend towards offshore production by major investor countries “to meet home state food and energy needs.” 260 This largely follows the argument presented by GRAIN. 261 Meanwhile, a study by the Woodrow Wilson International Center argues that details such as their scale and their focus on “staples instead of cash crops” distinguish contemporary land investments from previous ones – together with the fact that they occur on a contractual basis “instead of through the barrel of a gun.” 262 Excepting these very broad references to historical incidents of foreign investments at a time of colonialism and imperialism, there are few detailed comparisons of institutional or other empirical characteristics. Alden Wily, for instance, studies the legal practices of “land theft” during the Irish and English enclosures of the seventeenth to

258 ILC (2012), 4.
259 ILC (2012), 4.
260 UN DESA (2010), 1.
261 GRAIN (2008).
262 Kugelman (2009), 4-5.
nineteenth centuries, the processes of dispossession in North America, and the Scramble for Africa in the late 19th century. She concludes that the historical use of legal instruments by the state to dispossess traditional land owners strongly resembles current practices.263

Against that background, this chapter reviews the main empirical characteristics of, and key theoretical explanations for colonial and imperial relations in the late 19th century – a period of European imperialism (1870-1914) that is often referred to as the “high-water mark of nineteenth-century globalization.”264 As such it shares many features that are characteristic of the contemporary world, namely large and growing “transfers of commodities, people, capital, and ideas between and within continents.”265 The period was also shaped by imperial expansion through colonization and continues to strongly inform the common notions of colonialism and imperialism prevalent today. Moreover, core ideas and practices of contemporary development approaches can often be traced back to that era.266 The focus of the review is largely on the perspective of the imperial powers.

In the context of this thesis, the chapter fulfills two functions. Firstly, the review critically interrogates simplified references to imperialism/colonialism in the contemporary “land grab” debate. While some researchers argue that ongoing land-consuming FDI is the “new age” version of colonialism characterized by deregulated markets and state involvement, other analyses conclude that colonial “land grabbing” has been replaced by a

263 Alden Wily (2012).
265 Daudin et al. (2010), 6.
form of corporate “land grabbing.” In many cases, the respective allusion to colonialism or imperialism seems largely a function of political sentiment rather than the outcome of a careful conceptual and empirical comparison of land-consuming investments over time. Take, for example, the article on Chinese investments in Africa by Jauch in which the author compares these to colonial undertakings on the basis of their poor labor records and strong resource orientation. Clearly, such a reduced understanding of what constitutes imperial or colonial phenomena is problematic, and any comparison of the past and present that rests on such a limited set of criteria – i.e. one that could be applied to many contemporary contexts within and across countries worldwide – will prove rather meaningless. Thus, this review shall also present a more useful theoretical and empirical basis for later discussion of the extent to which the imperial or colonial framing adequately captures what is happening today (see Chapter 8).

Secondly, the historical empirical body of research and the theoretical explanations on the matter were important sources of inspiration for this thesis’ study of investments from a home country perspective, as they provided a range of potentially significant factors for consideration during the assessment process, while also highlighting the importance of contingency in explaining historical events in and over time.

The key findings of this chapter are that the late 19th-century trade and investment relations, which followed earlier imperial expansion in the Americas and India, have to be considered in their complexity. They differ greatly from contemporary explanations of

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267 See, for instance, Jauch (2011); Broughton (6 November 2012); Liberti 2012; Aziz (15 April 2011); and Sadeque (2012).
“land grabbing,” which seem to assume that land acquisitions made since 2000 resemble colonial undertakings due to their primary rational interest in land as a natural resource. In practice, historical evidence highlights that factors and motivations extended well beyond a narrow focus on natural resources. From an investor country perspective, colonial and imperial relations between the North and South, and related “divisions of labor,” were driven by domestic development processes, such as the process of industrialization in the home countries and the economic crisis of the 1870s, which led to the search for new (exclusive) markets. Moreover, the dynamic was a reflection of the political economy of aristocracy in which losses in land value, an outcome of industrialization, led landed elites to secure their wealth status by investing overseas. Other enabling or influential factors at the time were breakthroughs in technological and medical capacity, especially innovations in the transport sector and malaria medicine; and external events, such as the European state formation, and the great power competition dynamics in Europe.

This means that while the search for gold and the extraction of resources for domestic consumption back home were important characteristics of colonial and imperial expansion, the latter was also about the (violent) opening of consumer markets, the acquisition of strategic assets, the facilitation of planned settlements, and the search for profitable business opportunities and financial services. More broadly, the rationalization of these enterprises in the home country context claimed that they would improve the state’s international positional status relative to others; or, as in the case of Belgium, the enterprises simply reflected an individually felt need by the ruler for self-aggrandizement.
in comparison to other nations.\textsuperscript{269} This diversity of interests and factors is also evident on the policy level. Home countries’ imperial economic policies were biased towards, yet not exclusively focused on, the production of raw materials overseas. Government actors but also business associations had very different understandings of imperial politics, resulting in the lack of any clear-cut strategy or plan for colonial development.\textsuperscript{270}

In addition to this complex character of imperial and colonial undertakings, historical research questions the widespread assumption, present in many theoretical explanations (and visible in contemporary government and corporate rhetoric), about the utility of international land acquisitions for the home country and/or investor. Contrary to the accompanying rhetoric of efficiency, profit, necessity, or significance used by actors in the past and present to justify, motivate, or explain territorial and/or economic expansion and related capital exports, empirical evidence illustrates that in practice a high percentage of overseas investment projects did not generate profits or failed, and that projects did not automatically promise higher returns than investments back home. Instead, they were often the outcome of a metropolitan bias or non-economic interest constellations. This makes it very difficult to assess whether the benefits of these endeavors outweighed the costs for the home country.\textsuperscript{271} At a minimum, the expansion overseas provided temporary career and income options for those involved in it, and in doing so may have contributed to political regime stability in the home countries. Most importantly, the historical and theoretical research underlines the importance of studying OFDI in the context of a home country’s

\textsuperscript{269} See, for instance, Olukoju (2002); Green (1999); and Davis (1999).
\textsuperscript{270} See Schmitt (1979); and Davis (1999).
\textsuperscript{271} Argument by Cottrell (1975), 47-53.
political economy, ideology, and development in order to achieve a better understanding of what is happening. This insight was very influential for this thesis’ research outlook and investigation of contemporary land acquisitions from an investor country perspective.

The remainder of this chapter will proceed as follows: starting with the key theoretical explanations (Section 2) and main international parameters (Section 3) of international land acquisitions between 1870 and 1914 in the South, the review will then look more closely at the “Scramble for Africa” due to the relevance of contemporary investment flows to Africa, but also because the Scramble has become synonymous with the imperial expansion of that era (Section 4). I will also highlight key aspects of institutional path dependency and change post-WWII whose consideration is important for a meaningful understanding of the ‘novel’ character of what is happening today (Section 5). The chapter concludes with a brief summary of core findings (Section 6).

2. Imperialism and Colonialism – Key Theoretical Explanations

My account of international land acquisitions from a home country perspective has been influenced by historical materialist, liberal, world systems, and political theories insofar as they (1) outline various factors and potential causal mechanisms to be taken into account during the process of assessing “land grabs;” (2) underline the importance of systemic dynamics that the individual cases under study might be reflective of or embedded in; and (3) provide an overview of prevailing narratives about imperialism that are present in the public perception and academic debate about “land grabbing” (e.g.,
media). Ince, for example, has emphasized that “[o]ne line of inquiry approaches land grabs as instances of “primitive accumulation of capital” whereby lands in the Global South are “enclosed” and brought within the ambit of global capitalism.” However, it is not my ambition to comparatively assess which of the theories most adequately describes contemporary “land grabbing” phenomena, especially given that the theoretical literature on imperialism remains inconclusive. To the contrary, my comparative and exploratory research approach implies that the use of deductive theories should be limited to informing the research project during the design stage in order raise awareness of factors, dominant debates, and prevailing understandings.

Historically, imperialism appeared in many regions, if we consider the Chinese, Roman, and British empires, and it comprised sets of very different features – from the commercial dominion of some countries over others to violent territorial expansion. As a result, multiple definitions and understandings of imperialism exist, reflecting these distinct forms of dominion. At a maximum, imperialism is conceptualized as the “policy or practice of extending a state's rule over other territories,” one form of which has been colonialism, defined as “the policy or practice of a power in extending control over weaker peoples or areas.” At a minimum, imperialism takes place in indirect forms of “extension (…) of authority, influence, power, etc.” Most imperialist undertakings combine(d) multiple forms of dominion, territorial as well as non-territorial, whereas

\[272\text{ Makki and Geisler (2011).}\]
\[273\text{ Ince (2013), 104. Also see D. Hall (2013) for a historical materialist interpretation of the “land grab” phenomenon.}\]
“[o]ver time, the social and political mobilization of opponents of territorial rule in the colonies simply outstripped advances in the technologies of coercion.”

Non-territorial sources of power related, for instance, to the “dynastic and religious affiliations” of the Habsburg and the Ottoman empires prior to WWI; ideologies of supremacy in the case of European empires prior to and during WWII; and, later, to liberal ideologies (American Imperium) or anti-fascist “ideological capital,” in the case of the Soviet Union. Over time, the continuous political and economic power discrepancy between industrialized and developing countries became referred to as a type of imperialistic relationship, with the former dominating the latter (see below).

For the purpose of reviewing experiences of international land acquisitions in the South during the late 19th century – the focus of this chapter – it is important to note that imperialism and colonialism describe related yet different phenomena. While imperial expansion might involve colonialism as a territorial source of power, it goes beyond this particular form of dominion and includes a specific outlook on world politics/policy. As a result, colonies were not only purposes in themselves for the imperial powers, but they were also used as pledges in global power games, particularly during the late 19th century when the great powers used colonies as potential weights with which to rebalance intra-European power struggles. During that time, colonies were exchanged amongst the great

276 Katzenstein (2005), 4.
277 Katzenstein (2005), 4-5. Originally understood as a state strategy, the rise of the American Imperium post-WWII, with its emphasis on free markets and global economic integration, led to the perception that certain phenomena constituted forms of dominion of corporations over states, framed as corporate imperialism.
278 Prahalad and Lieberthal (2003).
economic powers, and latecomers to the circle of great powers needed to achieve recognition of their new status and/or to negotiate the right to colonize.  

Several theories have tried to explain why the “imperial landrush” that characterized the “second wave of European imperialism” in general, and the colonization of Africa in particular, occurred from a home country perspective and in the context of home country development. These shall be briefly introduced in the remainder of this section to thereafter allow for the detection of similar narratives in contemporary analyses of “land grabbing,” and to raise awareness of potential causal mechanisms in the empirical assessment and analytical explanation of Chinese and British investments in African countries.

One of the most prominent works on the economic, social, ideological, and political dimensions of late 19th-century imperialism and colonialism is the study by Hobson, which heavily influenced the subsequent historical materialist treatises on imperialism. In particular, Hobson’s economic argument that “excessive powers of production, [and] excessive capital in search of investment” were drivers of British imperialist expansions became (and remained) very influential. Yet, Hobson’s study differs greatly from the large body of functional explanations that argues for the inevitability of imperial expansion along these lines. Instead, he suggested that imperial expansion could be prevented by addressing the concentration of wealth in the home country, namely Britain. Accordingly,

279 Rough translation of an argument made by Osterhammel (2009), 27.
280 Davis (2002), 12.
281 Kegley and Raymond (2011), 110-112.
282 Hobson (1965).
283 Siegelman (1965), v.
284 Siegelman (1965), xiii.
high inequality combined with increasing productivity composed the “economic taproot of imperialism” in the form of lagging domestic demand, over-saving, and overproduction.\(^{285}\)

This, however, could be remedied through equality-promoting public policy which would balance domestic demand with domestic production.\(^{286}\) Interestingly, Hobson’s related argument about the importance of qualitative rather than quantitative growth efforts – which could be placed under the heading of “inclusive growth”\(^{287}\) – is very topical again today (as of 2013) in view of the rising inequality within and across developing and industrialized countries (measured by income and accumulated wealth).\(^{288}\) Back in his time, Hobson’s study clearly offered a counterpoint to influential contemporary voices that justified imperial expansion by referring to it as a national necessity and whose basic rhetorical elements are still common today (see Chapters 5 and 7):

> However costly, however perilous, this process of imperial expansion may be, it is necessary to the continued existence of our nation; if we abandon it we must be content to leave the development of the world to other nations, who will everywhere cut into our trade, and even impair our means of securing the food and raw materials we require to support our population. Imperialism is thus seen to be, not a choice, but a necessity.\(^{289}\)

While Hobson’s study has been criticized by historians for exaggerating the importance of industry and the financial sector in the British empire, his empirical observations about imperialism and colonialism seem noteworthy. Indeed, they provide useful parameters for studying overseas investments from a home country perspective, such as the importance of examining the particular domestic political economy in home

\(^{285}\) Hobson (1965), 71-93.

\(^{286}\) Hobson (1965), 85-92.

\(^{287}\) See, for instance, the respective OECD initiative on Inclusive Growth (OECD (2015a)). According to the WB (2009), the “difference between pro-poor and inclusive growth is that the pro-poor approach is mainly interested in the welfare of the poor while inclusive growth is concerned with opportunities for the majority of the labor force, poor and middle-class alike.” See WB (2009), 1.

\(^{288}\) Hobson (1965), 92. Also, see OECD (2015b) on “social and welfare issues;” and Raghavan (2000).

\(^{289}\) Hobson (1965), 73.
countries to understand their foreign economic policy; the significance of ideology in this process; the questionable utility and benefit of these overseas activities for the home country; the importance of public-private partnerships in facilitating overseas economic expansion, with public money used for private gain; and, finally, the fact that the process of economic expansion also has repercussions back home. Moreover, he pointed at the multiplicity of motivations and actors at play, in the form of “patriotism, adventure, military enterprise, political ambition, and philanthropy,” all of which constituted the “fuel” for imperial expansion.

Other historical materialist assessments of imperial and colonial relations largely followed Hobson’s outlook on the phenomenon, locating the agency in the home country’s capitalist development context, though with a deterministic twist. Consequently, imperialist expansion was framed as an inherent component of capitalism, and assumed to be profitable for the home country, which, according to historical evidence, was (often) not the case. Informed by Marxist thought about the crisis of capitalist systems in the form of over-accumulation, “[t]he consequence of the development of industrial capitalistic societies is a pressure for expansion which may lead to military or political acquisition (colonies) or to maintaining economic dependence (developing countries).” While the various imperialism theories differ in their explanation of the particular reason for “the

290 Hobson (1965), 96-97.
291 Hobson (1965), 59.
292 See Sections 3 and 4 of this chapter; and Snyder (1991).
293 Over-accumulation means that excessive investment occurs and goods cannot be sold profitably. This results in capital increasing in some sectors or speculative endeavors, instead of being re-invested in productive enterprise. Moreover, this may lead to unused plants and equipment, large build-up of unsold commodities, rising unemployment, or the rise of financial markets as alternative outlet.
pressure of expansion,” they do share the understanding that imperialism is the “result of the inability to cope internally [i.e. within the spatial limits of the nation-state, A.G.] with the consequences of permanent technological innovation and their effects on society.”

Moreover, distinct from the liberal frames with their arguments of efficiency gains, comparative advantage, or the international division of labor, imperialism theories focus on zero-sum dynamics – nationally and internationally – between capital and labor, states, and ecologies.

Another strain of imperialism theory emerged after WWII. In view of the persistent gap in living standards between industrial and developing countries after decolonization, and following the failure of modernization theory’s development policies to solve this problem, structural difference and related forms of disadvantageous “technological-industrial dependence” were seen as causing the persistence of exploitative relationships

296 Basically, classical imperialism theory (e.g., Luxemburg (1913) and Lenin (1975)) argues that imperialism is not benefitting the development of the colonies. Instead, the “establishment of new markets in underdeveloped areas destroys traditional markets and production relations of these areas. And while the expansion creates employment back home, it signifies an export of unemployment to these underdeveloped areas. At the same time, capital exports to these countries are reflective of interests of industrial countries, and not the needs of the recipient areas. Given that profits of these investments are remitted to home countries, this then highlights that these forms of economic expansion are at the core exploitative relationships between industrial and so-called underdeveloped areas, whereas the exploitation of the latter serves the development of the home country.” See summary by Kuhnen (1986), 20.
297 At the core, modernization theories assume that “industrialized countries are the model for economy and society,” whereas deviations from this model are framed as “backwardness.” Definitions of development as “an increase of production and efficiency,” its measurement as GDP and “per capita income,” and the analytical dualism promoting the “suppression of the traditional sector by concentrating on and expanding the modern sector,” all still inform many programs and policy recommendations of multilateral and bilateral development organizations today. See Kuhnen (1986), 12-13; and Lepenies (2008). Also, see the development narrative of the WB (2007), which equates rural development and poverty alleviation with increases in production, efficiency and per capita income.
between industrial and developing countries. Accordingly, this form of structural dominion occurred through “[i]ndustrial countries invest[ing] in the production and export of raw material in developing countries, influenc[ing] with their potential of power the terms of trade in their favour, and thus perpetuat[ing] the international division of labour” with detrimental effects for developing economies and societies.

At their core, these new imperialism theories, similar to dependency theories, presume that post-WWII underdevelopment is a function of the historical legacy of violent and “asymmetric integration” of developing countries into an international division of labor defined by industrial countries. The economic structure of developing countries – namely the dominance of the primary sector and the export orientation – together with co-opted elites and changes in culture, has contributed to sustaining the international asymmetry characteristic of colonial relations, as well as the pattern of overseas investments by industrial countries. Similarly, Wallerstein’s world systems theory differentiates between a wealth and power-related core and periphery of regions, and argues that “the dependencia-style linkage between development at the core and

300 In more detail, dependency theories that explain the genesis of underdevelopment in developing countries argue that the asymmetric trade relations of dominion result in “deteriorating exchange relations between industrialized and developing countries (and, as well, between the industrialized and the agricultural sector in developing countries).” Meanwhile, industrialized countries gain from international trade due to the rise in productivity together with elastic demand for value added products in the world market, both of which result in increasing incomes and positive terms of trade. Developing countries as producers and exporters of primary products cannot reap the assumed benefits from trade. To the contrary, rising productivity in primary production suppresses prices due to an inelastic demand for such products in the world markets, and results in deteriorating incomes as well as terms of trade. At the same time, the falling prices in world markets result in increasing exports to compensate for the worsening terms of trade. See summary of major authors of dependencia theory by Kuhnen (1986), 19-20.
underdevelopment in the periphery (uneven development) remains integral to the system and persists through alternating periods of growth and contraction.”

Deviating from these largely economic accounts of imperialism is, for instance, the political theory of imperialism developed by classical realists. Morgenthau perceives imperialism as a foreign policy of the state. Accordingly, imperialist undertakings aim at increasing a state’s power status within the status quo and in comparison to other states, thereby enhancing the relative security of the more powerful state in the international realm.

3. The International Parameters of 19th-Century European Imperialism

This section complements the previous theoretical review by providing a brief overview of the most important international parameters of 19th-century European imperialism. In particular, I will look at the configuration of capital and trade flows during that era in order to assess the quantitative and qualitative dimensions of that era’s imperial and colonial relations. That is, what significance did capital exports and trade flows to the colonies have from the perspective of the home country? And what did the trade and investment policies of that time look like? The historical evidence on these questions allows us to derive a meaningful comparison with contemporary capital flows and foreign economic policies that – as I argue in this thesis – “land grabs” reflect. It also highlights their role in the context of home country development.

301 Wolfe (1997), 404.
302 Morgenthau (2005).
Empirically, the time between 1870 and 1913 has been branded by historians as the “first wave of globalization,” due to the (largely rhetorical) credo of free trade and the laissez faire approach to capital mobility. Geopolitically, this time is referred to as “Pax-Britannica with London constituting the financial center of the world and the British pound the dominant currency in the context of the international gold standard.” At the same time, it was also a period that witnessed massive migration flows, reflecting the pressures of industrial development in the home countries and the hopes attached to moving to new lands. Between 1870 and 1914, approximately “60 million people emigrated from (...) Europe to (...) countries of the New World including Argentina, Australia, Brazil, Canada, New Zealand and the United States.” A smaller share of migrants also targeted East Africa, Southeast Asia, the Pacific Islands, the Caribbean, and the West Coast of North America.

The historical evidence on overseas investment during the 1870-1914 period stresses three important characteristics, namely the asymmetric significance of trade and investment for the countries involved; the complexity of the sectoral composition of investments that went beyond natural resources; and the interrelation of trade and

303 Solimano and Watts (2005), 14.
304 Solimano and Watts (2005), 14. It is against this background that Bairoch and Kozul-Wright (1996) argue that the myths about 19th-century globalization are primarily built on experiences of the British empire, but even in this case they fail to capture the complex character of this era.
305 Solimano and Watts (2005), 14.
306 The US was the main destination. Until 1920 about 26 million migrants arrived from "core Europe" (e.g., England, Germany, and France) and "peripheral Europe" (e.g. the relatively poorer Scandinavian countries; Spain, Italy and Portugal in the south; Poland, Russia, Romania to the east; and the former nations of the Austro-Hungarian empire). Also countries in Latin America, such as Argentina, Uruguay, Cuba, Mexico, and Chile absorbed a significant share of European migration. Solimano and Watts (2005), 14.
307 Solimano and Watts (2005), 16.
investment activities with home country events and public policies rather than “free markets.”

Firstly, the different significance of imperial/colonial relations for the home country and colony is reflected in the asymmetric regional distribution of investment and trade flows. Empirical data on the regional composition of European capital and trade flows demonstrates that trading and investing primarily happened between the wealthiest countries, including the New World. At the same time, and quite surprisingly, the so-called Scramble for Africa (1876-1914), which is often alluded to in the contemporary “land grab” debate, is not reflected in European investment trends in the form of any significant shifts. Available data on the main international lenders and borrowers shows that in 1913, the major capital exporters were Britain (with 41% of total overseas investments), followed by France (20%) and Germany (13%). Moreover, Europe, North America, and Latin America were the main recipients of the total overseas investment flows, receiving 27%, 24%, and 19%, respectively (Table 3-1).

308 Bairoch and Kozul-Wright (1996), 12-13. According to Cottrell (1975, 27), in the case of Britain, “temperate regions of recent settlement” such as Canada and the US received the largest share of the total capital exports, amounting to 68% of the total share between 1865 and 1914.
Table 3-1 – Main International Lenders and Borrowers, 1913 (Percentage shares, Bairoch and Kozul-Wright 1996)\textsuperscript{310}

<table>
<thead>
<tr>
<th>Lenders</th>
<th>Total overseas investment</th>
<th>FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Britain</td>
<td>41</td>
<td>45.5</td>
</tr>
<tr>
<td>France</td>
<td>20</td>
<td>12.2</td>
</tr>
<tr>
<td>Germany</td>
<td>13</td>
<td>10.5</td>
</tr>
<tr>
<td>United States</td>
<td>8</td>
<td>18.5</td>
</tr>
<tr>
<td>Others</td>
<td>18</td>
<td>13.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Borrowers</th>
<th>Total overseas investment</th>
<th>FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>27</td>
<td>17.71</td>
</tr>
<tr>
<td>Latin America</td>
<td>19</td>
<td>32.7</td>
</tr>
<tr>
<td>North America</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Asia</td>
<td>14</td>
<td>20.9</td>
</tr>
<tr>
<td>Africa-Oceania</td>
<td>16</td>
<td>12.6</td>
</tr>
</tbody>
</table>

The picture of asymmetric significance that emerges for trade relations is closely related to the one seen above for overseas investment flows. Even in the case of Great Britain, the country with the most globalized economy at the time, trade with the “poor and precarious markets” from the seized tracts of territories lagged behind trade volumes with other great economic powers.\textsuperscript{311} The largest share of trading occurred between Northern countries, both in manufacturing goods as well as primary commodities. As of 1913, approximately 60% of total world trade took place among industrial economies, and 40% of total world trade was intra-European (see Table 3-2).\textsuperscript{312}

\textsuperscript{310} Bairoch and Kozul-Wright (1996), 12.

\textsuperscript{311} Bairoch and Kozul-Wright (1996), 9. It is important to note that the UK's trading pattern during the late 19\textsuperscript{th} century, characterized by exports of manufactured goods to, and imports of primary commodities from the South, which has become a defining criteria of imperial/colonial relations, was "the exception rather than the rule" at that time (see Table 3-2).

\textsuperscript{312} Bairoch and Kozul-Wright (1996), 9.
Secondly, the sectoral composition of colonial trade and investment relations points to the case-specific quality and overall complexity of colonial relations from a home country perspective. Empirical evidence from Britain and France shows that a large share of lending went to social overhead\textsuperscript{314} and related business rather than resources.\textsuperscript{315} Also, manufacturing enterprises were scarce, receiving “less than 4 per cent of total subscriptions to overseas issues” during the 1865-1914 timeframe.\textsuperscript{316}

Food processing (milling and meat-packaging), transport improvement, and public utilities were key sectors of interest. Regarding the latter, railway bonds featured prominently: in 1914, approximately 70% of British and French long-term foreign

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\textsuperscript{313} Bairoch and Kozul-Wright (1996), 10.

\textsuperscript{314} Social overhead refers to “capital goods of types which are available to anybody, hence social; and are not tightly linked to any particular part of production, hence overhead. Because of their broad availability they often have to be provided by the government. Examples of social overhead capital include roads, schools, hospitals, and public parks.” See Black et al. (2009).

\textsuperscript{315} See, for instance, Svedberg (1980), 29.

\textsuperscript{316} Cottrell (1975), 40.
investment went into this area.\footnote{Bairoch and Kozul-Wright (1996). 13.} Apparently, most investors were “rentiers” rather than providers of risk capital, and non-resource sectors under straightforward management, such as railway construction, appeared less risky, due to guaranteed returns. The risk aversion of European investors is also reflected in the fact that FDI only accounted for one third of all international capital flows between 1870 and 1914.\footnote{Bairoch and Kozul-Wright (1996), 11.} Except for the UK, the majority of overseas investment took the form of portfolio investments (see also Table 3-1 on the share of FDI of the total international investment).\footnote{Bairoch and Kozul-Wright (1996), 11.} This dissimilarity in composition compared to contemporary capital exports has been largely attributed to the fact that the 19th-century investment environment was riskier, which together with “[i]nformational problems made investments in debt safer than those in equity.”\footnote{Bairoch and Kozul-Wright (1996), 3.}

Finally, it should be noted that in contrast to the widespread rhetoric of liberalism and free trade now associated with that era, financial mechanisms were not (only) “dominated by the market sentiment of private investors” during that period; neither were trade flows nor international relations.\footnote{Bairoch and Kozul-Wright (1996), 3.} Instead, public actors and policies played a key role in setting incentives. As mentioned above, empirical data shows that “bond issues dominated other debt instruments (notably equities)” and prevailed over securities

\footnote{Bairoch and Kozul-Wright (1996), 12.}
markets.\textsuperscript{322} This means that although private actors and banks from industrial countries invested overseas in long-term liabilities (such as railways), the borrowers were colonial and foreign governments in need of external capital to both address acute financial needs and finance infrastructure projects whose costs greatly exceeded the revenues.\textsuperscript{323} The associated obligation of the borrower to make fixed interest payments and/or to reimburse the investor made this formula appealing for foreign investors.\textsuperscript{324} While those guaranteed rates of return are not part of contemporary land-consuming investment projects, the accompanying rhetoric and provision of investor-friendly conditions (e.g., tax waiver) to attract foreign capital seem fairly similar to contemporary host governments’ strategies to attract foreign capital.\textsuperscript{325}

Also, trading activities were often regulated.\textsuperscript{326} In several independent Latin American countries, where “Western pressure had imposed (…) treaties (…) which entailed the elimination of customs and duties” at the beginning of the 19th century, governments began to introduce protectionist trade policies in 1870 to promote industrialization following independence.\textsuperscript{327} Simultaneously, policy preferences in industrial countries were characterized by great “divisions of opinion and interest over the empire’s economic function.”\textsuperscript{328} A case in point is the British Imperial Federation League (IFL), which emerged in 1884 to make recommendations on how to strengthen economic cooperation within the empire. This organization dissolved in 1893 due to an inability to

\textsuperscript{322} Bairoch and Kozul-Wright (1996), 12-13.  
\textsuperscript{323} Bairoch and Kozul-Wright (1996), 13; Cottrell (1975), 28.  
\textsuperscript{324} Cottrell (1975), 28.  
\textsuperscript{325} Cottrell (1975), 28. See Chapters 4 and 6.  
\textsuperscript{326} Bairoch and Kozul-Wright (1996), 8-9.  
\textsuperscript{327} Bairoch and Kozul-Wright (1996), 8-9.  
\textsuperscript{328} Green (1999), 47.
find consensus on imperial economic policy, with a particular point of contestation being the promotion of “free trade” or imperial preference as the key norm of economic organization.  

Overall, however, it should be noted that, until 1913, free trade had a “doctrinal, quasi-religious status” in the British empire, to the extent that “its rules of multilateralism and non-discrimination have shaped the post-World War Two international order” (see Section 5). It was widely supported by (British) civil society and “helped soften people’s earlier view of the state (…) as exploitative instrument of the ruling class” – as popular notions of “Free Trade envisaged the social as relatively autonomous from state and market.” Simultaneously, the free trade doctrine reflected the growing reliance on foreign farmers and the rise in consumption. At the same time, it is important to note that references to free trade always also had a strong rhetorical character, allowing the colonizers and imperial powers to unilaterally enter overseas markets and territories without having to fear retaliation back home, given the power asymmetries in place. 

With time, the rise of a group of strongly growing countries impacted international economic governance and led to the emergence of an international monetary and economic framework tailored to these countries’ investing and trading interests. However, this did not necessarily imply a more competitive organization of international and domestic economic relations.

331 Trentmann (2008), 7.
332 Trentmann (2008), 15.
333 Trentmann (2008), 15.
334 Trentmann (2008), 15.
economic, social and political relations.\textsuperscript{335} Often, “imperial conflicts, were related to and interconnected with the class struggles that characterized the expansion of industrial capitalism”\textsuperscript{336} at that time. They reflected “feudal forms of organization; (...) monopolism, protectionism, cartelization and corporatism; and (...) rural, pre-industrial, and autocratic structures of power and authority.”\textsuperscript{337}

Against this background, it is not surprising to see that economic expansion by the great economic powers was largely an outcome of cooperation between the governments, financial institutions, and entrepreneurs. The countries that went down the industrialization path relatively late in comparison to the United Kingdom, such as Germany, were particularly characterized by close cooperation between these seemingly different actor groups, with the result that “[f]requently, interested bankers obtained government approval and support for the projects of others”\textsuperscript{338} – not to mention diplomatic and military support. Yet, private sector capital exports were not necessarily embraced by most home country governments. Countries such as Germany and France tried to “discourage such outflows or at least sought ways to tie them more closely to export orders.”\textsuperscript{339} They were concerned about structural unemployment and foreign debt.\textsuperscript{340}

\textsuperscript{335} Bairoch and Kozul-Wright (1996), 24. Key aspects of this framework, for instance, the protection of foreign property or the imposition of the “open door” principle, have become key pillars of the contemporary international economic constitution.

\textsuperscript{336} Halperin (2004), 76.

\textsuperscript{337} Halperin (2005), 4.

\textsuperscript{338} See Bairoch and Kozul-Wright (1996), 24

\textsuperscript{339} Bairoch and Kozul-Wright (1996), 24.

\textsuperscript{340} Bairoch and Kozul-Wright (1996), 24; and Raghavan (2000).

The African continent ranked comparatively low with regards to European trade and investment activities during the late 19th and early 20th century. During the 1870-1913 period, the continent received 9.1% of British capital exports, 7.3% of French, and 8.5% of German foreign investment. Nevertheless, the Scramble for Africa, i.e. the partition of and “run” onto the continent by European economic powers at the end of the 19th century has almost become synonymous with the popular notion of the “second wave” of European imperialism. Since references to the Scramble are also common in the contemporary “land grab” debate that has emerged since 2000, a more detailed summary of how and why it occurred from the perspective of the European colonizers will now be provided. It will look at timelines, sectors, and the roles of land, actors, and institutions. The findings will help to yield meaningful comparison with the dynamics and factors of contemporary “land grabs” in Chapter 8.

In the early 1870s, the African continent remained unexplored and “mysterious” from the perspective of Europeans, who considered the region to be “‘vacant’: legally res nullius, a no-man’s-land,” except for the trading hubs and a few strategic colonies (South Africa, Algeria) on the coastline. The African continent had never occupied an important spot on the European imaginary map prior to the Scramble, a “term (…) coined

341 Daudin et al. (2010), 12 (Table 1.4).
343 E.g., Biney (2009).
344 Pakenham (1992), xxiii. Also see Duignan and Gann (1969a), 2-3.
Therefore, it was surprising then, and still is today, that within “half a generation, the Scramble gave Europe virtually the whole continent: including thirty new colonies and protectorates, 10 million square miles of new territory and 110 million dazed new subjects.”

What happened? The historical literature remains inconclusive over why the Scramble occurred from 1876 to 1913. However, there is broad agreement that monicausal explanations that point, for instance, to surplus capital are insufficient to capture the multiplicity of events and factors at work. Aside from mythical notions of an African El Dorado that were inspired by the diamonds and gold mines in South Africa, there was the “lure of the unknown,” which was stimulated by geographic sciences for which “Africa was still (…) one of those few great regions where cartographers still left white spaces in place of rivers lakes and mountains.” Moreover, the context of the economic crisis in Europe, which was experiencing its first Long Depression, as well as international power shifts, such as the rise of the US, and great power competition within Europe over markets and the positional status in the European system of states were important. These all have been influential factors in the imperial expansion onto, and the colonization of, the African continent. Technological and scientific innovations that lowered the transport

345 In this sub-chapter the term is used to “embrace the whole hectic phase of the partition, beginning with a prelude in 1876 and ending in 1912,” following the description of Pakenham (1992), xxvii.
346 Pakenham (1992), xxiii.
347 Pakenham (1992), xxiii-xxiv.
348 See, for instance, Pearce (1984), 90.
349 Duignan and Gann (1969a), 6-7.
350 Hobsbawm (1989), 45. For a detailed explanation of this crisis, see Nelson (2008).
351 See Pakenham (1992), xxiii-xxvi; Duignan and Gann (1969a); and Dumett (1999).
and health barriers to explore the interior of the continent sped up the Scramble.\textsuperscript{352} At the same time, the Scramble relied on institutions developed during the first half of the 19\textsuperscript{th} century, namely the international banking system, the reform of corporate governance, or strategic posts along the coastline that served as points of entry into the continent.

Historical research also points to the importance of country-specific factors and dynamics. In practice, different imperialisms of political and economic character were at play, and they depended on a country’s particular political economy, ideology, and development setting, in addition to the international context.\textsuperscript{353} For instance, British and French rationalizations of imperial expansion were influenced by their investor legacy. Accordingly, the key drivers of British interest in the African continent were “first to safeguard their [trade, A.G.] passage to India and secondly to profit from economic opportunities.” These interest priorities led Duignan and Gann to argue that the British participation in the Scramble occurred at the beginning out of “self-defense,” i.e. out of a fear of losing political control in the context of the French-British rivalry over positional status within Europe.\textsuperscript{354} And the French expansion was pushed forward by diverse actor groups (e.g., “soldiers, merchants, geographic societies”) “to promote the idea of empire” as a form of political power that would spread French culture and the allegedly “universal ideals of the Enlightenment.”\textsuperscript{355} The core empirical characteristics of the Scramble and how it occurred from a home country perspective are reviewed next.

\textsuperscript{352} Duignan and Gann (1969a), 2.
\textsuperscript{353} E.g., Duignan and Gann (1969a); Pakenham (1992); Dumett (1999); and Hobsbawm (1989).
\textsuperscript{354} Duignan and Gann (1969a), 8.
\textsuperscript{355} See Jones (2014).
To start, the Scramble timelines underline the procedural character of colonization and late 19th-century imperial expansion. This process consisted of a gradual move from exploration and treaty-based forms of land acquisition and colonization, which were accompanied and often executed by imperial philanthropists (missionaries), to the use of force, the atrocities of which are well-documented.\textsuperscript{356} In fact, “paper imperialism,” such as the partition of Africa among European powers at the Berlin Conference (1884-1885), proved insufficient in the process of acquisition: “When effective occupation became necessary to establish a good title, conflict became inevitable.”\textsuperscript{357}

An assessment of the colonization timelines also shows that the strategies for gaining or staying in control changed with time. While killings and violence were widely applied at the beginning of the occupation, some colonial administrations shifted their focus from direct to indirect forms of exploitation to prevent further revolts (see, for instance, the governance of farmland below). Throughout, law constituted an important instrument of acquisition and colonization, as it “provided a far more comprehensive framework than did the others for recalibrating land and life on the colonizers’ terms and without reference to indigenous antecedents.”\textsuperscript{358} The central role of law as primary tool to access the best land and govern colonial territory led Fahrmeir and Steller to refer to these practices as “lawfare” instead of warfare.\textsuperscript{359} Interestingly, though, many aspects of “lawfare” had their origin in the commercial conflicts among European powers that they

\textsuperscript{356} Take, for instance, the German extermination order against Hereros in Southwest Africa. Pakenham (1992), xxv.
\textsuperscript{357} Pakenham (1992), xxv.
\textsuperscript{358} Harris (2004), 179; Alden Wily (2012).
\textsuperscript{359} Fahrmeir und Steller (2013), 172.
were meant to regulate – a point to consider when assessing contemporary legal approaches and voluntary initiatives in the context of governing land-consuming FDI.\textsuperscript{360}

Importantly, the widespread narrative of primary-resources-driven colonialism, which the previous overview of key imperial parameters called into question for the majority of imperial projects, does apply to the African case. The empirical evidence on the sectoral composition of capital imports from 1870 to 1935 shows that the largest share of private foreign capital “went into mining and much colonial public investment was intended for developing mining.”\textsuperscript{361} In practice, this led to the establishment of enclave economies that were characterized by their export-orientation, as well as their strong reliance on foreign capital and the facilitating institutions in the form of colonial administration and law, infrastructures, and labor needed for the exploitation of resources.\textsuperscript{362} In the process of acquisition and colonization, colonial governments made use of mining policies and marketing mechanisms to put African enterprises at a disadvantage compared to their foreign competitors, ultimately resulting in their elimination.\textsuperscript{363} This was also true for cases such as the gold industry in Southern Rhodesia, “where the geological conditions favored small-scale producers and where African tradition and experience were considerable.”\textsuperscript{364} Also, following decolonization, foreign investments in Africa have remained biased towards the natural resource sector (agriculture, mining), which still made up 50\% to 80\% of total FDI flows as of 2005. At the same time, the positional status of

\textsuperscript{360} The Act of Berlin (1885), the “legislative vehicle for the Scramble for Africa,” was as much about the partition of the continent amongst the European powers as it was about guaranteeing free trade in spite of the partition. See Gardner (2012), 43.
\textsuperscript{361} Economic Commission for Africa, Africa Union (2011), 12.
\textsuperscript{362} Stuchtey (2010).
African countries has remained evocative of the continent’s colonial heritage: South Africa, which was a major, late 19th-century target country of foreign investments “with the other economies in its orbit,” continues to be a major trading and investment hub on the continent.

A core component of these processes of colonization and capital transfers was that they consumed land in its multiple forms, as territory, resource, and cultural landscape; by multiple means, namely legal and violent, direct and/or indirect forms of dispossession; for multiple reasons. However, it is important to remember that land as a resource only became a core issue at a later stage of colonization. Historical evidence on the “Conference of Berlin” (1884-1885) indicates that in the beginning European economic powers met to negotiate the future of the African continent as a way to ease competition pressures and conflicts over commercial routes and (exclusive) markets. These issues had been building up amongst themselves. And then they gained further significance during the Great Depression, and in the context of the declining possibility of expansion on the European continent due to the formation of nation-states. Contributing factors to the focus on commercial and strategic interests during this partition process might have been that “many African colonies were short of (…) known mineral deposits,” and that large parts of the continent were “terra incognita” and not intended for settlement.

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367 Pakenham (1992); Anghie (2007).
368 Austin (2010), 9-10.
369 Austin (2010), 9-10.
Over time, land played an important role as a sphere of influence and strategic territory for the home countries’ commercial interests, as a resource, as a productive space of society, as an area of settlement, or as an asset (in cases where investors speculated on rising land values) – a list that is similar to the functions of land in contemporary foreign investments (see Chapters 4 and 6). However, the initial neglect of, or ignorance about land resources on the African continent led to situations in which investors and colonial administrations had to realize that the acquired land (tropical soils) was not necessarily conducive to the colonial export economy they had envisioned. In addition, the colonized territories often faced a shortage of labor and lacked the infrastructure required for industrial export agriculture.

Similar to the varying role of land within and across colonies, the governance of land was characterized by plural, complex, and evolving modes and events rather than a single approach. In view of access, the “ability to dispossess rested primarily on physical power and the supporting infrastructure of the state.” At a later stage of colonization, the threat of military intervention and/or legal punishment by the colonial administration or the chartered company was often sufficient to acquire land through dispossessio. At the same time, the governance of land was shaped by commercial interests; concerns over lacking wage labor – in this case land dispossessio together with taxation provided a

370 Hobson (1965), 63, 357.
371 Austin (2010), 10; and Duignan and Gann (1969b), 102.
372 Harris (2004), 179.
373 Harris (2004), 179.
mechanism to force Africans to work in the mines and plantations of colonial governments and corporations;\textsuperscript{374} and the fiscal needs of the “colonial treasury.”

Moreover, governance depended on how the respective colony was framed by the colonizer, namely whether it was deemed a “settler,” “plantation,” or “peasant” colony.\textsuperscript{375} The framing was based on the utility of the soils and infrastructure for primary export production, and had significant consequences in view of the support that home country agents were receiving from the colonial government.\textsuperscript{376} In the case of (British) Ghana, a “peasant” colony, British farmers were, for instance, allowed to get involved in cocoa production. However, they did not succeed in the competition with African producers.\textsuperscript{377} A key factor for their failure was that these farmers did not receive the biased support from the colonial administration that British subjects were experiencing in “semi-settler” colonies such as Kenya and Southern Africa. Instead, the colonial government preferred to “rel[y] on the efforts of African small capitalists and peasants in growing and local marketing of export crops” for accommodating commercial projects and generating state revenues. This strategy proved very profitable, “yielding a 20-fold rise of foreign trade (measured in real value) between 1897 and 1960.”\textsuperscript{378} Another example is the case of Nigeria, also a “peasant” colony. Between 1906 and 1925, the colonial government turned down the advances of the soap manufacturer H.W. Lever (whose manufacturing companies today form part of the Unilever Corporation\textsuperscript{379}) who asked permission to develop large oil

\textsuperscript{374} Austin (2010), 9.
\textsuperscript{375} Austin (2010), 9, 13.
\textsuperscript{376} Austin (2010), 9, 13.
\textsuperscript{377} Austin (2010), 8.
\textsuperscript{378} Austin (2010), 9.
\textsuperscript{379} See the corporate website of Unilever (http://www.unilever.co.uk/aboutus/ourhistory/).
palm plantations.\textsuperscript{380} As a consequence, “African producers literally delivered the goods (…) through land-extensive methods well adapted to the factor endowment,” resulting in the “continued African occupation of virtually all agricultural land.”\textsuperscript{381} However, these examples do not mean that these farmers were free to grow what they wanted in the way they wanted. Instead, “the colonial administration completely discouraged the cultivation of food crops while encouraging cash crops production.”\textsuperscript{382} As a result of this economic policy, existing economic systems that ensured the food self-sufficiency of families were destroyed, resulting in rural households’ starvation.\textsuperscript{383}

More broadly, in the agricultural sector, three business models prevailed that are still popular today: plantations, contract farming,\textsuperscript{384} and commercial farming.\textsuperscript{385} In most colonies, preferential treatment was given to foreign-owned plantations, or farms owned by European emigrants.\textsuperscript{386} Plantations reflected European visions of establishing an export economy in the colonies. However, in practice, this production and governance model often struggled for economic viability, and it never became the most common mode of production or land use on the African continent.\textsuperscript{387} Until today, this model and related governance schemes are known for their detrimental social impacts in the form of slavery and indentured labor, violent expropriation, undervalued compensation for land; as well as

\begin{footnotesize}
\textsuperscript{380} Austin (2010), 9.
\textsuperscript{381} These choices by colonial governments were largely a function of giving in to the resilience of “African production for the market” and/or resistance, and not outcomes of a greater strategy for colonial development. Austin (2010), 9, 13.
\textsuperscript{382} Shokpeka and Nwaokocha (2009), 57.
\textsuperscript{383} Shokpeka and Nwaokocha (2009), 57.
\textsuperscript{384} This form has been promoted as a way to integrate small-scale farmers in the plantation economy by turning them into suppliers to estate structures. See Smalley (2013), 11.
\textsuperscript{385} Smalley (2013).
\textsuperscript{386} Smalley (2013), 3.
\textsuperscript{387} Smalley (2013), 21.
\end{footnotesize}
their land-extensive and capital-intensive nature. In practice, plantations depended strongly on colonial administration to govern the economy and territory in a way that defeated the competition from African smallholder producers or facilitated the forced labor supply to meet their labor demands.388 Usually, plantations were set up close to ports by settlers or corporations (like Del Monte, Firestone); and they had the widest application in settler colonies such as Kenya, Zimbabwe, and South Africa.389 In the case of settlers’ commercial farms, the other business model characteristic of the late 19th/early 20th century on the continent, the colonial administration allocated specific land areas to settlers.390 In contrast to plantations, with their focus on monoculture and their operation by multinational corporations, these farms tend(ed) to be less integrated in the world economy, to plant multiple crops, and to raise livestock.391

The descriptions above highlight two things about the colonial administration of land: colonial land governance did not necessarily displace African producers in every case; however, colonial administration used other means of control, such as economic policies, to steer what was being produced and it also used biased agricultural marketing methods that treated European producers with partiality.392 These subtleties have to be kept in mind when assessing contemporary land-consuming FDI projects. At the same time, land governance depended strongly on the respective administration’s perception of local realities – from the framing of a colony as peasant, settler, or plantation colony, to the

390 Smalley (2013), 11.
391 Smalley (2013), 11.
392 Austin (2010), 12.
establishing of land markets for African land-owners. Moreover, land governance changed with time. Kenya is a case in point. Colonial administration had prevented “the emergence of land markets in areas controlled by Africans.”393 However, much later, in the post-WWII period and more than a decade prior to Kenya gaining independence (in 1962), there were controlled cases of land registration “in response to the de facto emergence of land sales and individual proprietorship.”394 An important reason was that the colonial government saw this as a way to strengthen its control by empowering conservative African land-owners.395 More broadly, historical records show that public colonial spending “was concentrated on a combination of administration, defense, and infrastructure,” and governed to both “promote expansion of primary export industry” and service debt.396 Hardly any of the state budget was made available for social investments in schools, hospitals, pension, or other welfare areas of state action that were rapidly expanding in Europe at the time.397

While the governance of lands and colonies focused strongly on favoring Europeans and installing a primary export industry, it would be wrong to think of actors and institutions in the target regions as passive objects in this process. In practice, their responses lay somewhere between the two poles: strategized cooperation as a means to exert their own influence on the ground and resistance.398 Consequently, the particular

393 Austin (2010), 12-13.
397 Gardner (2012), 34, 234.
398 For instance, anglicized Africans in Nigeria “possess[ed] a sense of the British ‘imperial mission’” from their religious point of view; while some traders in Senegal hoped to protect their trade against competitors under French rule. In some cases, “[l]iterate Africans looked for promotion in the local
response on the ground, together with the political institutions in place in African regions, which ranged “from stateless societies (... to city states and extensive kingdoms” with monarchies, 399 partly shaped the interaction between European and African actors. 400

From a home country perspective, the Scramble involved a wide range of actors and institutions, such as state officials, adventurers, missionaries, and entrepreneurs, but also landed elites and bankers. Moreover, it relied on important institutions that emerged during that time of great power competition, including the forms of international law mentioned above, 401 commercial treaty standards, 402 and/or principles of the international economic system, particularly the Most Favored Nation principle. A particularly prominent institution of that time, which could be traced back to the 16th century, was the chartered company with its “dual roles of entrepreneur and representative” of the respective home

public services.” At the same time, some groups of the African aristocracy, whose cooperation imperial control depended on, established a kind of ‘sub-imperialism,’ securing and even expanding their influence over and control of the territory and the population within the colonial framework (e.g., Lozi in Gambia, Ganda in Uganda). See Duignan and Gann (1969a), 4, 13, 16; Duignan and Gann (1969b), 109, 122; and Boamah (2014).

399 Duignan and Gann (1969a), 11.
400 Austin (2010), 15. Also see Halperin (2005).
401 Anghie (2006, 739-742) describes the “evolution of international law from the 16th century” as a discipline of European origin, “consisting of a series of doctrines and principles that were developed in Europe, that emerged out of European history and experience, and that were extended to the non-European world which existed outside the realm of European international law.” Accordingly, law was an institutional mechanism in facilitating imperial expansion, but it was at the same time shaped by it, with colonialism being “central to its formation,” and thus making it “universal.” Key for this process of international law facilitating and legitimizing colonial enterprises was the “dynamic of difference.” The assumed universality of the norms and principles of international law “posed a gap, a difference between European and non-European cultures and peoples.” That gap then needed closing, and this legitimated the framings of imperialism as a “civilizing mission.” To a certain degree, this was reflected also in “an aggressive variety of imperial philanthropy,” that tried to “help (...) the unbelievers in the African bush.” Also see Duignan and Gann (1969a), 9, 6-7.
402 The incorporation of commercial treaty standards on the protection of alien property and the obligation of full compensation in case of expropriation into international law in the 19th century reduced the risk for internationally operating firms. As a result of property standards, “[u]ncompensated seizure of alien property, A.G.] was considered robbery, and the use of unilateral force was considered a legal and legitimate response.” See Jones (2005a), 24-25.
government. It allowed merchants to pool resources in order to invest and trade overseas, sometimes to the extent of administering the colonies as proxies of the home country state politically, economically, and by means of military force. Usually, these companies were given a contract by the home country government, which in return expected to profit from the annual revenues in the form of royalties or intensified trade (exports), and/or hoped to maintain or gain a favorable positional status at the international level at relatively low cost.

Institutionally, colonial undertakings also profited from the internationalization of the banking sector. The British government, for instance, supported overseas investments and colonial administrations through loans and public spending in the form of grants-in-aid. These financial schemes needed the approval of the British Treasury, the main guarantor in most cases, which provided the colonies with lower interest rates. Loans were granted in cases where the local colonial state revenue did not manage to cover the expenditures, even though the stated goal was for colonial governments to become self-sufficient and produce balanced budgets in the medium term. While the colonized had to pay for their own subjugation, in practice, the case of Britain highlights that few colonies became financially independent.Repeatedly, the already volatile financial situation of

403 Moss et al. (2004), 6.  
404 See Duignan and Gann (1969a), 17.  
405 Jones (2005a), 25.  
408 Gardner (2012), 32. It is important to note, however, that India, the largest and most important colony of the British empire, appears to have been financially profitable for Great Britain, which kept “draining Indian revenues to pay for an expensive bureaucracy (including in London) and an army beyond India’s own defence needs” and to meet other financial interests in London. See, for instance, Kaul (3 March 2011).
the colonies deteriorated with slowdowns in world trade and/or falls in commodity prices.\textsuperscript{409} As a result, the colonial governments tried to build up financial reserves for these incidents of revenue declines through export trade, and they cut down on the size of their administrations to reduce costs. The interrelation of colonial governance and financial administration has been highlighted by Gardner, who argues that the British approach to “indirect rule” was less the outcome of an ideological choice than of financial constraints in view of limited revenues available to the colonial state in spite of their violent collection from the colonized in the process of conquest and colonization (e.g., taxes).\textsuperscript{410}

With time, the support of home country governments for capital exports changed, as did the approach to colonial administration. While the governments had originally framed capital exports as beneficial (at least to a certain degree), suggesting them as a way to expedite the import of food and raw materials, to promote exports and thus create jobs, and to ensure an annual state income in the form of commission fees and remittances, this “laissez faire” attitude changed during World War I.\textsuperscript{411} Even the British government began to fear that outward investments could have negative repercussions on the foreign exchange position of the motherland and pressure the internal capital markets. This resulted in tighter regulation designed to ensure the availability of capital for domestic development or the development of the colonies.\textsuperscript{412}

In conclusion, the above-presented material begs the question of utility, i.e. was the violent colonization of, and imperial expansion into African, but also Asian and Latin

\textsuperscript{409} Gardner (2012), 6.
\textsuperscript{410} Gardner (2012), 5-6.
\textsuperscript{411} Atkin (1970), 324-328
\textsuperscript{412} Atkin (1970), 324-328.
American lands, actually rewarded with the finding of an “El Dorado?” Historical evidence suggests that outcomes were complex, and not necessarily a success story. Contrary to the claims that outward investments would increase exports, create jobs, secure resources, and provide a stable source of annual state revenues in the form of commissions from issuing loans or remittances on profits, in practice, the impact was less obvious. Particularly regarding the colonization of tropical Africa, the effects of overseas trade, migration, and investment were ambiguous, and “capital exports to colonies were important, but not dominant” for economic development back home. For instance, it remains unclear whether overseas investment in the primary resource sector in the colonies or (in the case of Britain) the empire was even necessary from the home country perspective. Europe was resource abundant with regard to major energy sources (coal), “and nearly self-sufficient in iron ore and other minerals.” Only industrial crops such as cotton constituted an important commodity, and they were largely supplied to European countries by the United States. And, the acquired colonial territories that supposedly served as outlets for European capital and trade accounted for less than 15% of European countries’ exports. At the same time, there is an ongoing debate over the extent to which colonial tax and trade revenues from major colonies (e.g., India in the case of Britain) constituted vital inputs for

413 Colonial India, which is not covered in this chapter, seems to be an exception in this regard. Historical research suggests that it might have played an important role in British development and expansion. For instance, colonial tax and opium trade revenues were used to service the debt and facilitate the further expansion and maintenance of the British empire; and the colonization of India brought prestige to Great Britain. See Cain and Hopkins (1987); and Deming (2011).
414 Daudin et al. (2010), 17.
415 Daudin et al. (2010), 17.
416 Daudin et al. (2010), 17.
the home country’s development and imperial expansion.  

While Cain and Hopkins have shown that colonization was a relevant factor, subsequent historical research underlines that the benefits are not straightforward.

These basic colonial trade and investment figures, however, raise doubts about the usefulness of many of these undertakings from the home country perspective, particularly regarding resource security. They also highlight that other interests, be they commercial or geopolitical in nature, were equally relevant. At the same time, the project details emphasize that capital exports were not necessarily profitable. In fact, the “tropical treasure house myth” that underpinned and legitimized colonial expansion in the home countries neither reflected the reality of mining projects nor that of agricultural projects. Instead, many enterprises, such as the chartered companies, turned out to be highly unprofitable, leading to their ultimate failure – in spite of the monopolistic concessions and coercive means at their disposal. Prominent cases in point were the British South Africa Company in Southern Rhodesia, as well as French activities in Equatorial Africa. To attract foreign capital, these companies facilitated the “granting of large scale territorial concessions on easy terms” to foreign investors. Since their business model relied heavily on foreign funding, these concessionary companies faced the problem that their “grantees usually failed to invest sufficient funds or to do much serious development work.” The shareholders often did not profit either. The British South Africa Company,

417 Cain and Hopkins (1987). See, also, footnote 413.
418 E.g., Cain and Hopkins (1987); Gardner (2012); Dumett (1999).
419 Duignan and Gann (1969a), 10.
420 Duignan and Gann (1969a), 20.
421 Duignan and Gann (1969a), 20.
422 Duignan and Gann (1969a), 20.
for instance, which was active in mining, landholding, and railway construction, and was basically a chartered company constructed on the example of the infamous British East India Company,\(^{423}\) "never paid a single penny to its shareholders and was generally unprofitable" (between 1890 and 1923).\(^{424}\)

Contrary to the rhetoric of progress and efficiency, it also turned out that insufficient ‘on the ground’ knowledge and shortages of labor “did not make for efficient agriculture.”\(^{425}\) In the African colonies, European farming enterprises faced the same challenges as local farmers, namely “plant disease, floods, droughts and sickness,” as well as poorly developed communication and transport routes, which made their projects relatively expensive and economically unviable.\(^{426}\) At the same time, imported animals and plants often did not suit the climate, and the European farmers also “had to cope with the unfamiliar properties of African soils” – a fact that seems as pertinent today as it was back then. Oftentimes, this unfamiliarity with local conditions resulted in detrimental impacts in the form of declining soil fertility and rising soil degradation.\(^{427}\) Even ventures in the mining sector (e.g., diamond and gold) that generated returns, nourished the public imagination on colonialism and imperialism, and came closest to the “concept of colonial super-profits” were encountering difficulties, and “large dividends in some mines were balanced by low profits or losses in others.”\(^{428}\)

\(^{423}\) Regarding the East India Company, see for instance Britannica.com (http://www.britannica.com/EBchecked/topic/176643/East-India-Company).

\(^{424}\) Duignan and Gann (1969b), 102.

\(^{425}\) Pearce (1984), 90.

\(^{426}\) Duignan and Gann (1969b), 102.

\(^{427}\) Duignan and Gann (1969b), 102; also see Kotschi and AGRECOL (2013); Goldsmith (1993), 2.

\(^{428}\) Duignan and Gann (1969b), 108.
Regarding job creation, it is impossible to clearly judge the impact of these undertakings. On the one hand, empirical evidence suggests an inverse relation between overseas investments and jobs available in the home countries.\(^{429}\) On the other hand, the overseas territories, particularly those in the New World, created (even if they were moderate in most cases) some outlets for surplus production, capital, and labor. Cottrell argues that this allowed the ruling elite to uphold regime stability by opening new sources of profit to landed elites back home while offering avenues for social mobility through a military career or migration. Moreover, Daudin et al. highlight that “[m]igration was the dimension of globalization that had the greatest impact on European workers’ living standards during this period” through its prompting of real wage rises in poor economies back home and provision of a way to bypass or leave behind domestic barriers.\(^{430}\) In this latter sense, it provided an option to earn a higher income and/or evade religious or political oppression or persecution in the home countries.\(^{431}\) In most cases, European migrants came from rural populations, but increasingly they also came from cities and industrial (i.e. deskill ed, unschooled worker) backgrounds.\(^{432}\)

At the same time, these very same elements that sustained stability also prevented domestic reform processes. Politically, the old elites were able to secure their positional status, while economically, many overseas investments turned out to be harmful due to

\(^{429}\) Cottrell (1975), 53.
\(^{430}\) Daudin et al. (2010), 21-23.
\(^{431}\) Daudin et al. (2010), 21-23. See, for instance, the case of European migrant farmers in Argentina, Solberg (1974), 127; and Solimano and Watts (2005) for an overview of migration flows during the late 19th century.
\(^{432}\) See, for instance, the description of the political economy of core countries by Halperin (2005); and Solimano and Watts (2005), 16.
their wasteful and fraudulent quality433 or the fact that their focus on primary resources abroad led to the neglect of domestic agricultural production back home.434 More broadly, capital exports resulted in the stagnation of domestic industry productivity and export growth since “the bulk of the savings generated in the non-industrial sectors of the economy had been directed not into industry but into (...) secure investments” such as “government stocks, (...) agricultural mortgages, or after 1840, the railways.”435 Moreover, from 1880 onwards until 1914, the marginal returns of Britain’s colonial investments were below those from (less risky) investments in industry back home. However, when taking a broader view of what the benefits might have been for the home country, research suggests that overseas investment facilitated an elite strata continuation at a time of economic transformation back home. Tax and trade revenues of key colonies also seem to have mitigated financial volatility and serviced debt in the British empire.436 This underlines the importance of looking at the nuances and the political economy of the home country’s colonial undertakings for a meaningful understanding of how and why overseas investments occur when assessing contemporary acquisitions, rather than adopting the investor’s framing or the rhetoric of efficiency and profit.

From the viewpoint of the colonies and/or the countries in the South that received FDI and other capital flows, these foreign funds were part of very violent processes of dispossession, suppression, and acquisition. Economically, they proved harmful for the

433 Cottrell (1975), 47.
435 Cain and Hopkins (1987), 4. Regarding the explanation of major investment trends during 1855-1914, see Cottrell (1975), 35.
host countries, because they destroyed local socio-economic institutions and were mostly “unable to establish (...) a cumulative growth dynamic.” In particular, “speculative capital flows were (...) likely to become a destabilizing element,” resulting in “deflationary pressures, debt crisis, reduction[s] in [capital] imports.” As a result, non-colonies also grew increasingly dependent on the orders of their European lenders, namely banks and governments, which cooperated with industry in this context to further joint interests at the cost of the borrowing countries. The imported funds extended the asymmetric export-import trading relationship, establishing a specialized economic structure that was not conducive to the debtor countries’ economic development in the medium term, yet very difficult to overcome.

The forming of an uneven development geography, which was characteristic of the Scramble, often went along with environmental degradation due to the concentration of land ownership and control. This concentration led to overcrowding and the use of less valuable land by dispossessed and/or relocated rural populations, and exceeding domestic biocapacity became a problem due to the focus on primary exports. While “[d]e-industrialisation in colonies and developing countries predated the era of global

437 Shokpeka and Nwaokocha (2009); Davis (2002).
440 Argentina is a case in point: following a crisis of “excess borrowing” in 1890, the State had to fulfill the “dictates of the international banks that imposed severe financial conditions on both the national and the provincial governments in order to guarantee that they would recoup their loans and to assure the profitability of allied enterprises, such as British railways firms.” At the same time, European banks turned the crisis into an opportunity, buying up Argentinean enterprises from the private and public sector and thereby furthering their economic position within the Argentinean economy. Bairoch and Kozul-Wright (1996), 25.
441 Cottrell (1975), 41.
442 Compare Andersson and Lindroth (2001); and Clover and Eriksen (2009).
integration,” the process was “accelerated, during much of the period of global integration.” This process is evidenced by the low share of imperial borrowing in manufacturing: between 1860 and 1913, “the developing country share of world manufacturing production declined from over one-third to under a tenth,” a fact that has been closely linked to the dramatic rise of imports of European manufactured goods in the South.

On the individual level, a large share of the local population, particularly in Africa, Latin America, and Asia did not benefit from these forms of “coercive development.” Instead, populations were evicted from their lands and then confronted with hunger and starvation while concurrently being framed by colonial administrations as cheap “labour reservoir[s].” Even farmers who produced for multinational corporations through new forms of outgrower schemes did not profit from integration of the agricultural sector in the international markets. To the contrary, they were confronted with dramatic declines in agricultural prices, had to bear all the risks such as currency fluctuations and weather events, and lacked any political privileges under colonial administration.

In retrospect, the legacy of the three-tier world that emerged during this era is still felt today. Its three tiers were, firstly, the “small group of rapidly industrializing economies” that is seen as having most profited from the international capital dynamics,

443 Bairoch and Kozul-Wright (1996), 16.
444 Bairoch and Kozul-Wright (1996), 16.
446 See Bessant (1992), 39-50.
447 Davis (2002).
while also playing the central role in the emergence of economic standards (gold standard); secondly, the few settler countries which managed to profit from primary resource exports and, over time, to begin to industrialize; and, thirdly, the large group of countries that “shared a tenuous position in the new international division of labour,” and did not manage to industrialize sustainably, or – in the case of the colonies – were discouraged or even prevented from doing so.\footnote{Bairoch and Kozul-Wright (1996), 19.}

5. Decolonization and Globalization

For the assessment of the novel character of contemporary “land grabs” (or, in the terminology of this thesis: land-consuming investments), it is important to account for international structures as well as domestic developments in the home and host countries in the post-WWII period. The underpinning question is whether fundamental changes in agencies, structures, and ideologies are observable in the context of foreign land acquisitions after decolonization.

Regarding the situation in recipient and home countries, decolonization has not led to a radical break with colonial economic structures, ideas, policies, or legislation in the form of a zero hour:

Many of the ideas, policies, and priorities of postcolonial development can trace their genealogies to the colonial era, where they were shaped through metropolitan concerns to maintain and modernise colonies, and through contact with the local people, knowledge, and conditions.\footnote{Craggs (2014), 9.}

\footnotetext{\textsuperscript{450} Bairoch and Kozul-Wright (1996), 19.}  
\footnotetext{\textsuperscript{451} Craggs (2014), 9.}
Importantly, most African countries show a mix of path-dependent, as well as new, elements in areas relevant to land-consuming OFDI. As of 2014, it seems to be a combination of colonial-state legacy (state as nominal land rights holder), the persistence of modernization ideas informing domestic and international development programs, and the postcolonial history of Structural Adjustment Programs (SAPs) that lays the institutional, ideological, and legal ground for these investments to take place.

A closer look at natural resource governance also shows that many countries’ governments (North and South) have moved away from “state-led large-scale development” conceptions and the related “interventionist development policies” that were characteristic of colonial policies in the 1930s and continued for a certain period of time post-independence. Today, many governments have adopted a neoclassical outlook on development characterized by the preference of private ownership of means of production, the promotion of minimum state intervention in sectoral governance, the assumption of

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452 Path dependency is an analytical concept of social sciences. It basically assumes that history matters when trying to understand contemporary institutional developments, collective action, power asymmetries, and perceptions. See, for instance, the work of North (1990).
453 Craggs (2014), 5-9. This particularly applies to large-scale agricultural investment projects by multilateral or bilateral development programs that focus on infrastructure, yield, and productivity improvement.
454 See Chang (2003) for a detailed discussion of the track record of these policies in the form of an underprovision of public goods and services, or the failure to live up to their own standards (e.g., declining rather than rising growth levels during the 1990s). In practice, related development strategies resulted in a drop in public investment in the agricultural sector, the preference of private sector investment, and/or the liberalization of the primary sector. The country data on public expenditure on agriculture from 1980 to 2007 highlights that the total amount, as well as the share of agriculture in African governments’ expenditures, dropped significantly from 1980 to 2007 (FAO (2012a), 4, 134-135).
455 In fact, the plantation project that Unilever Ghana invested in during the 1990s is a perfect example of a formerly aid-funded, state-led, large-scale plantation program. Following the divestiture program in the 1990s, Unilever exploited this opportunity by buying the shares of this plantation on the Stock Market.
rational actors, and the reduction of socio-economic development to issues of efficiency and productivity.\footnote{Thomas (1994), 75-77; Kotz (2002), 64-66. For a critical discussion of mainstream economic theories that the neoclassical outlook on development is part of, see the publications by the heterodox economists Lavoie (2014, 1-30) and Cohn (2003).}

Consequently, many countries’ national development plans put an emphasis on foreign capital attraction and liberalization, and reflect an ideology of development as a process of unlimited growth rather than a zero-sum process of resource allocation that was characteristic of rival systems and orders\footnote{NIEO, short for New International Economic Order, was promoted during the 1970s, following decolonization. It aimed to replace the post-colonial order and establish an order that would be “based on equity, sovereign equality, interdependence, common interest, and cooperation among all States.” See NIEO Declaration (1974), 1.} in the past.\footnote{Informal interview with staff from the WB Inspection Panel, November 2011.} In the governance of FDI, the ideological contestation of foreign investment by the recipient governments, which characterized the years during colonization and after decolonization, has largely disappeared.\footnote{Moss et al. (2004), 1.}

Table 3-3 highlights that most countries in Sub-Saharan Africa have adopted a very liberal legal framework (as of 2010) that allows close to full foreign equity ownership in the agricultural, mining, or forestry sectors: “whereas countries used to list those specific sectors open to foreigner investment, the norm is now to assume a legally open regime with restricted sectors listed as exceptions.”\footnote{Moss et al. (2004), 3.} Moreover, several African governments have created investment promotion agencies and introduced favorable policies to attract
investors, in the form of long lease terms, tax exemptions, and the promise of low labor costs.\footnote{Moss et al. (2004), 3. Also see Chapters 4 and 6.}

<table>
<thead>
<tr>
<th>Region/Economy</th>
<th>Mining, oil and gas(\uparrow)</th>
<th>Agriculture and forestry(\uparrow)</th>
<th>Light manufacturing(\downarrow)</th>
<th>Telecommunications(\downarrow)</th>
<th>Electricity(\downarrow)</th>
<th>Banking(\downarrow)</th>
<th>Insurance(\downarrow)</th>
<th>Transport(\downarrow)</th>
<th>Media(\downarrow)</th>
<th>Construction, tourism and retail(\downarrow)</th>
<th>Health care and waste management(\downarrow)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>78.4</td>
<td>82.9</td>
<td>86.8</td>
<td>64.9</td>
<td>75.8</td>
<td>76.1</td>
<td>80.9</td>
<td>66.0</td>
<td>36.1</td>
<td>93.4</td>
<td>84.1</td>
</tr>
<tr>
<td>South Asia</td>
<td>88.0</td>
<td>90.0</td>
<td>96.3</td>
<td>94.8</td>
<td>94.3</td>
<td>87.2</td>
<td>75.4</td>
<td>79.8</td>
<td>68.0</td>
<td>96.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>91.0</td>
<td>96.4</td>
<td>100.0</td>
<td>94.5</td>
<td>82.5</td>
<td>96.4</td>
<td>96.4</td>
<td>80.8</td>
<td>73.1</td>
<td>100.0</td>
<td>96.4</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>96.2</td>
<td>97.5</td>
<td>98.5</td>
<td>96.2</td>
<td>96.4</td>
<td>100.0</td>
<td>94.9</td>
<td>84.0</td>
<td>73.1</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>95.2</td>
<td>97.6</td>
<td>98.6</td>
<td>84.1</td>
<td>90.5</td>
<td>84.7</td>
<td>87.3</td>
<td>86.6</td>
<td>69.9</td>
<td>97.6</td>
<td>100.0</td>
</tr>
<tr>
<td>High-income OECD</td>
<td>100.0</td>
<td>100.0</td>
<td>93.8</td>
<td>89.9</td>
<td>88.0</td>
<td>97.1</td>
<td>100.0</td>
<td>69.2</td>
<td>73.3</td>
<td>100.0</td>
<td>91.7</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>78.8</td>
<td>100.0</td>
<td>95.0</td>
<td>84.0</td>
<td>68.5</td>
<td>82.0</td>
<td>92.0</td>
<td>63.2</td>
<td>70.0</td>
<td>94.9</td>
<td>90.0</td>
</tr>
</tbody>
</table>

\footnote{This table shows statutory restrictions on foreign ownership of equity in new investment projects (greenfield FDI) and on the acquisition of shares in existing companies (mergers and acquisitions). One hundred equals full foreign equity ownership. The table is from the online database of the WB (2010) report (http://iab.worldbank.org/Data/Explore%20Topics/Investing-across-sectors).}
The trend towards deregulation and economic liberalization since the 1980s has increased the discretionary power of the private sector vis-à-vis the state. Regarding host countries, multinational companies have profited from the fact that “regional blocs and countries compete against each other for investments (...) by offering them best investment and climate conditions.” In addition, existing national and international laws are “not precise enough to account for diffused responsibility in multinational corporations between local subsidiaries and headquarters,” enabling, for instance, practices of trade mispricing and tax evasion, both of which reflect and further reduce the decreased control and benefits available to state authorities. However, this tendency is not limited to the realm of host countries. The economic importance of multinational companies for home country job creation, supply sourcing, and trading activities has also expanded their power in negotiations with state authorities (see below).

At the same time, foreign land-consuming FDI continues to face other administrative barriers, such as limits “on the amount of equity owned by non-resident foreigners,” or political interventions in the economies. Importantly, public actors and interventions (in the form of state-owned enterprises and/or public approval processes) remain a key characteristic in many host economies characterized by high inequality. While post-independence land reforms aimed to achieve greater equality through land redistribution, these have not overcome the legacy of the colonial period in the form of the

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463 Kumar and Graf (1998), 133.
464 Kumar and Graf (1998), 133.
465 Moss et al. (2004), 9.
466 Moss et al. (2004), 9.
467 WB (2010); and Moss et al. (2004).
concentration of land ownership and socio-economic marginalization. This means that “land grabbing” in SSA occurs in countries with a land crisis and a political economy characterized by highly unequal ownership structures, high socio-economic inequality, and discriminatory legislation.

A coexistence of novel and path-dependent elements also characterizes the international level. Core principles of imperial law, namely the most favored nation norm and the non-discrimination principle, have become key pillars of the post-WWII trade governance and legal structures that also govern FDI (General Agreement on Tariffs and Trade (GATT), then WTO). At the same time, the institutional framework regulating FDI in general, and agriculture in particular, has changed – due to the extension of liberal principles and frames to this activity and sector. Under the WTO’s Agreement on Agriculture (AoA), for instance, the approach towards agriculture has shifted from the notion of agriculture to agribusiness.

In the home countries, many governments had shifted towards restrictive OFDI regulations after WWII to ensure that capital would be available for domestic reconstruction purposes (also see Chapter 7). However, since the 1980s, capital exports and trade activities have been deregulated again, and in some cases even pro-actively supported by policy makers. As a result of these processes of economic liberalization and deregulation, which have occurred almost worldwide since the 1990s, the most recent

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468 Home (2012), 19.  
469 For a discussion of land reform problems, see Home (2012); and Borras and McKinley (2006).  
decades have often been characterized by an increasing corporate concentration, intra-firm division of labor, and market internationalization by TNCs, particularly in the food and energy sectors. Against this background, Clapp and Fuchs have stressed the significant structural and discursive power of contemporary TNCs relative to the state and civil society. Others, such as Murphy, have pointed to the importance of nation-states and governments in this process of private sector expansion. From a historical perspective, it has become clear that these two seemingly contradictory observations might as well be complementary phenomena. At the same time, it seems that what is at least partly fueling the contemporary debate on “land grabbing” is the discontent with the social, economic, political, and ecological repercussions of this development trajectory, combined with a fundamental concern about how the state will be able to deliver core welfare functions in the future, considering the rapidly progressing privatization of access to, and governance of land and its multiple functions (also see Chapter 2).

6. Conclusion

The review presented above outlined particular mechanisms that could be labeled as imperialist “best practices,” such as the exertion of diplomatic pressure, use of military force, facilitation through legal instruments and corporate actors, or the provision of financial support by the state. Together, they showcase the strong role that was taken by the public sector in facilitating private sector expansion. Public actors promoted overseas investments, stating that these operations would provide the home country with revenues,

472 See Clapp and Fuchs (2009); and Goldthau and Witte (2010).
473 Clapp and Fuchs (2009).
474 Dunning and Narula (1996); and Murphy (1994).
jobs, and access to markets. Moreover, overseas investments were defined from a mercantilist viewpoint as a means to improve the home country’s positional status in the system of states. Obviously, multiple imperialisms were at play; they were made unique by their particular country settings, actor constellations, and specific motivations.

References to (neo)colonialism and imperialism in contemporary explanations of “land grabs” since 2000 do not often match this diverse historical evidence on colonialism and imperialism; nor are they particularly meaningful. Rather than being solely about land, natural resources, or labor, colonial and imperial expansion was driven by a multitude of factors, including the protection of commercial interests; personal desire to achieve “self-aggrandizement;” state desire to expand political influence as part of the European power game; or other events that resonated in the home countries, such as the Long Depression and processes of economic restructuring. Thus, both economic and non-economic aspects mattered, and “grabbed” land was important as natural resource, as well as territory, market space, strategic hub, or place of settlement. Together, the findings support this thesis’ focus on large-scale land acquisitions in the specific context of major investor countries.

The review also emphasizes the importance of accounting for the subtle changes that have occurred in political agendas, actor constellations, and corporate and resource governance post-World War II. Processes of economic liberalization and deregulation have yielded corporate concentration, intra-firm division of labor, and market internationalization by TNCs. Moreover, economic liberalization and deregulation has increased the discretionary power of corporate actors vis-à-vis the state. At the same time, governments in the host and home countries seem to embrace land-consuming overseas
investments from the private sector and/or development agencies as a way to realize specific development agendas, – even in sectors such as agriculture where foreign access and ownership had been restricted in the past (also see Chapter 4-8).  

Importantly, the official support for land-consuming FDI raises questions about the accuracy of references to imperialism and (neo)colonialism in the literature and media, particularly in those cases where land-consuming OFDI is proactively sought after by the host countries. Do these concepts help to further our analysis and empirical understanding of what is happening in a particular “land grab” context, or to find effective ways to address the phenomenon? To highlight this problem, take, for example, the Oakland Institute’s definition of “land grabbing” as “a neo-colonialism concept that has arisen in the midst of a severe food and economic crisis in the world in 2008.” Accordingly, it describes the “purchase of vast tracts of land by wealthier food-insecure nations and private investors from mostly poor, developing countries in order to produce crop for export.”

An article in the Somaliland Press rightly notes that such a “description is based on the assumption that the term of neo-colonialism is defined as a system that has been invented in place of colonialism, as a main instrument of oppression.” Accordingly, “the essence of neo-colonialism is that the state which is subjected to it, at least in theory, is an independent and has all outward features of international sovereignty (...). However, in

475 See, for instance, Lavers (2011).
476 Somaliland Press (19 May 2013).
478 Somaliland Press (19 May 2013).
reality both its economic system and political policy are directed from outside.” Such references to (neo)colonialist traits of Chinese and British land-consuming OFDI have been popular in the media. The National Post, for instance, writes the following about recent Chinese investment negotiations in the Ukraine:

Ukraine has agreed a deal with a Chinese company to lease 5% of its land to feed China’s burgeoning population, it was reported on Tuesday.

It would be the biggest so called “land grab” agreement, where one country leases or sells land to another, in a trend that has been compared with the 19th century “scramble for Africa”, but which is now spreading to eastern Europe.

Under the 50-year plan, China would eventually control 7.5 million acres, an area equivalent to the size of Belgium or Massachusetts, which represents 9% of Ukraine’s arable land.

Initially 250,000 acres would be leased. The farmland in the eastern Dnipropetrovsk region would be cultivated principally for growing crops and raising pigs. The produce would be sold at preferential prices to Chinese state-owned conglomerates, said the Xinjiang Production and Construction Corp (XPCC), a quasi-military organisation also known as Bingtuan.

But KSG Agro denied reports that it had sold land to the Chinese, saying it had reached agreement for the Chinese only to modernize 7,500 acres and “may in the future gradually expand to cover more areas”.

Any sort of “land-grab” deal can be sensitive politically. Madagascar was forced to scrap a plan to lease 2.5 million acres to South Korea in 2009 after protests against “neo-colonialism”. The Philippines has also blocked a China deal.

“This reminds us of a colonial process even when there is no colonial link between the two countries involved,” said Christina Plank, the co-author of a report by the Transnational Institute on “land-grabbing”.

However, this news article highlights two problems that apply to most descriptions of “land grabbing” as (neo)colonial. First, it seems that the concept of (neo)colonialism is used to weave a seemingly clear and coherent “land grab” story, rather than contribute to better data and an actual understanding of what is going on – in Ukraine, in China, or elsewhere. Second, as highlighted in Chapter 2, it remains unclear under what conditions

479 Somaliland Press (19 May 2013).
480 Spillius (25 September 2013).
such an investment transaction between two unequal partners would not be considered “land grabbing,” nor qualify as a (neo)colonial relationship.

Concerning the subsequent assessment of Chinese and British land-consuming OFDI in SSA, all of the above stresses the need to generate rich empirical data and to account for the mix of structural and individual, strategic and contingent dynamics at work. At the same time, my case findings (see Chapters 4-7) suggest that contemporary references to imperialism and (neo)colonialism do not adequately capture the diversity of agency and political economies. In particular, these references seem to exaggerate the purposeful agency and strategic mastermind qualities of home countries, and to underestimate the agency of host countries regarding “land grabs.”
Chapter 4: CHINESE INVESTMENTS IN AFRICA – “CREATE INFINITY, BENEFIT MANKIND”

The Chinese government encourages and supports Chinese enterprises with strength and good reputation to expand their investment in Africa, and has adopted necessary measures to guide them in this respect. The result is satisfactory. 481

– State Council 2010

1. Introduction

The Yuan Long Ping High-Tech Agriculture Company, a seed company which is named after the “father of hybrid rice” and involved in investments in Africa, describes its managerial approach with the slogan “create infinity, benefit mankind.” 482 The company associates three aspects with this motto: to abide by the government strategy to upgrade and improve the sector’s industry operations; to push ecological limits through technological innovation; and to expand business operations to profit from economies of scale. With regard to Chinese overseas investments in Sub-Saharan Africa, the how and why of which are the focus of Chapters 4 and 5, the motto seems to stretch beyond this originally operational context to capture major findings about these investments.

I maintain that Chinese land-consuming OFDI in SSA occurs for multiple complex reasons. Specifically, four drivers stand out from the home country perspective. I argue that Chinese land-consuming OFDI projects are part of (1) a long-term strategy to diversify supply and access to resources (mineral products), even if these are not always exported

481 State Council (2010).
back home; (2) a diplomatic strategy to foster political alliances and expand the country’s soft power in international relations; (3) a strategy to develop and open new markets for Chinese products; and (4) a strategy to internationalize China’s industrial base to address the competitive pressures back home, as well as the ecological and social challenges of the country’s development trajectory.

Key evidence for this argument is found in official documentation which openly links overseas investments in general, as well as land-consuming OFDI in SSA in particular, to the country’s political economy, development trajectory and agenda. Moreover, at the international level, this rhetoric is matched by the increase in material, symbolic, and normative resources invested in China-Africa relations, as part of Chinese resource and commercial diplomacy. Most importantly, this argument is based on the assessment and analysis of the main empirical characteristics of Chinese land-consuming OFDI to SSA since 2000.

In the structure of this thesis, this chapter represents the first part of the two-part case study on China. It will present the core empirical characteristics of how (and partially why) Chinese land-consuming investments in Sub-Saharan Africa take place, in and over time. To collect the data, I systematically investigated 19 projects that have been listed in influential “land grab” databases until 2012 (see Appendix A for the final list of projects). In addition, I have continuously monitored Chinese investment activities and relevant home country developments that occurred thereafter. Importantly, this chapter and the rich empirical details of Chinese land-consuming OFDI it presents, provides the basis on which to explore alternative explanations about why Chinese land-consuming OFDI in SSA occurs from a home country perspective (Chapter 5). It also allows me – at a later stage –
to conduct cross-country comparisons, and deliberate more broadly about the role of OFDI in the home country context (Chapter 8).

After the above introduction (Section 1), Section 2 introduces the history of Chinese-African relations. These relations reach far back in time, but they have intensified since the 1990s. Section 3 then discusses the details of how these investments occur. In particular, it will focus on land-consuming FDI’s sectoral composition and timelines, the role of land, the recipient context, key actors and institutions. Section 4 briefly highlights the recipient context in which these investments occur, and Section 5 reviews the issue of Chinese labor exports that has attracted international attention. The chapter will conclude by summarizing the key empirical findings about Chinese land-consuming FDI in Sub-Saharan Africa (Section 6).

Core findings of this chapter underline that the empirical characteristics of Chinese land-consuming investments in Sub-Saharan Africa are more multifaceted than orthodox explanations acknowledge. Despite a strong focus on resources, and the predominance of public actors, they involve a diverse range agencies and interests from the private and public sectors, home and recipient countries, and multilateral agencies; and they comprise investments in multiple sectors, from construction and mining to farming. Many projects predate the 2007/2008 crises, and some build on a long history of China-Africa cooperation. Distinct from orthodox explanations, investments in food production only made up a minor share of Chinese land-consuming FDI in Sub-Saharan Africa, and largely produced for regional consumption. Most projects apply market principles and mainstream managerial economics in their operations. Regarding the role of land, it is used in these projects as resource as well as productive space.
2. Background on China in Africa

While China-Africa cooperation began attracting international attention relatively recently, modern Chinese relations with the African continent trace back to the 1950s. However, China’s engagement with African countries has only intensified dramatically in the last two decades. In 2010, China became the continent’s third largest trading partner. Additionally, Chinese OFDI activities in African countries rose from USD 317.43 million in 2004 to USD 2,111.99 million in 2010. Moreover, Africa was receiving 46.7% of all Chinese Official Development Aid (ODA) as of 2008, making the continent the primary focus of Chinese aid and economic cooperation.

The nature of the relations between China and Africa has also changed significantly: from the 1950s up to the 1970s they were characterized primarily by “unilateral economic assistance from China to Africa” to improve the “self-reliance” and “self-development abilities” of recipient countries, but these relations have grown more complex. In the 1980s, the focus shifted from unilateral economic assistance in the form of aid towards “carrying out mutually beneficial cooperation with Africa.” The latter was supposed to benefit China’s interests as much as Africa’s (see below).

Increasingly, aid came to resemble economic cooperation projects with the medium-term objective of profitability, whereas the focus on self-reliance and self-

483 State Council (2010).
484 Ministry of Commerce (MOFCOM) (2011a), 81-87. Note: Data for 2004-2006 includes only non-financial OFDI flows.
485 State Council (2011); and Li (2006).
486 See interview with Lu Shaye, Director-General of the Department of African Affairs, conducted by Gouraud (18 October 2011).
487 Gouraud (18 October 2011).
488 Gouraud (18 October 2011).
development was disbanded. While the eligibility to receive aid remained linked to the One China principle\(^{489}\) of the past, at the same time, aid and economic cooperation became part of China’s resource and, as this chapter argues, expansion diplomacy, – in the search for export markets, business opportunities, and allies in international politics. In an interview in 2011, Lu Shaye, Director-General of the Department of African Affairs in the Ministry of Foreign Affairs, describes the driver for, and nature of these changing relations as follows:

> With China’s rapid economic development, there is a growing demand from China for Africa’s market and resources. China’s investment in Africa also grew rapidly. While taking away resources from Africa, we also give back to African countries. We helped African countries put in place a large number of infrastructure projects according to their economic development needs. It's all about each taking what he needs.\(^{490}\)

Along these lines, the Ministry of Foreign Affairs states that the intensification of China-Africa relations has allowed China and African countries to satisfy their rising demand “for products and technologies from each other during the process of industrialization and urbanization.” Moreover, Zhong Manying, chief of the Department of Western Asian and African Affairs in the Ministry of Commerce, has been quoted as saying that “[t]here is [still] tremendous potential for economic cooperation.”\(^{491}\)

In practice, this mutual demand model has resulted in Chinese-African trade flows that largely follow the Western pattern. China imports primary commodities relevant for its economy, such as cotton, phosphates, energy, and mineral products, and exports value-added products, such as machinery, chemicals, food, and textiles (see Figure 4-1). To

\(^{489}\) The One China policy is about the rejection of Taiwan as a sovereign state and the acceptance of Beijing as the sole legitimate representative of China. It is a precondition for entering into diplomatic relations with China. See, for instance, Winkler (June 2012).

\(^{490}\) Gouraud (18 October 2011).

\(^{491}\) Ministry of Foreign Affairs (15 October 2010).
expand imports and moderate the negative trade balance of African countries, China has offered zero-tariff treatment to some countries. Moreover, freight charges were reduced or annulled, and Chinese trade missions were sent to African countries “to help increase the continent’s exports to China,” particularly regarding primary commodities. On the investment side, mining and manufacturing projects made up 51% of Chinese OFDI in Africa in 2010, reflecting the country’s industrial make-up and policy orientation while hinting at the importance of looking more closely at the potential pull and push factors for these investments.

Figure 4-1 – China-Africa Trade Flows, 2000-2009 (Romei and Jopson 2010)

At the same time, it is essential to consider that even though Africa seems to have gained importance in China’s development ambitions, by regional comparison, the continent still only ranks fifth as a destination of Chinese OFDI. It is preceded by Asia (Hong Kong in particular), Latin America, Europe, and North America. The same kind of asymmetric significance holds true for China’s top trading partners, the top five of

492 CAITEC (2010), 3.
493 The figures are from UNCTAD; they were compiled by Romei and Jopson (14 December 2010).
494 State Council (2010).
which are the US, Japan, Hong Kong, South Korea, and Taiwan. Yet, the details of these investments are much more complex than such a broad comparison suggests. On the bilateral level, for instance, Angola has become the second-largest oil supplier to China after Saudi Arabia, and China has become the primary export destination for Angola, followed by the US, with the greatest share of exports being crude oil.

3. Key Characteristics of Chinese Land-Consuming OFDI in Sub-Saharan Africa

Clearly, the empirical evidence on China-Africa relations suggests that the common narrative, according to which Chinese land-consuming investments are relatively new and meant to address energy and/or food security concerns back home following the 2007/2008 crises, might fall short of apprehending the diversity of factors and events at play. To facilitate a meaningful understanding of how Chinese investments in Sub-Saharan Africa (SSA) actually happen, this section will highlight their primary empirical characteristics, accounting for sector distribution and project timelines, and the role of land, stated goals, the issue of labor migration, and key actors and institutions. The assessment presents rich empirical details that are necessary to explore alternative explanations and to meaningfully compare Chinese and British investment activities.

The major findings of this section are as follows: (1) The investments include different sectors, and the agricultural sector makes up the smallest percentage of land-consuming investment projects in SSA. (2) Most investment projects predate the 2008 crises.

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495 Dutta (2005), 222. Data from 2003.  
496 Salvaterra (13 May 2013).  
497 Sandrey (2009), 15, 17; Chinafrica.asia (2009).
crisis, and they have taken an economic turn over time. (3) The role of land in these projects is often secondary, as these investments are mostly about expanding business operations overseas rather than acquiring land. Still, what characterizes these investment projects is that they consume land in their operations. (4) Only a few incidents in which the Chinese government proactively tried to acquire land for agricultural or resettlement purposes have been reported. (5) Most investments are embedded in the respective recipient countries’ national development plans.

Sectors

The investigated investment activities comprise multiple sectors, such as farming, attempted resettlement projects, mining, manufacturing, and construction. Some of these projects have failed while others have already been implemented. In more detail, these investment projects aim to grow and process food, biofuels, cotton, or sugar; restore so-called farm wasteland; resettle Chinese farmers; produce cement; construct public infrastructure and irrigation systems; train farmers in particular agricultural technologies; or construct Special Economic Zones that serve as manufacturing, agribusiness, or IT hubs for Chinese and/or other foreign companies.498

While the international debate on Chinese investments in Africa focuses largely on investments in agriculture in the context of food security, a report by the State Council

498 It is important to note that agricultural projects prevail in my list of investigated projects (see Appendix A). However, compared to other assessments and official data by the Chinese government, this does not seem to be representative of the actual sectoral composition. Instead, it appears to be the result of biased reporting, and I have relied on related “land grab” reports to start investigating Chinese projects. In fact, the discussion about Chinese land-consuming FDI in the “land grab” literature has largely focused on food production and farming.
suggests that this sector only accounted for 3.1% of total Chinese direct investments in Africa in 2009 (measured by value). The predominant investment sectors were the mining industry (29.2%) and the manufacturing sector (22.0%), followed by construction (15.8%) and finance (13.9%) (see Figure 4-2).

It has been noted by Brautigam that the small percentage of OFDI going into agricultural projects is not the outcome of a lack of opportunities. In fact, Chinese actors have continuously been offered land to invest in by African governments:

If Chinese investors wanted large land leases, they clearly could have signed some. After all, as a 2012 Oakland Institute study showed, "Mozambique granted concessions to investors for more than 2.5 million hectares (ha) of land between 2004 and the end of 2009" almost entirely to European and South African investors – there were no Chinese investors in their list.

Rather, the small percentage of agricultural projects reflects the low priority assigned to them by the Chinese government, as well as investors, in the past. In fact, agricultural investments since the 1990s have largely been undertaken as part of Chinese resource diplomacy, and upon the request of African governments.

However, in the medium-term, it seems that the sectoral composition of Chinese land-consuming investments is likely to change. On the one hand, a declaration of the China-Africa Cooperation Forum in 2009, a political platform that facilitates dialogue between China and African countries on matters of trade, aid, and investment, announced that the countries would explore new areas of investment, such as tourism, which might

499 State Council (2010). Also see remark in previous footnote 498.
500 State Council (2010).
502 Brautigam (12 January 2012).
503 Alden (2007); Brautigam (2009).
504 Shelton (22 December 2009).
involve different kinds of land development.\(^{505}\) On the other hand, the previous marginalization of the commercial agricultural sector might be ending. In 2011, China’s Ministry of Finance and Ministry of Commerce issued a joint Notice\(^{506}\) outlining their financial support for the overseas expansion of Chinese agribusiness.\(^{507}\) Accordingly, special funds of a maximum of RMB 30 million (per annum and enterprise) were made available for investment projects in mining, agriculture, forestry, or fisheries.\(^{508}\) However, this general financial support for overseas farming is not necessarily intended for investments in Africa. Therefore, it is difficult to assess what impact it might have for African countries and farmers.\(^{509}\)

Figure 4-2 – Distribution of China’s Direct Investment in African Industries (end of 2009, State Council 2010, measured by value)\(^{510}\)

\(^{505}\) State Council (2010).
\(^{506}\) MOFCOM (2011c).
\(^{507}\) MOFCOM (2011c). Also see English.news.cn (18 August 2010).
\(^{508}\) MOFCOM (2011c).
\(^{509}\) For a list of MOFCOM-approved Chinese agricultural projects in African countries until 2013, see Brautigam and Zhang (2013), 1680.
\(^{510}\) State Council (2010).
Timelines

The Chinese land-consuming investments that I investigated (see Appendix A) often go far back in time, thereby questioning the widespread narrative of a “land rush” that began as a result of the ‘international financial, food, and energy crises in 2007/2008 (see Chapter 2). Interestingly, this holds true especially for investments in agriculture, many of which are either a continuation of Chinese agricultural aid programs in Africa, the rehabilitation of former Chinese agricultural friendship farms, or related to other events predating the 2007/2008 crises.\footnote{See, for instance, Li (2006).} For instance, the project by SINO CAM IKO in Cameroon builds on the remnants of a formerly Taiwanese Cooperation Farm that was set up in 1972. After bilateral negotiations in 2005, the project officially began in 2006.\footnote{Brautigam and Zhang (2013), 1684-1685.} Also, the ZTE energy project in the Democratic Republic of the Congo (DRC) would have been part of an attempt to rehabilitate a plantation-based Sino-Congolese cooperation project from 1972.\footnote{See Putzel and Kabuyaya (2011), 34; and Brautigam and Zhang (2013), 1686.} However, as of 2013, this palm oil project, which would have consumed up to 100,000ha, and intended to convert palm oil into biofuels, has not materialized. Instead, the company operates a farm on 256ha that produces maize, soy, meat, chicken, and eggs.\footnote{Officially, the company has said that high transport costs made the palm oil project unprofitable. See Brautigam and Zhang (2013), 1686.} Meanwhile, the failed resettlement project in Mozambique, which is one of most frequently cited projects in the “land grab” literature, dates back to 1997 and the time of the Asian financial crisis.\footnote{Brautigam and Ekman (2012), 5; and Ekman (2010), 30-31.}
Similar to these agricultural investments, land-consuming projects in the manufacturing, construction, energy, and/or mining sectors also have histories that predate the crises in 2007/2008. For example, investments in the construction and mining sectors started to pick up speed in the 1950s and 1990s, respectively. While the rise in construction projects was associated with Chinese aid projects, the mining projects reflect China’s rising external resource dependency. Even in the manufacturing sector overseas investments date back to the 1980s, with approximately 200 investments taking place between 1979 and 2001.516 However, investments in most sectors have only increased significantly in number and size since China’s opening in the 1990s, and particularly with the adoption of the “Go Abroad” (zou chuqu) policies in 2000 (also see Chapter 5 on home country measures).

Even though many projects have long histories, their conduct and purposes have changed with time in ways that are key to understanding the core features of contemporary Chinese land-consuming OFDI. Projects with a long history bear especially strong witness to the altered nature of the Chinese presence in African countries. Take, for example, the SUKALA S.A. project, a joint venture between the Chinese state-owned company CLET and the Malian government.517 In its current form, the project began in 1996, when the Chinese company – following a request made by the Malian government – bought a majority share in the Mali state company SUKALA S.A. through a debt-for-equity-swap. Tracing the project back to its beginnings in the 1960s reveals that it had started out as an

516 Rosen and Hanemann (2009).
517 Diaz-Chavez et al. (2010), 50; Aiddata.org (n.d.c); Feng (2010); and Baxter and Mousseau (2011), 19, 22.
aid and technical cooperation project under cooperative management. It then went through a phase of transitional management before becoming a joint venture.\textsuperscript{518} This project’s shifting character is in fact representative of the overarching trend in Chinese investments: most have changed from an aid basis to an economic (for-profit) rationale.

This change in the rationale of long-term projects in the context of home country reform is also characteristic of the construction sector. Until 1978, Chinese construction companies were part of unilateral technical aid programs, along with agricultural projects. Thereafter, following domestic governance reforms in China, construction companies were turned into sub-contractors and began bidding for contracts and financing from multilateral development programs, domestic development budgets, and bilateral “barter exchange deals” through which construction was undertaken in exchange for resources (to be exploited in the future).\textsuperscript{519} These “barter exchange deals” were pre-financed by the China EXIM Bank following approval by China’s Ministry of Commerce.\textsuperscript{520} Today, Africa is the second largest market after Asia for Chinese construction companies, while the percentage of turnover in Africa has more than doubled since 2001, rising from 14.1\% to 30.9\%.\textsuperscript{521} This story is again linked with, but not exclusive to, home country support, reforms, and resource diplomacy. According to a WB study, China has become a major financier of African infrastructure construction, covering a wide range of projects from dams, irrigation, and roads to schools, hospitals, and power stations.\textsuperscript{522} Aside from their predominance in

\textsuperscript{518} Moreover, the precursor factories date back even farther, having been built in the 1960s and renovated in the 1980s with Chinese government involvement.
\textsuperscript{519} Asche and Schueller (2008); Yi and Yong 2011, 7-8.
\textsuperscript{520} Asche and Schueller (2008).
\textsuperscript{521} Yi and Yong (2011), 7-8.
\textsuperscript{522} Foster et al. (2008).
the construction sector across Africa, these companies fulfill multiple other functions of significance for China-Africa cooperation. For instance, they are important agents in the export promotion of Chinese manufactured products and Chinese labor services.\footnote{Shengjin (1995).}

While this trend towards a market rationale seems to apply to land-consuming OFDI activities across sectors, the focus on timelines highlights that there are also peculiarities observable in each of the sectors over time. The recent renewal of agricultural (aid) projects, for instance, is often seen as an outcome of bilateral resource diplomacy and the proactive lobbying of African governments.\footnote{Brautigam (2009); Alden (2007).} As a result, there are 20 so-called agricultural demonstration centers being established across Africa, as announced at the 2009 high-level summit of the Forum of China Africa Cooperation (FOCAC) in Sharm-El-Sheik.\footnote{See Li (2010).} In 2012, at the fifth FOCAC meeting, it was agreed that China would build more agricultural demonstration centers in the future.\footnote{FOCAC (2012).} These demonstration centers were initiated “all at the request of local governments (...) for their own agricultural purposes,” with the aim of rehabilitating former aid projects. The estimated investment value is RMB 40-55 million per center.\footnote{Brautigam (12 January 2012). Also see Ekman (2010), 33-35; and Li (2010), who support this assessment.} Some of these centers have been listed in “land grab” databases.\footnote{Projects that appear in „land grab“ listings have entered the database via crowdsourcing. This means they have been reported by NGOs or media. This fact explains the relatively random (incomplete) listing of projects such as the agricultural demonstration centers; and it warns to automatically equate a listed project with „land grabbing.” Instead, it is necessary to review the individual cases and evaluate what is happening.} The other category of agricultural investment projects, so-called “commercial agricultural enterprises investing in land and agriculture in Africa,” is a rather recent one.
The precursors, however, were again former agricultural aid projects that had been strategically re-orientated in the 1990s to run profitably and sustainably under market-oriented management.

Given the growing intensity and changing quality of China-Africa exchanges, how successful they will be remains to be seen. Looking at the time that passes from a company’s first relevant statement until project completion, particularly in the agricultural sector, there often seems to be a great difference between announced project deadlines and what has actually been implemented by the time that deadline arrives.\textsuperscript{529} This observation, which also holds true for many British land-consuming FDI projects,\textsuperscript{530} is usually related to difficulties with administrative processes, funding problems, or other unexpected events. At the same time, it is hard to evaluate such projects given the lack of data on investment deadlines and the absence of follow-up reports on project outcomes. On a general note, statements made by representatives from various sectors suggest that it is possible to work profitably, but that it would be unrealistic to expect extremely high returns on investment. This is a feature to keep in mind when researching the projects of investment funds that promise above-average returns on their land-consuming investments in Sub-Saharan Africa.\textsuperscript{531}

More broadly, the findings support this thesis’ argument that a meaningful explanation has to account for country- and project-specific timelines to capture what is happening with regards to “land grabbing.” What can be said about the roles of the

\textsuperscript{529} See Brautigam and Zhang (2013) for a review of major Chinese agricultural projects, their timelines, and actual implementation status.
\textsuperscript{530} See Chapter 6.
\textsuperscript{531} See example in Table 4-1.
2007/2008 food, energy, and finance crises that the orthodox explanations rely on? Regarding the financial crisis, it has so far had an ambiguous impact on Chinese overseas investments. On the one hand, it allowed some companies to ‘go out’ and get ‘cheap bargains,’ profiting from price sensitivity and declining asset prices. At the same time, the global economic crisis presented a challenge for potential Chinese investors.\(^5\) In 2009, the total value of approved non-financial OFDI projects declined by nearly two thirds (USD 3.7 billion) from the value of the previous year (USD 10 billion); however, it has since been recovering.\(^5\) Regarding the food crisis, China was largely food self-sufficient as of 2007,\(^6\) when the crisis hit. Finally, external energy dependency has been a government concern since the mid-1990s. It is not a recent phenomenon (see Chapter 5).

**Land: Its Role and Use in the Investments**

The multiplicity of investment sectors and their changing character over time raises questions with regard to the role played by land in these investments. The following section will therefore briefly outline the extent and use of land in these investments. It will also highlight the major strategies of access and aspects of land governance observed in the projects under study.

**Extent**

In a 2011 interview, Lu Shaye, who is Director-General of the Department of African Affairs within the Chinese Ministry of Foreign Affairs, stated that Chinese

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\(^5\) Rosen and Hanemann (2009), 1.
\(^6\) Rosen and Hanemann (2009), 1.
\(^8\) FAO (2009), 33-35.
investments in agriculture are small in scale and do not enclose land, contrary to “western countries [which] have enclosed a total of 30 million hectares of land, equivalent to the half of France.”

My assessment of projects (see Appendix A for the list of projects), as well as reports on more recent projects mentioned in the “land grab” literature, indicates that the Chinese land-consuming projects in Sub-Saharan Africa seem to range from 100ha to 100,000ha, with the majority using less than 10,000ha. This means that compared to Chinese land-consuming FDI in other regions (e.g., Latin America and Eastern Europe), but also in comparison with British land-consuming OFDI in Sub-Saharan Africa, the average size of Chinese land-consuming OFDI projects in Sub-Saharan Africa seems to be smaller. Then again, it is all a matter of perspective: when, for instance, the 100ha project size is compared to the average farm size in major investor countries, such as China, where the average amount of land available to farmers is 0.47ha (in 2005), or seen against the background of the land crisis and small-scale farming in the recipient countries, the amount of land claimed by some investments seems enormous.

Overall, it is impossible to assess the total extent of land used by Chinese overseas investments, partially due to the lack of comprehensive data, and partially due to the great discrepancy between the announced or envisioned size of a project and the actual land under operation. The discrepancy seems to be particularly characteristic of land-consuming

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535 Gouraud (18 October 2011).
536 E.g., Brautigam and Zhang (2013); ILC (2012); Smaller et al. (2012).
537 Kahrl et al. (2005), 11.
538 The land crisis in Sub-Saharan Africa is characterized by the highly unequal distribution of land, insecure tenure relationships, and rising land use competition (amongst other problems) that the respective host governments have not been able to resolve since independence in spite of the fact that land reforms have been a core component of political programs.
539 See, for instance, Eastwood et al. (2004); or Agriculture Council of America. (2014).
projects in agriculture. To provide several examples: even though negotiations had been completed in 2006, and a Memorandum of Understanding (MoU) had been signed between the Chinese SOE Shaanxi Agricultural Group and the Ministry of Agriculture (Cameroon), the Chinese subsidiary in Cameroon, SINO CAM IKO, was operating only 100-150ha of the announced 10,000ha five years later (in 2011).\textsuperscript{540} In fact, the company was only able to build a rice demonstration center on the land of a formerly Taiwanese-aided farm that had been closed when Cameroon decided to engage in diplomatic relations with China instead.\textsuperscript{541} As of 2010, operations were still being held back by the Cameroonian government, which had not approved the further expansion of this and other projects, contrary to the original investment agreement in the form of the MoU.\textsuperscript{542} Also, the Chipata Cotton Company (now the China Africa Cotton Company),\textsuperscript{543} which is a subsidiary of Qingdao New Textiles Ltd., operating in Zambia since 2004, originally only had 2,500 contract farmers out of the envisioned 20,000.\textsuperscript{544} And the Hebei Hanhe Investment Company, a state-owned provincial company that has started in Uganda in 2009, and is targeting the development of around 17,000ha in 10 years, had a total of 173ha under operation as of 2011, growing maize, vegetables, and trees.\textsuperscript{545}

\textsuperscript{540} Li 2010; and Brautigam and Zhang (2013), 1684-1685.
\textsuperscript{541} Putzel et al. (2011), 31.
\textsuperscript{542} Brautigam and Zhang (2013), 1685; and Putzel and Kabuyaya (2011), 31.
\textsuperscript{543} It seems that Chipata Cotton Company experienced profitability problems, leading to its temporary closure in 2007. It changed its name and re-opened in 2008 with the financial support of the China-Africa Development Fund of the China Development Bank, which invests in African companies. See Schoneveld et al. (2014), 25-27; and China Development Bank (31 May 2012).
\textsuperscript{544} Tschirley and Kabwe (2009); Times of Zambia (14 June 2004); Chinese Embassy in the Republic of Zambia (10 September 2013); Phiri (11 September 2013); Wang (30 June 2014); and China Development Bank (31 May 2012).
\textsuperscript{545} Wang (10 October 2011); and Aiddata.org (n.d.b).
These discrepancies point to the difficult and time-consuming nature of large-scale investment projects, particularly in the agricultural sector, where investors can run into political, ecological, social, and operative problems. At the same time, the discrepancy between the announced investment scales and the actual amount of land under operation underlines that in the near future an expansion of Chinese land-consuming investments in Sub-Saharan Africa is to be expected. This seems even more likely given the above-mentioned recent (2011) policy turn and the new funds that were made available to Chinese agribusiness by the Ministries of Agriculture and Finance.546

Use and Purpose

There exist two main types of land use in these investments: its use as resource with particular qualities such as limestone or arable land, and its use as productive space for industrial or modernization projects. One observation is that the purpose differs across regions, at least with regard to investments in agriculture. In the case of Latin America and Eastern Europe, reports indicate that Chinese land-consuming OFDI projects might be producing for export to China in order to “circumvent the Chicago commodities exchange and secure direct grain and oil supply.”547 However, this does not seem applicable to most agricultural investment projects in African countries.548 Instead, most of the investment projects in SSA that this thesis looked at seem to produce products that are intended for local and/or regional consumption. In the area of food production in particular, there is no

546 Macquarie University and Free University Amsterdam Project (15 May 2011).
547 See Rasmussen et al. (2011). Also see Finance.jrj.com.cn (May 2011).
evidence that these projects are intended to meet Chinese food demands.\textsuperscript{549} However, the outputs of farming projects that produce biofuels or industrial crops such as cotton seem to be intended for export to international markets or China.\textsuperscript{550} Moreover, some projects might affect food security not because they export food crops, but as a result of land-use competition, \textit{(de facto)} ownership changes, and/or the diversion of food resources such as cassava to the production of biofuels. The latter case has been reported from Benin.\textsuperscript{551}

At the same time, other factors that relate to the use of land have to be accounted for when assessing the utility derived from these investments. This clearly extends beyond the question of production for local or international consumption. In the case of the agricultural demonstration centers, for instance, these projects support the internationalization of Chinese agribusinesses, allow for economies of scale, and create new markets for their services in the form of proprietary seeds and machinery. In the case of infrastructure or mining projects, these projects often support Chinese efforts to access resources and/or promote exports. This means that in many cases, the additional utility derived from the use of land overseas perfectly matches China’s official development objectives, as outlined in its OFDI policy, the country’s 11\textsuperscript{th} and 12\textsuperscript{th} Five Year Plans,\textsuperscript{552} and/or Africa-relevant policies. A closer assessment of the question of how these investments relate to the interests of influential Chinese actors and broader development

\textsuperscript{549} Brautigam (2009); Ekman (2010).
\textsuperscript{550} One example is the Chipata Cotton Company. It exports the surplus cotton that exceeds the capacity of its ginning factory to international markets and China. See Schoneveld et al. (2014), 25-27; and China Development Bank (31 May 2012).
\textsuperscript{551} See details and organogram in Nonfodji (2011).
\textsuperscript{552} Chinese Government (2006); Chinese Government (2011).
agenda will be provided in Chapter 5, where the country’s political economy, ideology, policy, and development trajectory are considered.

Strategies of Access

Land for agricultural investments is usually acquired through leasing contracts, contract farming schemes, or through joint ventures with domestic companies that have direct or indirect access to land. The method used depends on domestic legislation and context. Ordinarily, the suitability of the land area has been identified through exploratory visits. Interestingly, there are hardly any known cases in which Chinese investors or officials explicitly tried to request large-scale land leases.\(^{553}\) One such case has been reported from Mozambique, where the Chinese government negotiated a resettlement project of Chinese farmers that was first proposed in 1997. However, the project negotiations never left parliament and were discontinued due to political sensitivities.\(^{554}\) Another case is the ZTE biofuel project in the DRC, where the company negotiated at least 100,000ha for palm oil plantations with the DRC Ministry of Agriculture in 2007.\(^{555}\) As of 2013, the palm oil project had not been implemented. Instead, the company was farming 256ha as previously mentioned. The fact that a case which has been widely reported as the “land grabbing” case – a Chinese company’s acquisition of

\(^{553}\) Brautigam and Zhang (2013).
\(^{554}\) Ekman (2010), 30-31.
\(^{555}\) Brautigam and Zhang (2013), 1686.
2,800,000ha of land for the production of biofuels—does not exist highlights the unsound quality of many “land grab” reports.

In many cases, the recipient governments’ agencies have offered land for agriculture to Chinese investors. In Cameroon, for instance, the government presented the Chinese businessman Wang Jianjun (who manages the SINO IKO CAM company) with a long-term land lease option for 10,000ha for the production of hybrid rice. In Mozambique, several agricultural projects in the Zambezi valley, mostly in processing, were chosen and lobbied for by the Mozambique government. In Mali, the SUKALA S.A. project, which owns an approximately 5,000ha sugarcane plantation, was requested by the Mali government. This last investment took the form of a debt-equity swap that led to a joint venture between the Chinese SOE CLETG and the Malian government. The arrangement gave the Chinese side indirect control due to its majority stake (70%) in the project. The pro-active attraction of Chinese investors also seems to be the case with regard to the agricultural demonstration centers mentioned earlier. To obtain this type of cooperation project the recipient country has to submit an application. The agricultural demonstration center in Tanzania, for instance, comprises between 62 and 300ha (depending on the estimate), and is run by the Chongqing Seed Corporation, a Chinese municipal state-owned enterprise. The land is used both to produce a hybrid rice variant that has the Chinese company’s identifiable intellectual property and to train others in its use.

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556 E.g., GTZ (2009), 66; GLP (2010), 24.
557 For comparison of different reports and their use of data, also see Giovanetti and Ticci (2011), 44 (Table A 1).
561 Li (2010).
cultivation. Apart from the demonstration site, the center grows rice through centralized outgrower schemes with local farmers, and expects to modernize Tanzanian agricultural production.562

The phenomenon of African governments offering land to investors for lease is far from unique to the Chinese case. An informal interview with two representatives of Saudi Arabia’s Ministry of Agriculture in 2011,563 as well as the very straightforward website announcements and, in some cases, overseas presence of Investment Promotion Agencies from host countries (e.g., Zambia), all reveal that this phenomenon seems to be common practice. At the same time, land lease processes remain tricky: the SINO CAM IKO project in Cameroon, for instance, was still awaiting approval of the land contract from the recipient government’s presidential office, even though the China EXIM Bank had already transferred two thirds of the total (USD 62 million) announced in the signed investment agreement.564 In another case, reported by the China State Farm and Agribusiness Corporation, the Mauritanian government suddenly decided to raise the annual land rent by 20%, which, together with other events, namely the fuel price rise and a host government-induced price ceiling on agricultural products, led to a failure of the investment project (see Table 4-1).565

564 See Khan and Baye 2008; Jansson (2009), 10; Brautigam and Zhang (2013), 1685; and Li (2010).
The China State Farm and Agribusiness Corporation (CSFAC)

“Decades ago we were at the forefront of China’s campaign to reclaim wasteland. Now we apply our skills in African countries.” – Han Xiangshan, Vice President of the China State Farm and Agribusiness Corporation, and leader of its agricultural projects in Africa.

Currently, CSFAC operates on a total of 16,000 hectares in different countries in SSA, growing cash and food crops, and engaging in the whole range of agricultural production, processing and sales.

Success factors mentioned are (1) the political and policy support by African governments (e.g., preferential policies for expansion of the agricultural sector; tax exemptions on agricultural machinery and production material imports; tax rebates on fuel for agricultural use; reduction of annual land rent); (2) natural conditions such as the availability of fertile soil, favourable climate; (3) China’s capability to provide adequate agricultural technology, management, machinery and other inputs.

Yet, political and natural risks remain, together with varying market potential, ideology gaps and differences in work efficiency. Han Xianshan refers to a former CSFAC project in Mauretania [sic], which had to close after three years despite a successful process of reclamation, experimentation and cultivation on the rented farm. However, the government raised the annual land rent by 20%, and together with the domestic fuel price inflation, the annual expenditure rose by USD 100,000. When the local government then put a price ceiling on agricultural products, the state farm project ran high losses, and had to close.”

For reasons of risk minimization and/or domestic legislation, most investment projects rely on indirect forms of access to farmland, including joint ventures, contract farming, and/or purchase agreements. If the data on the number of farmers under contract is correct, contract farming as a form of land access seems to be very common and must be affecting many rural households. Take, for example, the Malawi Cotton Company, a joint venture of the China-Africa Development Fund567 and the Qingdao Ruichang Cotton Cooperation. It

567 See Chapter 5 for a more detailed description of this fund in the home country context.
is active in cotton production from farming to processing, and reportedly involves 110,000 rural households under a central farming contract scheme (“company + rural household”). In practice, this means that the farmers grow the cotton, whereas the company controls and provides inputs and reaps value-added margins by processing the harvest at the new spinning and ginning plant in Balaka for export to China.\footnote{CDB (31 May 2012); and Chirombo (29 December 2009).} Through the scheme, the company was harvesting close to 40,000 tons of cotton as of 2011.\footnote{See CDB (31 May 2012); and Chirombo (29 December 2009).} In another project, a Chinese company appears to deliver fertilizer and other assistance to a peanut growing project in Senegal. There, the recipient country’s farmer association organizes the production of the peanuts on 100,000ha. It is envisioned that 30\% of the yield will be shipped to China, while the rest will be processed at local factories.\footnote{Smaller et al. (2012), 16 (Note: While China imports significant amounts of peanuts from Senegal (e.g., China DSIC International Trade Co. Ltd 2014), this particular case has so far remained unconfirmed.)} Finally, there are projects which mix direct and indirect forms of access as a strategy to ensure sufficient supplies for plant operation in the context of supply scarcities. For instance, the SUCOBE Company in Benin, which is an affiliate of the Chinese SOE COMPLANT, relies on external harvests to complement its own agricultural output. In addition to sugar cane production on 4,800ha of land, which the company is leasing for 99 years (renewable), it buys cassava from local farmers for its plant operation.\footnote{See Nonfodji (2011).} As a result, there has been a cassava price hike in Benin.\footnote{Nonfodji (2011), 12.}

Aside from investments by agribusiness or mining corporations, the use of land usually plays out more indirectly in its function as a space where productive activities can
take place. In the case of construction and infrastructure projects, for instance, the land is appropriated by the respective government and only of profit for Chinese companies in its use as a construction or rehabilitation site. And with regard to Chinese Special Economic Zones (SEZs), seven of which are currently operating across Africa, the land is leased and becomes the basis of a quasi-extraterritorial zone. Though special regulations apply within the zone, it remains under the control of the respective recipient government (see Table 4-2). China itself has used SEZs to serve as controlled areas of economic reform while retaining the old political system and it now seems to export its development experiences to countries that are officially striving to become emerging economies.\(^{573}\) In Mauritius, for instance, Chinese companies are establishing an SEZ which is intended to become a major manufacturing hub for Chinese light industrial products, medicines, textiles, and electronics. Built on an area of 200-500ha, this SEZ is headed by Chinese companies, and it is expected to accommodate 40 Chinese companies and create 34,000 jobs, of which 8,000 shall go to Chinese contractors. It is claimed to generate USD 220 million through exports and attract an inflow of USD 750 million worth of investments.\(^{574}\)

\(^{573}\) See, for instance, Konijin (2013), 3 (Box 3).
<table>
<thead>
<tr>
<th>Nr.</th>
<th>Special Economic Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chambishi, Zambia: copper and copper related industries.</td>
</tr>
<tr>
<td>2</td>
<td>Lusaka, Zambia: garments, food, appliances, tobacco and electronics. This zone is classified as a subzone of the Chambishi zone.</td>
</tr>
<tr>
<td>3</td>
<td>Jinfei, Mauritius: manufacturing (textiles, garments, machinery, high-tech), trade, tourism, and finance.</td>
</tr>
<tr>
<td>4</td>
<td>Ethiopia: electrical machinery, construction materials, steel, and metallurgy.</td>
</tr>
<tr>
<td>5</td>
<td>Ogun, Nigeria: construction materials, ceramics, ironware, furniture, wood processing, medicine, and computers.</td>
</tr>
<tr>
<td>6</td>
<td>Lekki, Nigeria: transportation equipment, textiles, home appliances, telecommunications, and light industry.</td>
</tr>
<tr>
<td>7</td>
<td>Suez, Egypt: petroleum equipment, electrical appliance, textile, and automobile manufacturers. (completed in October 2010)</td>
</tr>
</tbody>
</table>

**Aspects of Governance**

A closer look at issues of land governance also highlights the importance to take note of the agency in the host countries. In most recipient countries, land is owned by the state. Key ministries or government agencies are involved in these investments, often depending on the land’s function. Arable land, for instance, frequently falls within the competency of the respective Ministry of Agriculture, whereas land suitable for mining is overseen by the respective Ministry of Land and Resources. At the same time, investments often take place under the guidance of Investment Promotion Agencies. The negotiation and approval process has sometimes included parliamentary consultations, while in other cases the investment has been approved by a single office within a Ministry vested with
extensive powers to decide over land leases, as, for instance, a report about the Office du Niger in Mali underlines.\(^{575}\)

Many cases show an overlap of competencies, as well as an absence of effective governance structures, clear objectives, or a country-wide land-use or development plan. Often, the respective agencies do not know how much arable land is available in total and earmark territory for foreign investments based on assumptions which differ across agencies.\(^{576}\) In some cases, the political elite seem divided on matters of land-consuming FDI.\(^{577}\) From a more historical perspective that accounts for the context of the SSA land crisis in which these investments take place, these failures to effectively govern the land used by the investments are not surprising. Rather, they are closely related to the political economy of land in the respective host countries.\(^{578}\) In this regard, a reporter commenting on the weak governance structures in Angola concluded that the foreign investments were the outcome of “a global alliance between well-connected in Angola and get-rich forces in China, Brazil and Portugal,” which in the case of Angola have come to form an alliance that is even “a threat to the former colonial forces in Europe and the speculators in Wall Street.”\(^{579}\)

\(^{576}\) See, for instance, Baxter and Mousseau (2011), 1-3.  
\(^{577}\) The latter became obvious in the case of Ethiopia where the Prime Minister, Girma Woldegiorgis, wrote a public letter to the Minister of Agriculture, Mr. Tafera Derbew, to stop a USD 4.4 billion investment deal in the Western Region by an Indian company intending to grow pulses and edible oil crops for export to India. The deal was likely to negatively impact the region’s fragile micro-climate, yet the Minister of Agriculture refused to react to the Prime Minister’s request. See, for instance, Ethiopian Review.com (2 February 2011).  
\(^{578}\) See Mosley (2012); and Besada and Goetz (2012).  
\(^{579}\) Campbell (1 December 2011).
Actors and Institutions

From the previous assessment it has become clear that on the recipient side these investments involve various ministries and agencies from different levels of government, and that host country agency matters. Civil society groups and local community members remain largely on the sidelines in the ongoing negotiations. Being embedded in national development plans, some projects gain access to funding from national banks or multilateral programs or are part of inter-governmental credit agreements or cooperation programs.

From the Chinese side, representatives of different levels of government and embassy personnel, as well as private or state-owned entrepreneurs (central, provincial, municipal), are involved in these investment projects, (see Table 4-4). Among the more unique public actors are the SOEs that belong to the so-called state farm system and are subordinate to the Ministry of Agriculture’s State Farm Bureaus at the central or provincial level. In the past, these SOEs have been used as “a mechanism for leading the way and for gauging the effect of national agricultural/rural policies.” At the same time, they represented the ‘first wave’ of Chinese agribusiness going global. As of 2014, these companies run the agricultural technology demonstration centers on a for-profit basis. I previously mentioned the example of SINO CAM IKO in Cameroon. The company is a subsidiary of a provincially-managed Chinese state farm (Shaanxi Land Reclamation) that is currently engaged in the rehabilitation and operation of such a center in Cameroon, in

582 Brautigam (2009), 255-257.
collaboration with IRAD, a national agricultural research center. These kinds of state farms highlight the important linkages between processes of home country development ambitions, the international context, and “land deals,” that will be assessed in greater detail in Chapter 5.

Unfortunately, there is hardly any information about the wide range of Chinese private actors and their projects in Africa. Among the few that have been assessed in great detail is the China International Fund Limited (CIF), which was established in Hong Kong in 2003 and has since begun investing in various construction projects in Angola. The fund, which has a bad reputation as a “murky Hong Kong real estate, construction and investment company,” has no reported connection to the Chinese government. However, it has pretended to act on behalf of the Chinese government to gain access to certain projects in the past. The company is also involved in a joint venture with a company named SPI that is the business arm of the Liberation Front of Mozambique Party (Frelimo). This mining and cement production project began in 2012 (see Table 4-3). On several occasions, the Chinese government has distanced itself from the fund’s activities, hinting at the

583 IRAD is the abbreviation for Institut de Recherche Agricole pour le Développement. The institute conducts multi-disciplinary research on how to improve agricultural production. Its history traces back to the year 1889; however, it has been reformed since (http://iradcameroun.org/en).
584 Established in 1947, China’s “state-owned farming system today has expanded considerably – a sharp contrast to the decline of state-owned enterprises in the urban sector.” State farms are a vital element in China’s agricultural system, “operating in 30 provinces (…), occupying 39 million hectares of land (…), employing over 3.5 million people, (…) and contributing to 3.4% of the country’s total output” (Zhang (2010), 365). For a detailed description, see Zhang (2010).
585 See the company’s website (http://www.chinainternationalfund.com/).
586 Brautigam (2 June 2010).
conflict of interests of the different actors involved in Chinese land-consuming OFDI activities (see Chapter 5).  

Table 4-3 – Project Projections from the CIF’s Website (CIF)

<table>
<thead>
<tr>
<th>Original Condition of the Construction Site</th>
<th>Future Condition of the Construction Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Image 1" /></td>
<td><img src="image2.png" alt="Image 2" /></td>
</tr>
</tbody>
</table>

In addition to such diverse individual interests that play a role in Chinese land-consuming OFDI (also see Chapter 5), several institutions structure the political realm. The Chinese government has used the Forum of China Africa Cooperation (FOCAC), a high-level summit established in 2000 that is modeled after the French Summit, to institutionalize relations with African countries and push for the implementation of projects on a bilateral basis. Similar forums, such as the Forum on Economic and Trade Cooperation between China and Portuguese Countries (FCECCPLP), have also been put in place for other regions in order to re-establish economic and political ties.

Also, several financial institutions support these investments. Specifically, the two Chinese policy banks created in the 1990s, the China EXIM Bank and the China

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587 Shih (18 January 2010).
Development Bank (CDB), play an important role. For instance, the CDB supervises the newly created (in 2006) China-Africa Development Fund (CADFund), a stock equity fund that targets Chinese companies whose trade and economic activities will reach or take place in Africa.\textsuperscript{591} Further, the Chipata Cotton Company in Zambia (now the China Africa Cotton Company) received financial support – in the form of equity investment through the CADFund – in 2008 after its temporary closure due to financial problems the previous year.\textsuperscript{592} Importantly, the regulations of the CADFund ensure that African companies are able to acquire funding only through a joint venture with a Chinese company.\textsuperscript{593}

In many cases, however, investments take place without official funding. Some SOE subsidiaries seem to profit from preferential loan access through their headquarters, while other projects receive national bank credit in the recipient country or multilateral funding, in particular in the construction area. In addition, some projects profit from the tripartite cooperation structure of FAO projects under the “South South Cooperation” umbrella program on food security.\textsuperscript{594} Furthermore, in 2011, the Africa Development Bank (AfDB) signed a memorandum of understanding with the Agricultural Bank of China on “collaborative ventures in co-financing, technical cooperation for capacity building and

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\textsuperscript{591} CADF (2014).
\textsuperscript{592} Schoneveld et al. (2014), 25-27; and China Development Bank (31 May 2012).
\textsuperscript{593} Basically, the fund differs from aid because it provides market-based funds, and it differs from credit because it invests together with the enterprise, increasing the latter’s financial capacity. Since 2009, the CDB has an additional special fund for African SMEs, which will be made available on the basis of lending and tending. See CADFund website (http://www.cadfund.com/en/).
\textsuperscript{594} Brautigam (2010), 31-33. Under the FAO Special Programme for Food Security, Chinese projects were implemented in Gabon, Sierra Leone, Caribbean Islands, Ethiopia, Bangladesh, and Ghana, among others. Projects have included the sending of agricultural technicians, training of local agricultural technicians, construction of agricultural schools, and building of general infrastructure, such as irrigation and road projects. In Angola, for example, over 120,000 farmers from 60 farming associations and cooperatives are benefiting from the construction of a dam and irrigation channel and training of agricultural technicians. See InSouth.org (2014).
knowledge partnership” in the areas of trade finance, infrastructure, agriculture and agribusiness, clean energy projects, energy conservation, non-traditional lending business (e.g., investment banking, consultancy, and advisory business), knowledge sharing and technical assistance, and, if necessary, other areas. Moreover, the company ZTE was accredited as a UN World Food Programme supplier for an experimental plot of 10ha near Kinshasa, where it has been growing food since 2008 in cooperation with the DRC Ministry of Agriculture.

With regard to investments that are part of aid projects, the choice of aid instruments is largely context specific. While grants and zero-interest loans are spread across the continent, concessional loans are linked to the receiving country’s capacity, which depends on its economic status, or the condition that the loan goes into a productive project whose generated income allows for repayment over time. Brautigam has shown that basically all SSA countries that have diplomatic ties with Beijing (China) receive foreign aid to various degrees. A precondition for diplomatic ties is adherence to the previously mentioned ‘one China principle.’ At the same time, there is no indication that resource-rich countries, namely Nigeria and the DRC, are the recipients of larger amounts of aid.

595 See AfDB (9 June 2011).
596 ZTE Energy (n.d.b). The current status of this project remains unclear.
598 Brautigam (2011b), 212.
599 See Gouraud (18 October 2011).
Table 4-4 – China in Africa: Actors involved in Land-Consuming OFDI (selected)

<table>
<thead>
<tr>
<th>Actors Involved at Different Levels of Governance</th>
<th>Public</th>
<th>Private</th>
<th>Hybrid</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTER-NATIONAL/OTHER</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| International agents                              | -FAO South-South Cooperation Program  
-United Nations’ World Food Program (WFP) Supplier Program  
-WB  
-AfDB | -Earth Rights Institute (NGO) |
| CHINA AND HONGKONG (HK)                           |        |         |        |
| National                                          | -China EXIM Bank  
-SINOSURE  
-State Council  
-Ministry of Commerce  
-MoFTEC and MoL  
-Ministry of Agriculture  
-China Development Bank -CADFund  
-SOE from central state  
-SUCOBE (Benin) is a subsidiary of China National Complete Plant I/E Corporation (Group) (COMPLANT) under supervision of State Council | -"snakeheads"  
-Private owned enterprises (POEs) (only a few are known)  
-China Africa Cotton Company (listed at Hong Kong Stock Exchange)  
-AOCAFBFE (umbrella organization)  
-China International Investment (investor umbrella organization for 260 Chinese organizations)  
-ZTE Energy, subsidiary of ZTE corporation  
-China International Fund (Hong Kong)  
-Farmers  
-Workers  
-Labor Export Companies  
-Daitong (POE) | -Malawi Cotton Company (joint venture between CADFund and Qingdao Ruichang Cotton Company) |
| Sub-national                                      | -SOEs from provinces or municipality, bureaucratic agents and agencies:  
-Chongqing Sino-Tanzania Agriculture Development Company, subsidiary of Chongqing Zhong Yi Seed Ltd. in Tanzania (outgrower scheme, hybrid rice)  
-Shaanxi Land Reclamation General |         |         |        |

600 The Ministry of Foreign Trade and Economic Cooperation (MoFTEC) preceded the Ministry of Commerce (MOFCOM).
601 This term describes criminal organizations that smuggle people and drugs. See African Labour Research Network (2009), 27.
602 AOCAFBFE stands for Association of Overseas Chinese Agricultural, Biological, and Food Engineers.
603 Formerly an state-owned enterprise, ZTE Corporation has been turned into a private company (shareholding). See testimony in front of the Permanent Select Committee on Intelligence of the US Congress by ZTE’s Senior Vice President for North America and Europe, Zhu (2012); and the report by the Permanent Select Committee on Intelligence, Rogers and Ruppersberger (2012).
In order to further elaborate on the official perspective on land-consuming FDI in the recipient country context, the following section will briefly outline the stated goals of the investment projects on the project and country levels.
4. The Investments in the Recipient Context: Stated Goals and Multifaceted Reality

Host country agency and public policy are often ignored by orthodox explanations of land-consuming OFDI from an investor country perspective. Yet, overall, Chinese investments are embedded in the national (and international) development programs and rhetoric. Therefore, the next sections provide several examples that I have encountered during process tracing, focusing on the stated goals, development policies, and actual impact of Chinese land-consuming investments. The insights gained contribute to the exploration of alternative explanations of how (and why) Chinese OFDI projects take place, and they show that so-called pull and push factors coexist.

The stated goals of the investigated investments vary slightly across different levels of analysis. On the project level, the stated goal of many investments in both the agricultural and mining sectors is often to reduce imports and boost production of the respective product in order to promote food security and/or the industrialization goals of the recipient country. For instance, SINO CAM IKO in Cameroon envisioned reducing rice imports by increasing output from 50,000 tons to 400,000 tons per year, and the CIF-SPI joint venture in Mozambique (called CIF-MOZ) allegedly aims to increase cement production and thereby support industrialization and modernization plans through reduced cement prices. In the case of Nigeria, VISCOUNT Energy, the “Chinese-

604 Khan and Baye (2008), 7, 15; Wikileaks (2010a).
605 Cementchina.net (27 August 2010); Cementchina.net (31 May 2011); Duran (2012), 20-22.
supported Nigerian firm” active in the biofuels sector claims that the project is intended to improve domestic energy security.  

On the recipient country level, many investment projects are embedded in national development plans that the respective government wishes to implement with the help and capital of foreign investors. For instance, the detailed case study by Ekman on Chinese investments in Mozambique shows that the agricultural investment projects have been determined by the Mozambican government. The same applies to other countries and projects. The previously mentioned VISCOUNT Energy project in Nigeria matches the Nigerian National Biofuel Development Policy. The ZTE Energy investment in the DRC (status unclear) would be part of a project to restitute a former agriculture cooperation farm (DAIPN); it would involve Chinese investors as well as the African Development Bank and other foreign companies. Moreover, the extension of the SUKALA S.A. project in Mali is part of the Malian government’s acclaimed goal to turn the country into an “agricultural powerhouse.” Similarly, agricultural investments in Senegal are part of the Senegalese Growth Plan (“Grand Agricultural Offensive for Food and Abundance (GOANA)”) that has come about as a result of the food crisis. It favors foreign investors through free repatriation of profit, tax breaks, or the provision of public

608 Ekman (2010).
609 Shaad and Wilson (2009), 10; Galadima et al. (2011), 22-24; and This Day (28 August 2006).
610 Baende (29 March 2010); and Braeckmann (September 2009).
subsidies. And the SUCOBE project in Benin matches the government’s proclaimed goal of stepping up agricultural production and mechanization.

These domestic development programs are matched by programs and institutions at the regional level, such as the African Union Commission (AUC), the New Partnership for Africa’s Development (NEPAD) Secretariat, or the African Development Bank (AfDB). These organizations have, for example, started an initiative for the development of infrastructure in Africa, which is framed as a prerequisite for economic development and growth on the continent. They are also promoting FDI projects in agriculture to boost food security and improve drought resilience. In fact, the AfDB’s regional strategy for 2012 refers explicitly to “the mobilization of resources from China, India, Brazil and Argentina” as a means to address related challenges.

Despite such claims about the developmental offerings of land-consuming FDI projects made by people and institutions involved in the relevant processes, empirical evidence underlines that for the host countries, as well as the home countries, the implications are ambiguous. For instance, from a social viewpoint, these investments are not necessarily a developmental success story: while they can create jobs and generate revenue, in many cases few jobs are generated, and these are characterized by poor labor relations and/or wage discrimination between Chinese and local labor. Wages in some cases are reported to be below the domestic minimum wage, and in most cases, jobs are

612 See, for instance, Stads and Sène (2011), 3.
613 See Nonfodji (2011).
614 See AfDB (2014).
615 AfDB (8 February 2012).
616 Baah and Jauch (2009), 330.
offered on a daily wage basis without social insurance. Employees earn about USD 1.5-2 per day.  

Unfortunately, these unfavorable social conditions seem to be common to most foreign projects rather than being unique to Chinese ventures.  

With regard to rural development, the large-scale implementation of central contract farming schemes seems unlikely to improve rural livelihoods given the weak legal environment, lack of risk insurance, and official corruption present in many host countries. Indeed, historical evidence about the developmental implications of such schemes suggests that they tend to reduce rather than strengthen the multiple positive impacts that agricultural work can have with regards to social, economic, political, or environmental aspects of society.  

Empirical (albeit anecdotal) evidence also suggests that the development policies in many recipient countries pose challenges for national economic development, for instance, by disadvantaging otherwise competitive indigenous enterprises that suffer from limited access to capital, technology, or global markets. The crowding out of such enterprises by these investments has been observed to a certain degree in the textile industry, though mainly through the intensified trade and import of textiles. Also, the strong presence of Chinese construction companies that manage to profit from government-facilitated ‘resource for infrastructure’ deals, seems to squeeze the operating space for local or regional firms. Plus, the influx of Chinese small-scale entrepreneurs, a side-effect of intensifying Chinese-African trade and investment relations, has proved challenging for local shop owners. Another concern raised in the context of national economic

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617 Baah and Jauch (2009).  
618 See, for instance, Baah and Jauch (2009), 108.  
619 See, for instance, Smalley (2013); and IIASTD (2008).  
620 Brautigam (2011a), 7; Chen et al. (2009).
development is the issue of financial debt. It is true that “barter exchange deals” consider issues such as the “manageability of debt,” often by requiring recipient country governments to repay it with the investment returns that are anticipated from the benefits of industrialization. Yet, the high degree of corruption and poor governance record in most countries, together with the generally long period before repayment is due, provide valid reasons for concern over the sustainable management of debt.

Aside from these economic and social challenges, some reports highlight the negative environmental impacts of some large-scale farming projects, specifically regarding regional micro-climates or water security. Take, for example, the SINO CAM IKO’s farming project in Cameroon that was mentioned above. In order to gain access to fertile ground in a moderate climate zone, the investor cut down trees, which might result in problematic changes to the regional micro-climate. Another example is the sugar cane production project in Mali. A case study by the Oakland Institute mentions the problem of water diversion and the declining level of the Niger River as a project-related challenge that is likely to intensify water insecurity and affect neighboring countries that depend on this river. And Bosshard has pointed to the fact that key development finance institutions, such as the China EXIM Bank, have financed projects, including dam construction, for which the environmental pre-assessment did not meet international standards, yielding problematic results for the affected population and environment on the

621 See Brautigam (2011a), 7.
622 Brautigam (2011a), 7-8.
Finally, the water-intensive character of Chinese agricultural projects in African countries has been highlighted as worrisome, since rice, sugar cane, and cotton rank among the 'thirstiest' crops.625

Regarding the public perception about Chinese investments within recipient countries it is interesting to note that this does not seem to differ from that about Western countries, according to a study by Gadzala and Hanusch.626 These authors write that the “negative rhetoric emanating from much of the surrounding literature tells only part of the story, as African perceptions of China are found to be near equivalent to those held vis-à-vis Western countries.”627 Nevertheless, the Chinese presence in African economies has become politicized and entered the political discourse during electoral campaigning in some countries as the case of Zambia highlights (see below).

In some cases, rising and vocal discontent has emerged among third parties affected by Chinese investments through increased competition. A cable by the US Embassy in Mali,628 for example, reported that the US company Schaffer had complained about the strong Chinese presence in the country. This was likely in relation to the SUKALA S.A. (Sino-Mali joint venture) expansion plans, which pertain to areas of land that had originally been promised to Schaffer by the host government. According to statements made by Schaffer, the expansion is part of a broader strategy to prevent other companies from entering the sugar market, thereby preserving the joint venture’s quasi-monopoly

624 Bosshard (2008), 3-5.
625 See Davis’ (2003) study on the water-intensity of the crops rice, wheat, cotton, and sugar cane.
626 Gadzala and Hanusch (2010).
627 Gadzala and Hanusch (2010), 4.
628 Wikileaks (2009a).
position within this sector. In this context, it is interesting to note that since 2008 there has been a proliferation of Western funds set up by the development agencies of OECD countries to support Western agribusinesses in Sub-Saharan Africa (also see the case of the UK in Chapters 6 and 7). While difficult to prove, these funds seem to be inspired by the basic model of the China-Africa Development Fund, which was put in place by China in 2006. The Western funds are clearly aimed at strengthening the OECD economic presence on the continent. The impact of heightened competition through newcomers such as China is also well documented in the context of the Chipata Cotton Company in Zambia. Due to the company’s presence, the previous informal pricing regime led by quasi-monopolists from France and Britain has been challenged.

5. The Issue of Labor

One phenomenon that has received widespread international attention is the issue of Chinese labor exports in these investments to SSA. The following section will provide a brief overview of the core issues to discern myths while deliberating on the dimension and background of this phenomenon. This step seems necessary for a meaningful understanding of the Chinese presence in SSA. Moreover, given the historical roles of migration and labor exports in political regime stability and social mobility, which were described in Chapter 3, this overview of the contemporary situation will provide valuable insights for comparison.

629 Wikileaks (2009a).
630 Miller et al. (2010), 146-165.
A study by Yoon Jung Park reveals that the number of Chinese migrants in Africa rose constantly over the 10-year period ending in 2012 and probably reached one million that year. It also reports that many of these migrants live in segregated communities:

In 2009, the Chinese population in Africa was estimated at between 580,000 to 820,000. Today, that number is likely closer to (or even over) 1 million, although exact counts are virtually impossible to ascertain due to the mobility of Chinese migrants as well as highly porous borders within Africa, high levels of corruption within some African government agencies, and inefficiencies within agencies tasked with immigration and border control.

While most Chinese in Africa are there only temporarily — as contract laborers and professionals — there are a growing number of Chinese migrants choosing to remain in Africa to explore greater economic opportunities. Recent research in southern Africa indicates that, although many Chinese migrants plan to eventually return to China, many in South Africa and Lesotho have already stayed years beyond their original plans.  

While it appears that China has no grand strategy of labor export in place, several factors in the home country do encourage it. These include official propaganda portraying Africa as the continent of opportunity, the absence of sufficient unemployment protection in China, widespread corruption, development and climate change-related land loss, the problematic hukou system which discriminates against rural workers wishing to migrate to urban areas, lax migration controls, and the negotiation of work visas for Chinese staff overseas by the Chinese government. The confluence of all of these features in the Chinese context definitely creates an environment of high migration pressure. This could be seen as the silent promotion of labor export so long as conditions back home do not improve significantly for the rural population.

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632 Park (4 January 2012); also see Park (2009).
633 Park (4 January 2012).
635 Hukou refers to a household registration system that restricts rural to urban migration. In its current form it “discriminate[s] against poor migrant workers in favor of the wealthy and educated.” For more details, see, for instance, Congressional-Executive Commission on China (2005), 1; also see Murphy and Tao (2006).
Moreover, Chinese companies continue to gain a competitive advantage over Northern competitors when using comparatively cheap skilled Chinese labor. One of the striking aspects of Chinese labor export is that it highlights the shortfalls of the country’s economic development in view of social development. Research about Chinese construction projects shows that even in current times, (skilled) Chinese workers (in China) often do not earn significantly more than their African counterparts (in Africa) while working under harsh conditions and being denied basic social rights. Brautigam argues that the use of Chinese workers in investments in agriculture is especially common in oil-rich countries with higher wage levels. In such places, Chinese labor provides companies with a competitive edge in contract bidding. At the same time, the wages paid to Chinese staff in overseas projects can be higher than those paid in China, which explains why many workers decide to go overseas and work in projects in Africa to improve their family’s welfare back home.

Overall, however, the cost competitiveness of skilled Chinese labor is only (a minor) one of several considerations that influence Chinese companies’ choice of hiring Chinese rather than local staff. Equally important are cultural and social aspects. Hiring Chinese staff, particularly for managerial positions, allows the company to circumvent language barriers that arise from the lack of knowledge of foreign languages among Chinese technical experts, and makes it easier to implement Chinese work modes: “Using Chinese works ensured fast communication within project teams and prompt completion of the

\[636\] See Alden (2007).
\[637\] Chen et al. (2009), 83-84.
\[638\] Brautigam (2011a), 7-8.
work. 639 A contributing factor seems to be the (alleged) lack of skilled African workers, particularly in the construction sector. The resultant rise of skilled African workers’ wages close to the level of skilled Chinese workers’ wages, together with the perception that skilled African labor is less productive, has also motivated Chinese companies to import slightly more costly Chinese workers in the implementation of projects. 640

Even though labor export is not a primary concern of the central government in China, the internationalization of the labor market is promoted for different reasons by different actors. The central government has endorsed it as a way for its companies to succeed in contract bidding by taking on the comparatively ‘cheap (skilled) labor.’ There are other voices, particularly at the provincial and municipal government levels (e.g., websites of provincial governments), that promote labor export as a way to address the social costs of the chosen development path, such as the problems of structural unemployment, poverty, low social mobility, and land-loss-related displacement. In an interview in 2008, for instance, Li Ruguo, President of the China EXIM Bank, is quoted as saying that his Bank would assist 12 million workers who were to lose their land through modernization, industrialization, and urbanization to find work abroad. 641 And former President Hu Jintao has been quoted as saying that emigration was “a good way to lower demographic pressure, economic overheating, and pollution in mainland China.” 642 Also,

639 Chen et al. (2009), 83.
640 Chen et al. (2009), 83.
641 Coonan (28 December 2008); Patton (7 April 2008); Murphy and Tao (2006).
642 Sege and Beuret (2009), 5.
as mentioned above wages can be from 30% to 400% higher in Africa, for skilled workers in managerial positions.\textsuperscript{643}

In practice, the increasing number of (un)skilled Chinese laborers, who often live in segregated communities, is perceived as a threat in recipient countries with high unemployment levels. The concerns of the host populations over these social aspects of Chinese investments have been politicized by some political actors during electoral campaigns, such as the former opposition leader and then elected president Micheal Sata in Zambia (who was in office from 2011 until his death in October 2014). However, the case of Zambia also reveals that it might be too easy to blame these unfavorable conditions on foreign investors such as the Chinese. Undeniably, the previous Zambian governments actually abstained from governing whole sectors (e.g., cotton) and from negotiating local content requirements in the context of IFDI.\textsuperscript{644} And the newly-elected president (and suddenly deceased), Michael Sata, has not undertaken reforms that will provide a better framework for the Zambian population to profit from these and other investments during his time in office.\textsuperscript{645} Several case studies document that national policy and politics in recipient countries matter greatly in shaping how these investments take place. The labor report by Baah and Jauch, for instance, cites numerous incidents where the response by government agencies or trade unions improved conditions on the ground.\textsuperscript{646} At the same time, the increasing risk awareness among Chinese government officials and the fear of huge investment losses overseas have led the government to offer CSR training to the

\textsuperscript{643} Park (2009).
\textsuperscript{644} Tschirley and Kabwe (2009).
\textsuperscript{645} Spilsbury (2012/2013).
\textsuperscript{646} Baah and Jauch (2009).
corporate management staff of SOEs and to implement the Equator Principles as evaluation criteria for public funding.\footnote{Leung (2010).}

From the official angle, the global repercussion of this trend towards internationalizing the Chinese labor market and its specific characteristics (e.g., segregated overseas communities) have been downplayed and/or explained in the context of China’s development trajectory. Lu Shaye, Director-General of the Department of African Affairs within the Ministry of Foreign Affairs, partially dismisses labor-related problems of Chinese investments to Africa by arguing that it is all a matter of perspective.\footnote{Gouraud (18 October 2011). Also see Buckley (2011) for an ethnographic description of the different perspectives involved in Chinese-Senegalese agricultural projects.} His point is that the low wage levels associated with the investments in Africa are high when compared to wage levels in the same sectors in China. The overseas wage levels result from the fact that Chinese companies’ competitive edge is their low cost. Moreover, the segregation of Chinese workers from local communities is due to “a problem of cultural gap and language barrier” that leads the workers to “(…) build up their own social circle.”\footnote{Gouraud (18 October 2011).} In his opinion, this trend is intensified by the fact that Chinese employees abroad work in harsh conditions to ensure a better life at home: “The Chinese employees work in tougher conditions than the employees of western companies. (…) They live a hard life, eat simple food and live in simple domiciles so that they can send home the money they earned to raise their families and improve their living conditions.” Notably, all of this bears a strong resemblance to migratory patterns in the late 19\textsuperscript{th} century (see Chapter 3).\footnote{Gouraud (18 October 2011).}
the same time, the number of Chinese labor disputes has increased, reflecting “attempts by
China-based labor export agents to get extra income from the Chinese workers.”

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6. Conclusion

This chapter presented the main empirical characteristics of what is happening
regarding Chinese land-consuming OFDI since 2000. The chapter reported in great detail
on agricultural projects. These were the most common in the “land grab” reports that
served as a starting point of my research.652 However, as I have emphasized, official data
shows that agricultural investments only make up a minor share of total on Chinese (land-
consuming) OFDI in SSA.

The rich empirical details are the foundation that allows me to explore alternative
explanations of land-consuming OFDI from a Chinese perspective (Chapter 5); to
meaningfully compare the differences and similarities of Chinese and British land-
consuming OFDI; and to assess the role of OFDI in the context of home country
development (Chapter 8). Importantly, the empirical findings challenge and move beyond
the orthodox narratives about Chinese ‘land grabbing,’ due to the complexity of (f)actors at
play and/or the different timelines involved (also see Chapters 1 and 2).

In this conclusion, I will summarize the core empirical findings for each of the
categories that have guided this chapter (see Table 4-5). This implies a reduction of the

651 Chen et al. (2009), 83.
652 I have highlighted that the strong focus on Chinese agricultural projects that characterized early
publications and project listings of the “land grab” debate is a result of two things: biased reporting;
and the initial focus on farmland grabs. In the UK case, similar data problems led to an overreporting of
biofuels investments.
complexity that has been characteristic of the main empirical traits identified, and it clearly means that certain features which are also part of Chinese land-consuming OFDI in SSA will be excluded. However, it is a necessary step to guide the reader and refresh the core results that the Chapter 5 will then explain.

The findings highlight that multiple actors are involved in Chinese land-consuming OFDI in SSA. However, they also show that public actors and agencies are predominant in (large-scale) Chinese land-consuming OFDI in SSA. SOEs, for example, run economic cooperation projects, regardless of the sector, and also search for profitable investment operations on their own. They are often involved – usually with a majority position – in joint ventures with host country companies or SOEs. Government officials of the home and host country are also active in these joint ventures, particularly in negotiating the terms of economic cooperation, which they frequently do at political forums (such as FOCAC) or through other (bilateral) exchange channels.

Importantly, these forms of state agency are composed of diverse “land grab” interests and strategies. Chinese official actors often pursue their own agenda rather than the central state’s. Moreover, Chinese SOEs rely on multiple institutions and financial sources (e.g., headquarters, host country national banks, and multilateral funding) in their operations, aside from Chinese development finance. They also apply mainstream managerial economics in their operations and are characterized by a profit orientation, even in cases where Chinese development finance is involved, or where resources are being exploited. The previous assessment also highlighted that Chinese land-consuming FDI projects are often pro-actively sought by African governments, and reflective of recipient countries’ development policies.
Most companies produce for domestic and regional markets in SSA, particularly in the agricultural sector. However, the latter makes up only a minor share of total Chinese OFDI activities of which land-consuming investments form a part. The majority of investments go into mining, manufacturing, and financial services. With regard to the role of land, this means that land is used as a natural resource, but also as a space to open up profitable business opportunities in construction, manufacturing, and/or through SEZs.

The timelines of most of these investment projects can be traced far back. While China is a newcomer to the role of capital exporter, it shares a long history of cooperating with and providing aid to many African countries. Several actors, such as construction companies, have previously run aid projects on the ground, and more recently, they have turned into successful contract bidders due to their experience and cost advantage. The multiple crises of 2007/2008 have not been critical for what has been happening since 2000. Instead, their role in Chinese OFDI activities has been ambiguous, – preventing as well as enabling Chinese overseas investments.

In the case of China, Section 5 addressed the issue of labor migration and related claims of strategic labor export. These claims have regularly appeared in the media and led to political tensions in host countries, many of which suffer from high unemployment. It showed that while the central government has no pro-active strategy in place to promote labor export, it also does not have a strategy to curb the phenomenon, nor are the origins of the pressure to work abroad adequately dealt with by the home government.

In concluding, several tendencies of Chinese land-consuming OFDI seem noteworthy and demand an explanation that assesses them in the home country context. In particular, the empirical findings show that Chinese investment projects in SSA establish
new markets, access and secure resources, engage in profitable business undertakings, internationalize the operations of particular companies and/or strengthen and expand the home country’s political ties and powerful economic presence in African countries. What this actually means from a home country perspective will be evaluated in the following chapter.
Table 4-5 – Review of the Empirical Characteristics of Chinese OFDI

<table>
<thead>
<tr>
<th>Category</th>
<th>Core Empirical Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actors</td>
<td>Projects involve public actors from the recipient country and China; they are usually operated by Chinese SOEs, often in cooperation with host country SOEs; some actors have a long history on the continent (e.g., construction companies) because they began implementing Chinese aid projects in the 1950s; Chinese workers and experts are an integral part of Chinese investment projects: the experts are part of agricultural training centers that Chinese companies are rehabilitating and the workers are often employed by construction and energy companies in order to keep costs low</td>
</tr>
<tr>
<td>Institutions</td>
<td>The main cooperation strategies are negotiated at FOCAC; regarding finances, companies rely on multiple sources, ranging from headquarter support and Chinese development finance to multilateral and host country funding</td>
</tr>
<tr>
<td>Sectors</td>
<td>The majority of investments go into mining and manufacturing, followed by financial services; according to government data, agricultural investments make up only a minor share of total Chinese OFDI in SSA</td>
</tr>
<tr>
<td>Timelines</td>
<td>Projects predate the 2007/2008 crises, often they can be traced back to Mao-Era cooperation with African countries; however, the way they are run has changed significantly over time; today, they are for-profit enterprises</td>
</tr>
<tr>
<td>Role of land</td>
<td>Land is used as a natural resource, but also as a space in which to open profitable business opportunities (e.g., construction and manufacturing); in both cases, projects have a strong profit orientation, and are not necessarily producing for export to China</td>
</tr>
<tr>
<td>Recipient context</td>
<td>Projects, particularly in the agricultural sector, have been requested by African host country governments; mostly, they seem to be the result of inter-governmental cooperation at different levels of government; the actors involved can have very different interests</td>
</tr>
</tbody>
</table>

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653 I acknowledge that this summary substantially reduces the complexity that has characterized the empirical findings of this chapter. However, it is intended to guide the reader by highlighting the core traits of Chinese investment projects that will be explained from a home country perspective in Chapter 5 and compared with British empirical characteristics in Chapter 8.
Chapter 5: The Chinese Context: Investments from a Home Country Perspective

1. Introduction

The empirical evidence presented in the previous chapter cast doubt upon the widespread claims according to which Chinese land-consuming OFDI is for the country’s food security. In practice, the comparatively small share of agricultural projects produces for domestic or regional consumption, and many projects can be traced back before the 2007/2008 crises. Moreover, Chinese projects target multiple sectors that use land not only as a resource, but also as a productive space for industrial and modernization activities. At the same time, the agency of the state is very diverse. And, a wide range of non-state actors, Chinese and other are involved.

This chapter will take the empirical evidence presented in Chapter 4 and assess how and why Chinese land-consuming OFDI activities happen against the background of the investor country itself. In particular, it will discuss these activities in view of China’s OFDI policy (Section 2), the guiding ideology of China-Africa relations (Section 3), and, finally, against the background of the country’s political economy (Section 4) and development trajectory (Section 5). The multiple threads emerging from this discussion will be summarized in the conclusion (Section 6), which will be guided by the question of why these investments occur as they do in and over time. In addition to domestic dynamics and international contexts, this section will also briefly assess the investments’ likely welfare implications.
In this second part of the two-part case study, I focus on the home country context that these investments emerge from. In particular, I argue that the following features are significant in explaining Chinese OFDI from a home country perspective: (1) these investments are embedded in an increasingly supportive OFDI framework that emerged as a result of the country’s resource-intensive and export-oriented industrial set-up; (2) they are guided by a foreign policy ideology that is affected by the neoliberal terminology of “win-win” and embedded in the analytical frame of today’s mainstream economics – representing a major shift away from previous concepts of autarky and self-reliance that informed China-Africa relations; (3) the very actors and institutions involved are reflective of a system of “neoliberal governmentality” that has emerged since 1978, and whose state-market relations are more complex than the concept of state capitalism usually assumes; and (4) the investments reflect the rising resource pressures, external dependencies, high international competition, and social costs of China’s development trajectory since the 1990s.

More broadly, as stated in the introduction of Chapter 4, I conclude that four drivers explain why Chinese land-consuming OFDI in SSA happens from the home country perspective. This general argument about Chinese land-consuming OFDI in SSA builds upon the empirical evidence presented about the home country context in this chapter, and the main empirical characteristics of Chinese OFDI presented in the previous chapter. Accordingly, Chinese land-consuming OFDI projects are part of a long-term strategy to diversify supply and access to resources (mineral products), even if these are not consumed back home; a diplomatic strategy to foster political alliances and expand the country’s soft power in international relations, through economic presence as well as
commitment to host country requests; a commercial strategy to develop and open new markets for Chinese products; and a strategy to internationalize China’s industrial base to address the competitive pressures back home, as well as the ecological and social challenges.


Institutionally, the investments in Africa reflect the full range of home country measures that have been implemented in China since the mid-1980s. This section will assess key timelines of the emerging “go out” policy framework underpinning Chinese overseas investments; deliberate on the framework’s changing objectives in and over time; and introduce its key components that pertain to Chinese engagement with African countries. The discussion of Chinese land-consuming investments in the context of policy will be complemented by consecutive sections addressing the ideological and politico-economic specificities of Chinese “land acquisitions” from a home country perspective.

From a historical perspective, the increasingly supportive stance on OFDI flows and the related policy framework emerged in the 1990s. They then gained momentum in 2001 with the adoption of the “Go Out” (zou chuqu) policy framework. While it built on existing aid projects and bilateral diplomatic relations, this framework also reflects the fundamental change that the Chinese government has undergone in its OFDI policy preferences since 1978. Outward investments had long been referred to as “poisonous

654 Bernasconi-Osterwalder et al. (2013).
grass”655 in the domestic debate. They were portrayed as unfavorable for a domestic development strategy prioritizing the accumulation of foreign exchange reserves.

The transition from this OFDI-restrictive policy regime towards a supportive one has happened over several periods, stretching from China’s opening up in 1984 until the present.656 Firstly, during the 1980s, the Chinese government prioritized the accumulation of foreign exchange reserves, and maintained a prohibitive stance towards OFDI. Capital exports needed the approval of the National People’s Congress; foreign exchange earnings were only applicable for licensed companies in the export sector; and requirements established a USD 10 million limit together with the obligation to remit all profits made overseas.657

Secondly, from 1991 until 2000, and particularly after Deng Xiaoping’s famous trip to the South in 1992 and the victory of the economically liberal faction within the Chinese Communist Party (CCP) over the socialist faction, OFDI provisions and related regulations began to undergo far-reaching reforms. SOEs took on the status of monopolistic enterprises, which gave their management more leeway in operational decisions;658 foreign exchange regulations “changed from the previous ‘earn to use’ mode into a ‘buy and use’ mode;” and OFDI was framed in an official document (“opinion”) by the National Planning Commission (NPC) as a strategic instrument for overseas expansion.659

655 Xue and Han (2010), 310-320.
656 Xue and Han (2010), 310-320.
657 Xue and Han (2010), 310-320.
659 The NPC document was titled, “Opinion of the State Planning Commission on the Strengthening of the Administration of Overseas Investment Projects.” (The NPC is now the National Development and Reform Commission (NDRC)). See Xue and Han (2010), 316-317.
Thirdly, since 2001, the Chinese government started implementing the “go out” framework, reflecting a more technical and increasingly supportive stance on Chinese OFDI (see below for a more detailed description of the framework). As a result, the overseas expansion of Chinese companies was supported by financial mechanisms and/or the provision of information about the host countries to the companies.

Since 2009, the regulatory framework has “further eased and decentralized the approval procedures,” thereby encouraging the overseas activities of Chinese companies.660 Moreover, “[i]n July 2009, the PRC government launched a small pilot program to permit selected Chinese companies to settle their cross-border trades in select offshore jurisdictions in RMB.”661 In this context, China’s Central Bank has also begun to push the internationalization of the renminbi, for instance, in the form of an agreement with the trade hub Nigeria in Africa to include the RMB as part of its foreign exchange reserves from January 2011.662

**OFDI: Development, Contexts, and Objectives**

A closer look at the official OFDI documentation helps to break down the sequence of events and identify the objectives that led the government (under the given political economy) to perceive overseas investment as a useful instrument to realize particular

660 Rosen and Hanemann (2009). Of particular interest is Table 1 (p. 20) on “China’s OFDI Policy Framework.”
661 King and Wood Mallesons (May 2014).
662 See Payi (September 2011) according to which “Nigeria diversif[ies] reserves into Renminbi” to moderate the currency volatility and inflation experienced between US and Naira (Nigerian currency). The negative US sovereign rating and the ongoing economic crisis in Europe have been influencing the decision by Nigeria to diversify its foreign exchange reserves as a strategy to improve security, liquidity, and returns. Also see the case of Zimbabwe, which has adopted the renminbi as legal currency under BusinessDaylive.co.za (30 January 2014).
interests. The following will show that OFDI has been framed as a tool to facilitate the acquisition of resources, technology, and knowhow, promote exports, and create new markets. Specifically, OFDI is said to support the country’s efforts to upgrade its industrial structure to reduce the negative environmental, ecological, and social impacts of the economic development strategy; enhance resource security through the diversification of supply; counter the negative impacts of the economic crisis in Asia (and Europe) on the Chinese export industry; strengthen and support the emergence of national champions (enterprises) in the context of liberalization and WTO accession; and, thereby, ensure the stability of the political regime whose legitimacy is seen to rely on economic growth (see Sections 3 and 4).

Historically, two events explain the changing attitude of the Chinese government in view of OFDI in the mid-1990s: firstly, the rise to power of the economically liberal faction within the CCP; and, secondly, the rising external resource dependency in the 1990s and the increasing inability of the domestic resource base to keep up with industrial demand. Consequently, in 1992, OFDI became part of the country’s economic development plan, primarily in the context of encouraging the national oil companies to go abroad and diversify supply. The official document of the National Planning Committee also stated that OFDI should be endorsed to “acquire resources, technologies and markets overseas.” These were all crucial elements that the formerly closed-off country was missing in its industrial set-up, which did not have a global production network dimension.

663 Adapted from Xue and Han (2010), 317. And Rosen and Hanemann (2009), 20.
664 The NPC document was titled “Opinion of the State Planning Commission on the Strengthening of the Administration of Overseas Investment Projects.” See Xue and Han (2010), 316-317.
Consequently, changes in foreign exchange management made it easier for a greater variety of (SOE) enterprises to invest overseas.\textsuperscript{665}

With time, additional dynamics played an important role. In 1999, the Asian financial crisis gave impetus to further reform of the existing OFDI regulations. The crisis had led to a huge decline in exports due to the relative appreciation of the renminbi, and this decline was negatively affecting the manufacturing industry, a major source of jobs and state revenues. In response, a first reference to the “Go Out” strategy appeared in the 1999 State Council document titled “Opinion on encouraging companies to carry out overseas material processing and assembly.”\textsuperscript{666} This document affirmed the use of OFDI to address the problem of a massive decline in regional export demand, and it encouraged overseas assembly and processing activities to profit from cheap labor and resources in the context of the rising international competition for markets. In this reform step, the economic emphasis was on export promotion and industrial restructuring.

Another event that impacted OFDI regulation was China’s WTO accession in 2001. In anticipation of this event, the 5\textsuperscript{th} Plenary Session of the 15\textsuperscript{th} Congress of the CCP issued a “suggestion” for economic and social development in 2000, which mentioned four investment types that would be supported, namely “processing, trade, resources extraction, project contracting.”\textsuperscript{667} Among the policy support measures mentioned were credit and insurance services.\textsuperscript{668} This “suggestion,” which forms the basis of today’s “Go Out” Strategy, was then embedded in the “Outline of the 11\textsuperscript{th} Five Year Plan for national

\textsuperscript{665} Xue and Han (2010), 316-317.
\textsuperscript{666} Wilkes and Huang (2011), 9.
\textsuperscript{667} See Wilkes and Huang (2011), 9.
\textsuperscript{668} Wilkes and Huang (2011), 9.
economic and social development.\textsuperscript{669} It has become the foundation of ongoing reforms, such as the further simplification and decentralization of approval procedures regarding overseas investment,\textsuperscript{670} particularly with regard to foreign exchange management and the provision of funds for market development and internationalization.

The underpinning story of this reform process, namely the association of overseas investment with domestic economic interests (framed as “needs” in the respective official documentation), has since become a common pattern of official rhetoric and action. For instance, at the 16\textsuperscript{th} National Congress of the CCP in 2002, then-President Jiang Zemin stressed the importance of overseas investments for facilitating domestic reforms and liberalization in the context of WTO accession, and for creating competitive TNCs and brands with the help of the export of commodities and labor services.\textsuperscript{671} Ongoing reforms of OFDI management continue to simplify approval structures while freeing more financial resources in support of OFDI activities.\textsuperscript{672}

Together, these multiple objectives, which have come to be associated with the Chinese perspective on OFDI projects and embedded in the contemporary policy framework, provide important parameters of Chinese development challenges, economic interests and paradigms that any assessment and explanation of Chinese land-consuming FDI has to take into consideration. The key institutional features of this framework in which Chinese OFDI in Sub-Saharan Africa is embedded will be outlined in the following

\textsuperscript{669} Wilkes and Huang (2011), 9.
\textsuperscript{670} Rosen and Hannemann (2009), 20; Wilkes and Huang (2011), 9.
\textsuperscript{671} Wilkes and Huang (2011), 9-10.
\textsuperscript{672} See Xue and Han (2010).
section. At the same time, this positive framing of OFDI mirrors shifts in the country’s guiding ideology and political economy that will be explained subsequently.

*The “Go Out” Framework*

Today, the set of home country measures that supports Chinese OFDI is cross-cutting in view of both sectors and policy fields (aid, trade, and investment). It incorporates a large range of encouragement policies in the form of tax relief, loans support, foreign exchange policy, expat insurance, bilateral investment treaty (BIT) agreements, and information services, as well as simplified approval processes, and regularized supervision. While this OFDI policy framework is among the most elaborate when compared to those of the other BRICS countries, it still lags behind those of the OECD countries, and Chinese entrepreneurs will remain at a disadvantage compared to their Western counterparts as long as government and governance “largely function by way of the ‘unwritten rules’ of political life.” The framework also suffers from the overlapping responsibilities of the agencies involved, especially the Ministry of Commerce (MOFCOM) and the NDRC, which coordinate the host country catalogue. That catalogue lists the countries in which Chinese investors are eligible for subsidies from their government. Moreover, the transfer of approval authority over foreign investments of

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673 Xue and Han (2010), 305-323.
674 BRICS refers to Brazil, Russia, India, China, and South Africa.
675 Yu (2008), 23.
676 MOFCOM, the Ministry of Commerce of the Government of the People's Republic of China, was established in its current form in 2003. It focuses on trade policies, consumer regulations, FDI, and foreign economic policies/agreements (e.g., bilateral and multilateral trade agreements).
677 For a detailed description of responsible agencies, their competencies, and issued policies concerning OFDI management, see Wilkes and Huang (2011); and Han and Xue (2010).
less than USD 3 million from central government agencies, namely SAFE\textsuperscript{678} and MOFCOM, to the provincial level in 2003 resulted in what has been described as “an alphabet soup of agencies, bureaucrats, and businesses looking to regulate or profit from Chinese firms’ overseas investments.”\textsuperscript{679}

With regard to Africa, the Chinese government has negotiated 26 bilateral investment agreements with African countries in recent years.\textsuperscript{680} It has also put in place an information service platform, through which companies can report difficulties they are facing in different countries and learn from each other’s experiences while retrieving legal and resource-related data on a given country. At the same time, formalized supervision has been introduced in the form of annual reporting by the investing company. All of these measures not only support OFDI, but also allow for the steering it.

In addition to the regulatory institutions, several political and financial instruments specifically directed towards investments in SSA are part of this framework of home country measures that play an important role in the facilitation of Chinese land-consuming investments. In the political realm, the Forum of China Africa Cooperation (FOCAC, \textit{Zhong Fei hezuo luntan}) has become a central platform for inter-governmental exchange, coordination, and cooperation. Since its establishment in 2000, high-level summits have taken place on a triennial basis.

\textsuperscript{678} SAFE, the State Administration of Foreign Exchange established in 1978, is a government agency that administers the rules and regulations of foreign exchange market activities. It also manages foreign exchange reserves.
\textsuperscript{679} Salidjanova (2011), 13; Xue and Han (2010).
\textsuperscript{680} Takman (2004).
Activities at FOCAC include the announcement of major economic and aid cooperation projects between China and Africa, such as the agricultural technology development centers, and the release of important whitepapers about the terms and principles of cooperation. Many heads of state and high-level ministry personnel have attended the summits. For instance, the 4th FOCAC meeting in 2009 attracted heads of states and government officials from 49 African countries in addition to a big Chinese entourage. In his opening speech, Chinese Premier Wen Jiabao emphasized the significance of the forum:

Since its founding nine years ago, FOCAC has played a major role in guiding and promoting the development of China-Africa relations and become a bridge of friendship and a platform of cooperation between China and Africa. In the three years since the Beijing Summit in particular, the two sides have worked together to build the new type of strategic partnership featuring political equality and mutual trust, economic win-win cooperation and cultural exchanges. Together, we have opened a new chapter in China-Africa cooperation. 681

Accompanying this form of strategic political cooperation are new forms of so-called development finance for overseas projects. In the case of Chinese investments in Africa, several financing sources which are embedded in the “Go Out” framework and located in the aid, trade, or investment policy fields are essential and will be highlighted in the following paragraphs.

Firstly, grants, zero-interest loans, and concessional loans support Chinese aid projects, which have been aligned to trade and investment objectives since a reform in the 1990s. Zero-interest loans and grants are taken from China’s aid budget and overseen by MOFCOM and the Ministry of Foreign Affairs. 682 The China Development Bank (CDB) and the China EXIM Bank, created in 1994, provide most of this finance under MOFCOM

681 Wen (2009).
682 Brautigam (2011a), 3; and State Council (2011a).
supervision. Moreover, concessional loans were introduced as a new aid instrument in 1995 under the management of the China EXIM Bank. These loans have a long-term repayment period of 20 years, a fixed interest rate (2-3%), and a five-year grace period. Importantly, the aid funds are only used to cover the difference between the China EXIM Bank’s rate and the fixed interest rate. 683 Using these new instruments to deliver development finance, the Chinese government could increase the total number of development assistance activities. 684

Another financial mechanism is the Special Fund for Foreign Economic and Technical Cooperation (hereafter ‘the Special Fund’), one of several under the supervision of MOFCOM that are meant to support Chinese companies “carrying out the needs of China’s economic diplomacy.” 685 It has, for instance, been used to back Chinese companies involved in the establishment of the Special Economic Zones mentioned in Chapter 4. 686 The Special Fund repays to companies active in African countries a share of their pre-investment costs and provides interest rate subsidies for bank loans. Importantly, the Special Fund is not part of the official aid budget. 687

Loans made by the two major policy banks, the CDB and the China EXIM Bank, are also important for Chinese land-consuming investments. While these loans are “heavily influenced by government policies and are not to operate in full compliance with market

683 Brautigam (2011a), 4.
684 Brautigam (2011a), 4.
685 Brautigam (2011a), 4.
686 State Council (2010).
687 Brautigam (2011a), 4.
rules,” they have to meet criteria of profitability. 688 Since these banks get the same credit-rating as the Chinese government, they can increase funds by issuing bonds with that favorable rating; and they can take a long-term perspective. 689

In addition, export buyer’s credits, a long-time feature of the OECD countries’ OFDI frameworks, were introduced in 1998. They were initially for firms with projects in the construction sector overseas (Asia). Since 2005, the China EXIM Bank has offered such credits for investments in Africa. These export buyers’ credits, which make up the majority of lending done by the China EXIM Bank, are not part of the foreign aid regime. Instead, they are issued in United States dollars using international standard rates like the London Interbank Offered Rate (LIBOR) or the Commercial Interest Rate of Reference (CIRR). 690 Moreover, preferential export buyer’s credits are issued.

Aside from the above-mentioned activities conducted by the so-called policy banks, financial activities in Africa also involve Chinese commercial bank activities, such as the China Construction Bank, the Industrial and Commercial Bank of China (ICBC), the Agricultural Bank of China, and the Bank of China. These banks have recently set up branches in African countries with the aim of supporting Chinese companies overseas. Take, for example, the ICBC, which purchased a 20% share in the South Africa’s Standard Bank. The latter is active in 18 African countries, and it is a major financial actor with regard to loan services in Africa. 691 This means that increasingly, Chinese financial actors, both private and state-owned, are becoming influential actors in the financial sectors of key

688 Brautigam (2011a), 4.
689 Brautigam (2011a), 4.
690 Brautigam (2011a), 4.
691 See the report on China’s financial institutions by Executive Research Associates Ltd. (2009), 77-91.
African countries and gaining the ability to facilitate investments through bilateral arrangements and beyond. This is also evidenced by the internationalization of the renminbi and its previously-noted recognition as foreign exchange currency in some host countries (e.g., Nigeria, Zambia).

On the inter-governmental level, the China-Africa Development Fund, an equity fund established in 2006 at FOCAC, supports Chinese companies whose trade and economic activities concentrate on Africa. Rather than providing credits, this fund invests in these companies in order to raise their financial capacities. It also provides consulting services. It is overseen by the China Development Bank, and projects are chosen on the basis of China’s diplomatic and economic policies towards the continent. In addition, in 2009, the China Development Bank announced a Special Loan for African SMEs in selected sectors (export orientation, agriculture), using the mode of direct lending and tending.692

In Hong Kong, the “Go Out” strategy was mirrored by the creation of the China-Africa Business Council on 21 April, 2007. The Council, under the Presidency of Mr. Hu Deping, was established by the China Society for Promotion of the Guangcai Program, together with the United Nations Development Program and the Ministry of

692 Definition of “African SMEs:” solely African-owned small- and medium-sized enterprise(SME); Chinese-owned SME in Africa; Joint African-Chinese private equity SMEs; contractual joint venture SMEs. Sectors supported: infrastructure, agriculture, tertiary industry. In 2009, the CDB developed and recorded 34 projects in Africa. These have a total value of USD 961 million in commercial or preferential loans, which does not count as aid but as market-based financial support. See MOFCOM (2011b); and MOFCOM, Department of Western Asian and African Affairs (2010).
Commerce/China International Centre for Economic and Technical Exchanges. It seeks to explore business opportunities among Hong Kong, the Mainland, and African businesses.

**Summary**

Five observations regarding Chinese land-consuming investments in SSA can be derived from the OFDI policy framework and its emergence. Firstly, these investments are part of a general trend of growth in Chinese overseas investments that is related to the adoption of a supportive OFDI policy over time, particularly since 2000. According to China’s Ministry of Commerce, at the end of 2010, 13,000 Chinese investors or institutions were operating 16,000 overseas enterprises in 178 countries. By that year, China had become a major source of global OFDI flows, moving into fifth place among all investor countries (preceded only by the US, Germany, France, and Hong Kong).

Secondly, the comparatively low levels of OFDI stock nonetheless reveal that China has just begun to catch up with the international standards represented by the OECD countries. The ratio of Chinese IFDI-to-OFDI, which in 2011 stood at a level of 1:0.09, was still below the world average of 1:1.11. In comparison, OECD countries have an average ratio of 1:1.14.

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693 See China-Africa Business Council (Hong Kong) website (http://cabc.hkbu.edu.hk/news6.html); and Africa Confidential (2014).  
694 MOFCOM (2011a), 79, 80.  
695 See MOFCOM (2011a), 79, 80.  
696 MOFCOM (2011a), 81. On the limitations of OFDI data from MOFCOM, see, for instance, Korniyenko and Sakatsume (2009), 3.  
697 Sun (2011), 8.
Thirdly, despite being part of a general trend, the instruments summarized above apply particularly to the Chinese investments in African countries. Yet, it is important to note that it remains unclear to which extent Chinese land-consuming FDI projects have actually accessed or profited from these political and financial support mechanisms.

Fourthly, while these investments are unique within the Chinese country context, they are not exceptional in comparison to other countries’ practices. Comparative research on FDI regulations shows that the home country measures implemented in China are rather common worldwide, particularly among the highly industrialized countries. 698 Also, Chinese development finance is far from being extraordinary in international comparison. 699

Fifth, the timeline of the emergence of China’s OFDI framework underscores that it was a response to country-specific developments and politico-economic constellations at certain points in time. These include the rise to power of the economically liberal faction within the CCP; the industrial demand surpassing the country’s resource base; the increasing dependence on export markets; and the enhanced competition at home due to the IFDI-led growth strategy as well as WTO accession.

In sum, the above overview of frameworks, timelines, and objectives supports this thesis’ argument that it is crucial to account for the specificities of home country context and development in explaining why these investments are occurring. This section has done so by comparatively introducing the key features and events that have constituted and

698 Sauvant et al. (2010).

699 See, for instance, Brautigam (2011a).
shaped the contemporary policy framework that supports Chinese OFDI in general and Chinese OFDI in Africa in particular. Such a detailed contextualization of the investments in country frameworks, timelines, and objectives also points to the importance of taking the structural (i.e. export dependency, limited resource base, or WTO accession) and contingent (i.e. Asian crisis or the victory of the liberal faction within the CCP) factors of a home country’s development trajectory into account when assessing and analyzing land-consuming investments. As Marks so pointedly highlighted in his history of the modern world, in many cases events not plans shape great powers. This insight emphasizes the limits of using highly functional theoretical approaches to capture why “land grabs” occur.

3. Guiding Ideology

Chinese land-consuming OFDI projects do not transpire in an ideological vacuum. Rather, their facilitation and legitimation is embedded in an overarching and guiding set of ideas that is prone to shifts over time. This guiding ideology, basically a cluster of ideas that perform ideological functions (see Chapter 1), ranges over several policy sectors, taking the form of whitepapers, significant government speeches, or declarations at the end of FOCAC conferences. A closer look at the discourse surrounding these investments reveals the profound changes that have taken place in China’s political landscape and development orientation since 1978. Instead of portraying the anti-capitalist and self-dependence dogma of Mao-era foreign policy, the new discourse is affected by the neoliberal terminology of “win-win” and embedded in the analytical frame of today’s

700 Marks (2007)
mainstream economics. The latter has become entrenched in the thoughts of the different factions in the CCP, and it is visible in official reports on China-Africa relations, such as the one by the Chinese Academy of International Trade and Economic Cooperation (CAITEC), which argues that the “sustained, rapid growth of China’s economy has provided a broad and stable market for African products.” Phenomena that under Mao era rhetoric would have been attributed to “imperialism” are now framed as “opportunities,” and the exploration of resources is now referred to as serving both parties’ “development needs” rather than representing unilateral “exploitation” and “plunder.”

However, this rhetoric is not confined to the realm of international economic relations. Instead, it reflects the ‘trickle down’ ideology that has been embraced by the political elite since the 1990s in national development programs. The strengthening of the (economically) liberal faction within the CCP led to the adoption of a development strategy that has become known as “playing two hands hard.” While one hand represents the ultimate power and political control by the party, the other hand has been used “to achieve economic growth by any and all means possible and available.” Under this development paradigm, economic growth has come to be seen as a guarantee of political regime stability, (allegedly) providing jobs and state revenues. Accordingly, it is at the center of political agendas across all levels of government. In 2011, the mounting social

701 Compare, for instance, Deng (1974) and the whitepaper on peaceful development by the State Council (2011b).
703 CAITEC (2010).
704 The comparison is based on Deng Xiaoping’s speech at the UN General Assembly (Deng (1974)) and contemporary government rhetoric of the Chinese Ministry of Foreign Affairs (MOFA) (MOFA (2006)).
705 Oman (1 July 2011).
706 Oman (1 July 2011).
unrest related to the high costs of this development approach led the Chinese government to change the principle of “strong state, wealthy people” into “wealthy people, strong state” (12th Five Year Plan), indicating a new emphasis on social, environmental, and ecological aspects of development. Yet, in practice, the political control of the party still comes before the wellbeing of the people or the environment (see Table 5-1 for relevant publications articulating China’s development ambitions and strategies).

Against this background, China’s outreach to Africa since 2000 is seen in relation to China’s construction of a “socialist market economy” and is argued to be of “mutual benefit” for the parties involved. While the first notion clearly establishes a linkage between domestic economic interests and development plans and overseas investments, the latter exposes the fundamental shift in China-Africa relations, from unilateral aid provision by China to Africa towards “mutually beneficial” cooperation, which is supposed to benefit Chinese economic interests as much as it does African countries (see Table 5-1 for key documents establishing this linkage).

708 State Council (2011a).
709 State Council (2011b).
710 Li (2006).
Table 5-1 – Key Documents Outlining China’s Development in Relation to the Chinese Presence in Africa (selected)\textsuperscript{711}

<table>
<thead>
<tr>
<th>Speeches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974 – Deng Xiaoping, Speech at the UN General Assembly</td>
</tr>
<tr>
<td>Government (White) Papers</td>
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<tr>
<td>2005 – Whitepaper, “Peaceful Development Road</td>
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<td>2006 – Whitepaper, “China’s Africa Policy”</td>
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<td>2011 – Whitepaper “Peaceful Development”</td>
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<td>2011 – Whitepaper “Foreign Aid”</td>
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<tr>
<td>Official Notice and Frameworks</td>
</tr>
<tr>
<td>1991 – National Planning Committee “Opinion”\textsuperscript{712}</td>
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<td>1999– State Council “Opinion”\textsuperscript{713}</td>
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<tr>
<td>2000 – CCP “Suggestion”\textsuperscript{714}</td>
</tr>
<tr>
<td>Since 2001– Emerging “Go Out” Framework for Overseas FDI\textsuperscript{715}</td>
</tr>
<tr>
<td>Reports</td>
</tr>
<tr>
<td>2010 – China-Africa Trade and Economic Relationship</td>
</tr>
<tr>
<td>2011 – Statistical Bulletin of China’s OFDI 2010</td>
</tr>
</tbody>
</table>

\textit{China’s Africa Policy}

In 2006, for the first time, the Ministry of Foreign Affairs published “China's Africa Policy” (January 2006),\textsuperscript{716} a whitepaper that “present[ed] to the world the objectives

\textsuperscript{711} The documents can be found in the bibliography section as follows: Deng (1974); State Council (2005); MOFA (2006); National People's Congress (2006); Chinese Government (2006); State Council (2011b), State Council (2011a); National People's Congress (2011); Wilkes and Huang (2011); Chinese Government (2011); CAITEC (2010); Ministry of Commerce (2011a).

\textsuperscript{712} See description in Xue and Han (2010), 316-317.

\textsuperscript{713} See description in Wilkes and Huang (2011), 9.

\textsuperscript{714} Wilkes and Huang (2011), 9.

\textsuperscript{715} See description of major reforms and notices under Xue and Han (2010); Wilkes and Huang (2011); Bernasconi-Osterwalder et al. (2013).
of China's policy towards Africa and the measures to achieve them, and its proposals for cooperation in various fields in the coming years, with a view to promoting the steady growth of China-Africa relations in the long term and bringing the mutually-beneficial cooperation to a new stage.”

The document starts out by portraying Africa as a post-colonial continent with a “long history, vast expanse of land, rich natural resources and huge potential for development,” and continues by identifying the guiding principles of China-Africa relations as “equality and mutual benefit, solidarity and common development.” At the same time, the Ministry describes China as the “largest developing country in the world, [which] follows the path of peaceful development and pursues an independent foreign policy of peace.”

With regard to the guiding ideology, the complementary concepts of “peaceful development” and “common development” are of special importance. Already in 2004 (and again in 2011), a foreign policy whitepaper titled “Peaceful Development” outlined this concept against the background of rising international concerns over Chinese investment activities abroad. Basically, the concept of peaceful development claims that China’s development trajectory is different from that of Western countries in the past, particularly regarding its foreign economic policy. Contrary to Western countries’ episodes of economic expansion and industrial restructuring, which were characterized by violence, domination, and colonization, China is framed as a responsible “big country,” managing its

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current industrial ‘need’ to expand overseas in a peaceful manner that allows for the realization of the development goals of all parties involved. Therefore, it allows for “common development,” which again matches the guiding principles of China-Africa relations, namely “mutual benefits,” “equality” and “solidarity,” as mentioned in “China’s Africa Policy” (see Table 5-2). Multiple statements made by government officials apply this narrative, including the earlier quote from 2011 by Lu Shaye, Director-General of the Department of African Affairs of the Ministry of Foreign Affairs, on the nature and driver of Chinese-African relations. China-Africa relations are said to be complementary in nature, meeting China’s interest in new markets, resources, and business opportunities, and African countries’ interest to increase their primary commodity exports, import technology to improve their economies’ productivity, and improve their representation in international fora.

It is worth noting that the 2006 “China’s Africa Policy” also provides a detailed account of measures to be implemented to realize the “mutually beneficial” cooperation. Measures named in the political realm include enhanced governmental cooperation at all levels of government between the African continent and China, as well as cooperation in international affairs, with China speaking up for African interests in international institutions. Objectives in the economic field are to establish a China Africa Joint Chamber of Commerce and Industry (CAJCCI), stimulate trade, facilitate investment, enhance agricultural cooperation, boost infrastructure projects, and foster “resource cooperation”

720 Gouraud (18 October 2011).
721 Gouraud (18 October 2011).
722 See the website of the China Africa Joint Chamber of Commerce and Industry (http://www.china-africajcci.org/english/about_us.asp) for more information.
while continuing with FOCAC ministerial conferences, amongst other projects. In the case of Chinese land-consuming investments in agriculture, the document states that the “focus will be laid on the cooperation in land development, agricultural plantation, breeding technologies, food security, agricultural machinery and the processing of agricultural and side-line products.”

Table 5-2 – Guiding Principles and Objectives of "China's Africa Policy" (MOFA 2006)

| Sincerity, Friendship and Equality. China adheres to the Five Principles of Peaceful Coexistence, respects African countries' independent choice of the road of development and supports African countries' efforts to grow stronger through unity. |
| Mutual Benefit, Reciprocity and Common Prosperity. China supports African countries' endeavor for economic development and nation building, carries out cooperation in various forms in the economic and social development, and promotes common prosperity of China and Africa. |
| Mutual Support and Close Coordination. China will strengthen cooperation with Africa in the UN and other multilateral systems by supporting each other's just demand and reasonable propositions and continue to appeal to the international community to give more attention to questions concerning peace and development in Africa. |
| Learning from Each Other and Seeking Common Development. China and Africa will learn from and draw upon each other's experience in governance and development, strengthen exchange and cooperation in education, science, culture and health. Supporting African countries' efforts to enhance capacity building, China will work together with Africa in the exploration of the road of sustainable development. |

The one China principle is the political foundation for the establishment and development of China's relations with African countries and regional organizations.

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724 MOFA (2006), part III.
In many cases, this rhetoric of mutual benefit, learning, solidarity, and common development is replicated when outlining inter-governmental project goals (see Chapter 4), but it is also present on the private firm level. For example, the “murky” China International Fund Ltd. (CIF) uses a Chinese allegory tracing back to the philosopher Laozi to show how its investments in Africa will serve the goal of “common development” and “mutual benefit” by transferring technology and knowhow on the one side, and creating new business opportunities on the other: “Give a Man a Fish and you Feed him for a Day. Teach a Man to Fish and You Feed Him for a Lifetime” (see Figure 4-1 and Figure 5-1).725

Figure 5-1 – China International Fund Information Material (CIF 2011)726

725 To learn more about the dubious reputation of this Fund, see a summary of critical reports on the blog by Brautigam (19 October 2011).
726 “Give a Man a Fish and You Feed Him for a Day. Teach a Man to Fish and You Feed Him for a Lifetime.” This saying is reported to date back to Laozi, a philosopher of ancient China who developed the strain of Taoism (dao-ism). Chinese characters displayed are as follows: 非洲 (feizhou) = Africa; 中国 (zhongguo) = China; 鱼 (yu) = Fishery; 渔 (yu) = Fish. The sentence plays with the multiple meanings of the word “yu” (jade alias wealth; fish; fishery). The comic is taken from the information brochure of the China International Fund (2011), 27-28.
Summary

China’s changing ideological orientation clearly correlates with the shifting interests of its growth- and export-oriented and resource-intensive (political) economy. Undoubtedly, such an economy cannot function along the lines of an anti-capitalist ethics framework. That old framework, focusing on “self-dependence” and “autonomy” and assuming a zero-sum nature of international economic and ecological exchanges conducted on a capitalist basis, was the common Chinese standpoint prior to the opening up of the country. To the degree that the current ideology basically denies that there are zero-sum aspects in the above outlined bilateral relations that might make one of the two partners worse off, – from an ecological, economic, and/or social point of view –, the ideological discourse reveals an affinity with mainstream economics framings of development and cooperation that are embedded at the level of international economic and aid governance.

At the same time, the above presented information/publicity brochure of the China International Fund Ltd. (Figure 5–1) reflects the slightly asymmetric conception of this “mutual benefit” relationship that is outlined in “China’s Africa Policy” and other significant publications mentioned before. It anticipates the exchange of resources from African countries for technology and knowhow from China. For the moment being, this is largely a reflection of the economic set-up of the partnering countries, but historical evidence highlights that such asymmetric exchanges carry the danger of becoming permanent. At the least, they are hard to overcome, especially once they are locked into existing societal and economic structures (see Chapter 3). The following section will expand on the key characteristics of Chinese political economy because they are important
to understanding the core traits of this liberal turn presented above from the viewpoint of interests involved.

4. Political Economy

Given the complexity of actor constellations in the context of land-consuming investments (see Chapter 4), but also in view of the previously-described discursive turn since the 1990s, it seems vital to outline the key characteristics of the investor country’s political economy that might explain both phenomena in the larger context of home country development. Evidently, referring to the dominant role of the state in China’s economy falls short of capturing the specificities and/or misses to account for conflicting interests.

In this section, I argue that three aspects of the political economy are of particular relevance when contextualizing and explaining – in the home country context – the guiding ideology, as well as the multitude of Chinese agents, involved in overseas investments in SSA. In the following sub-sections, these aspects will be discussed under the headings of state fragmentation; the rise of bureaucratic entrepreneurs; and shifting state-market relations. The characteristic mixture of these three aspects has been summarized by Feng Xu under the concept of “neoliberal governmentality.”727

727 Feng (2009), 432.
State Fragmentation

Though this is often overlooked, the emergence of the OFDI framework has been the outcome of a process of political reform. That is, despite the absence of a reform in China towards a “multiparty system and the separation of powers,”728 it was a political reform process which created the foundation for the economic transition outlined above. This reform process, which has yielded an increasing “fragmentation of the central government,”729 as well as the “rise of sub[-]-state actors,” has taken place in the areas of “state governance and of the administrative systems of the state.”730 As a result, Feng Xu argues that a system of “neoliberal governmentality” has emerged:

Although China is in broad terms an illiberal polity, the Chinese state is increasingly adopting a neo-liberal way of governing or neo-liberal governmentality. Following Michel Foucault, “governmentality” refers to forms of governance that utilize a network of state and non-state actors, with the specific aim of steering individuals (both individual persons and individual institutions) to govern themselves in the market economy.731

Increasingly, governance of areas such as energy, agriculture, investment, and labor, all of which are related to Chinese land-consuming OFDI, reveals forms of neoliberal governmentality in the way it is organized. Particular characteristics are the engagement of multiple actors from the public and private sectors, the decentralization of approval processes to lower levels of government, and the rising degree of “rule by regulation” in the governing of these policy areas.

728 Yu (2008), 23.
729 Bo (2011).
730 Yu (2008), 23.
731 Feng (2009), 432.
Importantly, Foucault coined the term “neoliberal governmentality” to describe a middle ground of economic governance between laissez faire and state collectivism.\(^{732}\) In addition, Lemke highlighted that the term defines the fundamental change in how a particular socio-economic and political order is legitimized: “Collective wealth produced a social consensus on a state that was no longer defined in terms of a historical mission but legitimated itself with reference to economic growth. Economic prosperity revealed the legitimacy of the state for all to see (...)”.\(^{733}\) Moreover, from the perspective of liberal and neoliberal political and economic theories, the term neoliberal governmentality seems to capture elements of both definitions. On the one hand, the economic liberalization processes underway since the 1980s have led to greater importance being placed on the rule of law and markets in the governance of China’s economy; however, the (altered) state remains central in establishing these institutions and governing this process.\(^{734}\) On the other hand, some areas have become increasingly deregulated, and (central) state control has been significantly reduced.

This transformation is reflected in the increasingly elaborate “Go Out” framework as well as in the composition of OFDI. Not only have approval processes been transferred to the provincial level, but provincial actors have also begun to act as foreign policy entrepreneurs and investors. For instance, a pilot farm in Mozambique is the result of inter-provincial cooperation between Gaza province and Hubei province.\(^{735}\) In some cases,

\(^{732}\) He attributed this form of governmentality to Germany, and acknowledged that different countries have different degrees of neoliberalism and governmentality in their socio-economic orders. Foucault(2008), 192-194.

\(^{733}\) Lemke (2010), 195-197.

\(^{734}\) See, for instance, North et al. (2009), 45 (Footnote 16).

\(^{735}\) Chichava (2013), 2, 9-11.
provincial overseas activities have even been in direct conflict with the foreign policy objectives of China’s central government. Moreover, the major actors and institutions of the OFDI governance system have been created rather recently in order to meet the administrative challenges posed by the new complexity of economic relations and international development objectives. Take, for example, MOFCOM. This ministry was established in 2003 and given the responsibility of supervising Chinese OFDI in the domestic and international contexts while also coordinating foreign aid policy and instruments (funds and loans). The institution is a merger of multiple functions that were carried out by other departments prior to its existence. Another example is the State-owned Assets Supervision and Administration Commission (SASAC). It was created as an ‘ad hoc’ institution in 2003 and tasked with the management of national SOEs, including supervision and approval of their OFDI projects. It operates on the premises of the Ministry of Finance, And since its establishment, it has constantly advanced FDI-related deregulation. Likewise, the acting Premier, Li Keqiang, and the State Council have asked government agencies to further deregulate and reduce “unnecessary administrative approvals.”

*The Rise of “Bureaucratic Entrepreneurs”*

It is crucial to understand that in spite of the above-mentioned political reform process and the multiplicity of actors involved in land-consuming overseas investments,

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736 Chen and Jian (2009).
737 See Xue and Han (2010), 308-309.
738 See Xue and Han (2010), 308-309.
739 Wildau (10 May 2013).
the state remains a dominant actor in both the domestic economy and outward investment activities. The political reform was the result of a choice by the ruling elite to transform the economic structure while ensuring the “continuation of the elite strata.” Similar to the industrial revolution in Great Britain and that country’s subsequent overseas expansion (see Chapter 3), political actors in China gave up a certain portion of their political and legal privileges while becoming “new entrepreneurs and legislators” in a process that enhanced the intermingling of political office and economic opportunity.

The concentration of economic power within the multilevel realm of the state is reflected by the fact that among the 500 largest Chinese enterprises, the so-called “China 500,” almost all of the assets (96%) and profits (85%) were held by SOEs in 2006. Currently, the Chinese government is also trying to increase its influence over the private sector, which is said to contribute more than two thirds of the annual growth in GNP. A rising number of private enterprises feature a party cell in their organizational set-up. However, it seems that in some cases, private companies undertake such CCP-related activities primarily as a way to present themselves to relevant cadres and gain access to funding. This makes sense in the context of more than two decades of financial repression and a re-tightening of economic control by the political elite that has put the private sector

742 Rudman (2006), 34.
744 English.news.cn (21 June 2011).
at a disadvantage, both compared to state-owned enterprises and international competitors.\textsuperscript{745}

Since China’s opening up, this process of the “marketization of power”\textsuperscript{746} has turned state officials into bureaucratic entrepreneurs. At the same time, the party has opened its membership regulations to allow private entrepreneurs in the CCP. By 2000, 20\% of private entrepreneurs were said to have become party members. This trend enhances the synergetic relationship between public and private interests, particularly since a growing number of entrepreneurs belong to local party committees that exercise great influence at the local level.\textsuperscript{747} At the 18\textsuperscript{th} National Congress of the CCP in 2012, Liang Wengen, the billionaire entrepreneur, was elected as a delegate for the second time, the first being in 2007. Wengen epitomizes this intermingling of political power and economic wealth, as he had originally been a government official before he became an entrepreneur.\textsuperscript{748}

With regard to Chinese OFDI, this dominance of the state, together with the shifting interest structure of the actors involved, has several implications. On the one hand, overseas investments do reflect the dominance of state actors within the domestic economy: most (recorded) OFDI projects were still being undertaken by state-owned enterprises as of 2013.\textsuperscript{749} In Chinese land-consuming OFDI in Africa, research by Jansson indicates that SOEs usually dominate large-scale investment projects in the oil and construction sectors.

\begin{footnotesize}
\begin{enumerate}
\item Fewsmith (2001), 170-176.
\item He (13 November 2012). Also see He (2002).
\item Rudman (2006), 50.
\item Tây Sơn News Wire (27 September 2011); and ChinaDaily.com.cn (12 November 2012).
\item Davies (2013), 8.
\end{enumerate}
\end{footnotesize}
while private enterprises tend to have small-scale investments in agribusiness, manufacturing, and communication (also see Table 5-3). Among the investments in the “land grab” literature that were studied for this thesis, the majority was undertaken by provincial and central SOEs in the mining or construction sectors, or by those SOEs active in the agricultural friendship farms. On the other hand, it is important to highlight the changing interest structure of state actors, which is reflected by the discursive turn outlined in the previous section on guiding ideology. State actors are increasingly in it for profit, which they then manage themselves. Given that capital investments in Africa are said to have a 60% higher return than in Asia, this detail seems essential for explaining why these investments take place as they do, particularly against the Chinese background of declining returns, domestic market saturation, limited economies of scale, and high wealth inequality.

\[750\] Jansson (2009), 3.
\[751\] Also see He (13 November 2012).
\[752\] Liu (4 November 2011).
Table 5-3 – Three Levels of Chinese Engagement in Africa (Jansson 2009)\textsuperscript{753}

<table>
<thead>
<tr>
<th>Level 1 – government</th>
<th>Actors: Primarily Chinese and African governments and embassies, government departments, banks (China Export – Import; China Development Bank), and other financial institutions</th>
<th>Activities: Bilateral relations and official visits, FOCAC, party-to-party relations, policy bank-financed concessional finance agreements, donations (stadiums, parliament buildings, hospitals), development aid, debt relief.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2 – larger company level</td>
<td>Actors: Chinese state-owned enterprises (SOEs) and larger private Chinese companies. These actors mostly have close relations with the Chinese Embassy in the respective African country, but they do not always work on projects financed by the Chinese government.</td>
<td>Activities: - Large-scale infrastructure undertakings financed either by Chinese concessional loans, the AfDB, the WB, the African government, or other financial institutions. - Extractive industries: oil, minerals, timber. - Larger manufacturing/assembly plants.</td>
</tr>
<tr>
<td>Level 3 – small-scale economic activity level</td>
<td>Actors: Small-scale traders, owners of processing plants, and ‘fast-moving’ businessmen who entered African countries independently. Between these actors and the Chinese Embassy there is often very little interaction, assistance, and/or control.</td>
<td>Activities: Import and trade in consumer goods, mineral processing, timber export, other small-scale economic activities.</td>
</tr>
</tbody>
</table>

Changing State-Market Relations

The material presented above highlights two aspects of the changing state-market relationship that are critical to understanding how and why Chinese investments occur. Firstly, the central state is not necessarily in control of what is happening. And, secondly, the strong position of the state does not imply that these investments are not for profit.

\textsuperscript{753} Jansson (2009), 3 (Table 1).
Rather, the high degree of state fragmentation has provided discretionary power to the provinces, and the emergence of bureaucratic entrepreneurs has given rise to changing interest structures and an enhanced focus on profit, together with a development discourse that matches this interest structure and profit orientation.

Adding to these increasingly complex state-market relations is a third aspect: the SOE management reforms that began in the 1980s (these were briefly alluded to in the ‘home country measures’ section of this chapter). In fact, over time, the Chinese government and the CCP introduced a policy (zhengqi fenkai) that separated “government functions from business operations.” As a consequence, “state-owned companies of all kinds have gradually been losing some of the advantages once conferred by their relationship with the state.” While SOEs gained leeway in terms of choosing CEOs, and now can hold on to the profit they generate, they are also held accountable for their failures by state officials, who have increasingly become distanced from SOEs. As a consequence, a rising number of SOEs has gone out of business.

This complex relationship is reflected in Chinese land-consuming OFDI in SSA, as even agricultural cooperation projects are operated by Chinese state farms on a for-profit basis, often without financial support from the government. The complex nature of the relationship is also evidenced by the fact that construction sector SOEs have turned into contract bidders that pursue their own business strategies. Even in the case of China’s policy banks, the marketization of state interests, as well as the effects of the SOE

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754 Woetzel (8 July 2008).
756 Woetzel (8 July 2008).
757 Brautigam (2009).
management reform, is of fundamental importance. While bank loans are “heavily influenced by government policies and are not to operate in full compliance with the market rules,”\textsuperscript{758} as outlined earlier, banks are not permitted to accumulate debts and/or engage in unprofitable business. This also applies to the China-Africa Development Fund, which is expected to generate returns on the support it provides to Chinese businesses investing overseas.\textsuperscript{759}

Also, the assessment of private investors highlights the importance of a differentiated analysis of state-market relations for a better understanding of what is happening and why. While thus far private entrepreneurs have hardly profited from Chinese funding or state institutions when investing overseas,\textsuperscript{760} research shows that their motivation to go abroad is often related to the state-dominated political economy back home – in two ways. On the one hand, their motivation seems to be related to the crowding out effects of IFDI policies within China, together with domestic market saturation and unfavorable regulations.\textsuperscript{761} On the other hand, a detailed study on the practices of Chinese companies in Angola has shown that Chinese privately-owned enterprises (POEs) seem to operate in the periphery of SOEs, with the former taking on activities that the latter outsource from their overall production processes. This indicates that an isolated

\textsuperscript{758} Brautigam (2011a), 4.
\textsuperscript{759} Brautigam (2011a), 4.
\textsuperscript{760} Jansson (2009); and Brautigam (2009), 257.
\textsuperscript{761} Rui et al. (2010), 182.
assessment of SOE and POE activity might miss the pull-and-push dynamics that link the
two types of enterprises.762

**Summary**

The assessment of state-market relations underlines that key economic and political
changes since the 1990s match the shifting development discourse in which Chinese land-
consuming investments are embedded. The economic and political changes also explain
the way these investments take place, namely their use of modern development finance,
for-profit orientation, and/or the complex actor constellations.

The intermingling of political power and economic wealth, the rise of sub-state
actors, and the linked dynamics between SOE and POE activity characteristic of China’s
political economy are not adequately addressed in common explanations of Chinese land-
consuming FDI that assume that these investments are primarily conducted by state agents
with the intent to secure resources. Such a narrow narrative also overemphasizes
differences in relation to liberal countries. Take the example of home country measures
applicable to Chinese OFDI: from a comparative perspective, these are very similar to the
institutional landscape that has been in place in industrialized countries for a long time. In
fact, China is just catching up to the range of mechanisms that companies in OECD
countries have at their disposal. The greatest finding of this section might indeed be the
high degree of institutional similarity (rather than uniqueness or innovation) that

762 Action for South Africa (2011), 1; also see Belchior (2010). Overall, activities of privately-owned
enterprises (POEs) are under-researched, and POE projects are hardly mentioned in “land grab”
databases.
characterizes Chinese engagement with African countries when compared to Western relations with the continent – a fact that is particularly interesting with regards to the South-South cooperation rhetoric often applied not just by Chinese and African partners, but also by multilateral organizations, such as the FAO.\textsuperscript{763}

5. Development Context

China has moved from close to zero OFDI activity to becoming an important investor country within less than three decades. From this historical perspective, but also with regards to China’s more recent decision to pro-actively promote such capital exports, the linkage of development trajectories and OFDI promotion deserves closer attention. After all, OFDI has become an important component of the country’s contemporary foreign economic policy as well as its diplomatic efforts. And FDI research has rightly noted that “OFDI is one part of the country’s overall strategy of economic development. It is a means to an end, not the goal itself.”\textsuperscript{764} The next paragraphs will bring together the various threads about OFDI in the context of Chinese development that appeared in earlier sections. Within the context of this thesis, and together with a similar segment in the British case study (see Chapter 7, Section 5), this section provides the foundation for the comparative discussion of role of OFDI in the context of home country development.

I argue that Chinese land-consuming investments are part of a trend by the Chinese government to further internationalize development, – in the search for markets, resources, profitable business, and/or political allies, and in the face of rising resource pressures,

\textsuperscript{764} Broadman (2010), 331.
external dependencies and high international competition.\textsuperscript{765} In international comparison, this globalization of Chinese development via its “emerging transnational companies” is nothing out of the ordinary. For instance, authors such as Hirsch have drawn attention to the fact that transnational or multinational enterprises play important roles in a home country’s social and economic development.\textsuperscript{766} Their foreign supply sourcing and embeddedness in international markets are, for instance, important in terms of facilitating international economies of scale in spite of the problem of domestic diseconomies of space. They also enable industrial upgrading and provide institutionalized access to resources looked for in the particular industrial setting:

\begin{quote}
The MNEs’ value activities lower the barriers separating countries from their foreign sources of supply and their international markets. This enables home countries to increase the benefits they derive from the international division of labor, exploitation of economies of scale and the ownership advantages of their MNEs. Other things being equal, an extension of the global reach achieved through cross-border value activities is likely to compensate for the tax loss and the diminution of sovereignty implied by outward FDI.\textsuperscript{767}
\end{quote}

At the same time, of course, it can be argued that the wave of deregulation in the 1990s, together with advances in transportation and communication, has changed the nature of state-market relations, thereby rendering the home country’s advantages that it can obtain through its companies’ OFDI activities (even) less feasible. For instance, transnational enterprises increasingly threaten governments to exit their country’s economy and relocate their production activities to other countries in the case of unfavorable policy measures. Moreover, corporate actors pursue a narrow shareholder value objective, and tax evasion is widespread. Yet, it seems that in many cases, the perception that the paybacks of

\textsuperscript{765} Wilkes and Huang (2011).
\textsuperscript{766} Hirsch (2012), 1-2.
\textsuperscript{767} Hirsch (2012), 1.
the “extension of the global reach achieved [by companies] through cross-border value activities” outweigh the costs still prevails among policy makers. Perhaps this is partly due to the lack of theorized alternatives, but it also partially results from the fact that policy makers are often closely interlinked with corporate actors and interests, as the specificities of China’s political economy have perfectly illustrated.

According to the outline of the 11th Five Year Plan (2006-2010), which has become the foundation of China’s evolving OFDI policy framework, the policy stance towards OFDI seeks to promote five developmental objectives. First, going overseas shall raise companies’ competitiveness through enhanced international economic and technical cooperation, which will provide them with new opportunities, economies of scale, and knowhow. Second, OFDI shall support the export sector by means of “overseas project contracting and labor service cooperation.” Third, the sourcing of domestically scarce resources overseas is seen by the government to address the dramatic environmental impact of China’s development trajectory while securing stable and efficient supplies. Fourth, overseas research and development activities are intended to improve the technological base and upgrade relevant sectors. Fifth, OFDI is framed as a means to globalize the economy by internationalizing production chains and business operations. This (foreign) economic strategy is complemented by an IFDI strategy that aims both to

768 Wilkes and Huang (2011).
769 Put together and expanded on by A.G., based on information provided by Wilkes and Huang (2011), 9-10.
regulate IFDI such that it becomes “greener” and advances the technology and knowhow transfer (see also the 12th Five Year Plan, 2011-2015).

Clearly, the above-presented policy choices and official rhetoric that Chinese land-consuming FDI projects are reflective of and embedded in cannot be fully captured without looking more closely at the specific development challenges that the country has faced and that increasingly threaten the political elite. China’s development path since opening up has been summarized by Wenran Jiang as “heavy industrialization, labor- and capital-intensive manufacturing industries, export-led growth, low labor cost and high environmental damage.” By 1993, the country had turned from petroleum exporter to petroleum importer. Moreover, the development trajectory has resulted in low worker welfare, the stagnation of political reforms, and a burgeoning rise in social (wealth) inequality in a context where economic opportunity is linked to public office. Together with the intense environmental consequences of the country’s rapid urbanization, industrialization, and modernization processes, these factors have come to pose a challenge for the country’s social stability, as well as its food security, and they are viewed as

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771 Jiang (2009), 587.
772 Vissers (June 2013), 1-7.
773 Jiang (2009), 587.
774 WB and SEPA (China) (2007).
775 Liu et al. (2005), 450.
776 While China managed to maintain a self-sufficiency rate of 95% with regard to food security, defined as grain security, it became a net importer of certain crops and products such as soybeans, vegetable oils, and sugar. For example, soybean imports today cover three quarters of domestic demand. Agricultural investments in Latin America and Eastern Europe (e.g., Bulgaria) try to grow these crops for export to China. See for instance Economic Observer (11 February 2012) and Council of Ministers (26 November 2013).
matters of national security that have the potential to threaten the stability of the political party regime.

The IFDI-led export growth strategy has also had a negative impact on domestic enterprises. In many cases, these struggle to compete with foreign companies because they lack access to credit services, have to deal with political interference, and are less embedded in international markets. As one entrepreneur going overseas put it: “The best food has all been eaten up by the global giants and what we can do is to have those leftovers.” At the same time, the country’s overall industrial productivity and efficiency did not necessarily improve all that much through foreign investment. To a certain degree, China has been locked in the existing international division of labor, and it has become the workshop in the international production line of foreign companies, resulting in less skill and technology transfer than had been hoped for by the political elite. The current challenge is to avoid falling in the so-called “middle-income trap” that many emerging economies are confronted with. That is, China increasingly loses its competitive edge “against low-income countries at low wages;” but, at the same time, the country “cannot compete with high-income countries on innovation and higher value production.”

Importantly, the changes in China’s OFDI policy preferences and foreign policy regarding Africa have occurred in the context of these internal and external development

777 Rui et al. (2010), 182.
778 Jiang (2009), 589; Moran (2011), 64-71.
779 Moran (2011), 64-71; Gaullier et al. (2005).
780 Zhuang et al. (2012), 11.
781 Zhuang et al. (2012), 11.
challenges. Significant events in this process were the country becoming a net oil importer (1992); the collapse of export markets during the Asian crisis (1997); and the strong domestic competition that resulted from the IFDI-led development strategy, as well as the WTO accession, which negatively impacted indigenous enterprises due to their limited access to credit and world markets (2001). Moreover, the mounting socio-economic and ecological pressures have pointed to the need to upgrade economic activity back home.

Regarding interests, these reforms are part of the political elite’s continued pursuit of economic growth as a way to stabilize and legitimize the political system though economic success. Moreover, they reflect the interests of the country’s resource-intensive and export-dependent (state-owned) manufacturing industry, which functions as the country’s economic backbone and plays an important role in the accumulation of foreign reserves. In addition, Chinese land-consuming OFDI also involves a number of actors which respond to these policy changes, such as workers that hope to improve their (family’s) livelihoods; construction companies that establish themselves as independent contract bidders; and/or POEs or SOEs that seek to make their fortune overseas, evading political interference and/or crowding out effects of IFDI activities back home.

Summary

Land-consuming OFDI in SSA is part of China’s resource and expansion diplomacy that has ensued since the late 1990s, picking up speed in 2000. Overseas investments by Chinese companies emerged as part of the tool set available to the Chinese government to pursue certain interests and policy objectives. At the same time, the paths taken and choices made regarding the Chinese presence in African countries can only be
fully grasped by revisiting the core traits of the Chinese political economy, such as the rise of bureaucratic entrepreneurs, the marketization of power, and the emergence of a “neoliberal governmentality,” all of which have been conducive to a promotional OFDI policy stance and guiding ideology.

The previous assessment of the home country context also showed that China is not an isolated country; rather, the international context matters. The choice of instruments, as well as the guiding ideology characteristic of Chinese OFDI in SSA, reflects major traits of mainstream economic theory that are embedded in the international economic and aid governance architecture. Interestingly, the international context is crucial for understanding the Chinese foreign policy concept of “peaceful development” that aims to differentiate China’s expansion overseas from the violent history of the North. Regarding the liberal international context within which Chinese expansion occurs, the “peaceful development” idea seems less ‘innovative’ than the Chinese government wants it to appear. Instead, China is profiting from an international economic system that allows countries and societies to expand their consumption and production patterns beyond their sovereign borders without waging war. In contrast to those of the late 19th century, contemporary overseas investments are rationalized within a “win-win” narrative and are part of a technical regime of international economic governance that regulates how they should take place but does not query their legitimacy, such as the WTO or BITs (see Chapter 4).783

782 Feng (2009), 432.
783 See Chapter 3; and Trentmann (2008), 7. Consequently, this raises the interesting question of what such a “peaceful development” approach would look like under a different international architecture which acknowledged zero-sum aspects of international social, ecological, and economic relations.
Moreover, other features of the international context, such as the price volatility of international energy markets, their quasi-monopolistic structure, and/or the reluctance of Western governments and companies to integrate emerging Chinese companies into the international (energy) markets play a role in explaining why these investments occur.\footnote{784}{Goldthau and Witte (2010).} These aspects have led the Chinese government to search for new partners – such as African countries – to facilitate the economic expansion and globalization process that land-consuming FDI is part of. At the same time, Chinese OFDI is not a unilateral undertaking: African governments play a crucial role in shaping which investments take place and how.

This section will conclude by looking at the question of whether, in fact, OFDI lives up to the rhetoric used for its legitimization. Can we say that land-consuming FDI activities in Sub-Saharan Africa are a success story from a home country perspective, particularly given the empirical evidence which underlined that many of the stated goals attached to FDI projects in the recipient countries did not materialize? Again, it appears that the reality of these investments, as well as their utility, is rather complex.

From the official Chinese perspective, these investments are said to “deepen the development of international energy resources and (...) processing cooperation.”\footnote{785}{See National People’s Congress (2011); and State Council (2012).} In international comparison, China is just catching up to international practices and standards of development that have a long tradition within OECD countries. Yet, there remains great skepticism among the Chinese public, which largely seems to oppose OFDI.\footnote{786}{Broadman (2010), 330.}
particular, overseas investment projects that construct hospitals or schools have been commented on with rising sarcasm by Chinese netizens who point to the rural areas in China where such services and infrastructure are largely missing. In view of the high social costs of the Chinese development trajectory over the past three decades, characterized as it is by a dramatic increase in social wealth inequality, the denial of social rights, and very low wages, it seems to be widespread public opinion that these investments, grants, and social development measures should instead be put to work in the Western provinces and rural areas, which for the time being remain decoupled from the overall development process.\textsuperscript{787} The aspect of high wealth inequality\textsuperscript{788} is particularly interesting from a historical perspective (see Chapter 3). This usually curbs demand in home countries while also contributing to an unprecedentedly high level of capital to be exported. Accordingly, calling Chinese land-consuming OFDI a success story at this point does not capture the complexity associated with OFDI from the perspective of home country development.

6. Conclusion

Given the multifaceted dynamics at play, I did not attempt to provide a monocausal explanation of how and why these investments take place as they do. As Marks has rightly noted, “[m]onocausal explanations are too simple to take account of the complexity of people, societies, and historical change.”\textsuperscript{789} However, the key argument that has been put forward in this case study is that these investments are part of several (interrelated) drivers, namely Chinese efforts to diversify the country’s resource supply, open new markets, to

\textsuperscript{787} Broadman (2010), 330; Chinese Academy of Social Sciences and UNDP China (2013), 1-13.
\textsuperscript{788} Chinese Academy of Social Sciences and UNDP China (2013), 1-13.
\textsuperscript{789} Marks (2007), 13.
internationalize production processes, and strengthen the “soft power” in international relations.

More in detail, the review of the home country context highlighted that China has moved away from self-identifying as a planned economy aimed at a high degree of autarky, and transitioned towards a “socialist market economy”\(^{790}\) that is increasingly integrated in the world economy. Responding to particular events in time, such as the growing external resource dependency, the collapse of its main export markets during the Asian crisis, the unfavorably tough competition between foreign investors and domestic industry, and the untenably high social and environmental costs of development, the government has adopted an promotional policy stance towards OFDI.

Since 2000, Chinese SOEs going overseas operate in an increasingly elaborate institutional framework, and they benefit directly or indirectly from the wide range of home country measures supporting overseas activities, such as commercial diplomacy, economic cooperation projects, and/or new forms of development finance. At the same time, substantial reforms of corporate governance have given SOEs more leeway from state control in their business operations. Importantly, these ideological shifts and the reform processes are part of profound political reforms that have occurred since the 1980s. These have significantly changed the country’s political economy. While the state remains the central actor, the rule of law and markets play a greater role in China’s economic governance; regulatory procedures have been eased; a new actor group of bureaucratic entrepreneurs, i.e. officials who use their favorable political positions in the system to

\(^{790}\) See, for instance, People's Daily (13 July 2005).
profit economically, has emerged; party structures have been opened to private sector actors; and competencies in particular policy fields have been decentralized, increasing the importance of sub-state actors (see brief summary in Table 5-4).

Together, these home country features explain the core empirical characteristics of Chinese land-consuming OFDI in SSA, which were introduced in the previous chapter. Accordingly, the sectoral composition, with its focus on resources and manufacturing, reflects the home country economic setting, i.e. the manufacturing industry’s interest in external resources and business opportunities to continue and/or expand its operations; and the political elites’ focus on growth as a source of wealth and political stability. This also explains the minor share of agricultural investments in SSA, as these have not been a priority. Instead, SOE-run agricultural and construction projects often started at the request of African governments that wanted to reactivate the former friendship farms and build infrastructure in exchange for resources. From the Chinese perspective, these are part of a “soft power” strategy to build up a reputation as peaceful emerging power that acts to the benefit of its partners. At the same time, the labor exports that are accompanying the increases in trade with and investment to SSA highlight the very low worker welfare in the home country – the competitive edge of Chinese companies seemingly remains their low costs.

Chinese investments in SSA also reflect the increasingly elaborate home country measures. As a result of the newly established forms and forums of China-Africa economic cooperation, Chinese trade with, and OFDI in Africa has risen significantly. At the same time, the altered quality of China-Africa cooperation mirrors the profound political reforms and related changes in the ideological superstructure and economic governance that have
taken place since the 1980s. As a consequence of the rise of bureaucratic entrepreneurs, the adoption of mainstream economic theory to guide foreign and industrial policy, and the reform of SOE corporate governance back home, Chinese companies that have been active in SSA for decades no longer act only as non-profit operators of aid projects. Using the new leeway at their disposal when doing business (for private or public gain), they have often become successful contract bidders (e.g., construction companies) and profitable transnational companies (e.g., agricultural companies). Even in the case of development finance and economic cooperation projects, SOEs apply a for-profit rationale in their operations. This also has implications for the role of land in these investment projects. In projects that use land as space for productive activities (e.g., manufacturing and construction), the main driver is clearly to profit from the productive activities rather than to secure land. However, even in the case of resource exploitation projects, products are often not intended for consumption back home, nor are they allocated outside of domestic, regional, or international markets. Instead, land consumption in almost all cases is related to the profit orientation of related operations.

Finally, I have shown that Chinese OFDI is characterized by a diversity of actors, public and private, with divergent and often conflicting agendas. In particular, the rising importance of sub-state actors in the Chinese development context explains the significance of provincial actors in China’s overseas activities. Sometimes the latter even go to the extent of non-conformance with central state policy objectives (see summary of findings in Table 5-4). From a micro-perspective, the interests in these investments are many: for part of the political elite, they represent a welcome mechanism to ensure the continued pursuit of economic growth as a way to stabilize and legitimize the political
system though economic success. Moreover, they reflect the interests of the country’s resource-intensive and export-dependent (state-owned) manufacturing industry. And, they involve a diverse range of actors that hope to improve their (family’s) livelihoods; establish themselves as independent contract bidders; and/or seek alternatives to the political interference and/or crowding out effects back home.

In concluding, the multiplicity of actors involved in the investments, as well as their entrenchment in mainstream economics, raises the question of what exactly makes these investments Chinese? The widely made distinction between state-backed and private investments, on the basis of which the difference between Chinese and non-Chinese investments is usually discussed, fails to answer this question in a meaningful way while oversimplifying state-market relations in the context of OFDI. Instead, the factors that make these land-consuming OFDI activities Chinese are to be found in the specific combination of industrial set-up, development trajectory, contingent events, ideology, and political economy that I outlined above.

More broadly, reflecting on the role of land-consuming OFDI in the context of the home country’s development trajectory, Chapters 4 and 5 have shown that these investments are part of a trend to “catch up” and establish an open economic system that can meet the resource and export interests of the manufacturing industry, which has become the backbone of economic development and foreign exchange accumulation since the 1990s. Looking beyond China’s industrial set-up, the investments reflect the specificities of the country’s current development context, especially its challenges. For instance, the problem of social development, which is reflected in surplus labor and low wages, is tied to both increasing migration and the ability of Chinese companies to gain a
competitive advantage. Other key challenges in the context of China’s development include resource dependency, which is reflected in the expanding resource diplomacy that these investments are part of; unsustainable levels of pollution, which have led to a push toward offshore pollution processing segments; and heightened competitive pressures – following the IFDI-led development approach and WTO accession – that have led to the search for knowhow and technology abroad.

The consequences of this development for the broader development context of China remain to be seen. While the approach since 2000 has thus far strengthened investment, trade, and aid relations with African countries, it is unclear how capital exports will improve worker welfare or productivity levels back home. While they might help to diversify resource supplies, establish trading hubs to access European markets, engage in economic opportunities on the African continent, stimulate exports of manufactured goods, and establish economies of scale, they also represent an outflow of capital that will no longer be available for investment back home. The capital outflow also portends a potential loss in domestic jobs and the danger that large companies might move permanently offshore (compare the historical perspective in Chapter 3). Though it might be too early to draw any strong conclusions, there is no evidence to suggest that we are witnessing the off-shoring of Chinese industry’s polluting and energy-intensive operations to African countries.
Table 5-4 – Brief Review of the Home Country Context and Chinese OFDI in SSA

<table>
<thead>
<tr>
<th>Category</th>
<th>Home Country Context</th>
<th>Chinese OFDI in SSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development context</td>
<td>Since opening up in the 1980s, the country has focused on the growth of its resource-intensive manufacturing industry, resulting in rising resource dependency, overcapacity, and high social and environmental costs.</td>
<td>The resource-intensive manufacturing industry is reflected in the sectoral composition of Chinese investments, namely in the focus on the resources sector and manufacturing operations. The small share of agricultural projects is a result of economic cooperation and part of China’s resource diplomacy.</td>
</tr>
<tr>
<td>Home Country Measures</td>
<td>Reform processes since the 1990s, and the “Go Out” OFDI framework since 2000, have led the country to catch up with international standards.</td>
<td>It is unclear how much support companies receive. However, OFDI in Africa could potentially profit from various measures, such as commercial diplomacy, regulatory reforms, and newly introduced forms of development finance.</td>
</tr>
<tr>
<td>Guiding Ideologies</td>
<td>The country has shifted away from a focus on self-sufficiency and adopted a growth agenda for development that follows mainstream economic theory in many respects.</td>
<td>The ideological shift is reflected in projects that have been operating for a long time in Africa and have recently moved from an aid to business management approach.</td>
</tr>
<tr>
<td>Investor Legacy</td>
<td>While China has only recently become an important source of investment, it shares a long history of aid and political cooperation with African countries.</td>
<td>China builds on relations established since the 1950s with African countries and the related capacities of companies, but it has also established diplomatic and economic relations with additional African countries.</td>
</tr>
<tr>
<td>Political Economy</td>
<td>China’s political economy has changed significantly over the past decades. Key events include the rise of bureaucratic entrepreneurs, i.e. officials who use their favorable political positions to profit economically; corporate governance reforms that have provided SOEs with managerial leeway; the opening up of party structures to private sector actors; the decentralization of competencies in particular policy fields and the related rise of sub-state actors; and the formalization of regulatory procedures.</td>
<td>Changes in the political economy explain the diversity of actors and interests involved in land-consuming OFDI (e.g., provincial actors) and the profit orientation that even holds true for economic cooperation projects (e.g., agricultural development centers). The multiple actors come from different levels of government and some of act in conflict with the central government’s foreign policy. The marketization of power has led to a profit focus.</td>
</tr>
<tr>
<td>Events</td>
<td>Becoming a net energy importer; Asian crisis; WTO accession influenced the OFDI policy framework, as well as the social and ecological costs of the development trajectory.</td>
<td>Core events influencing the development of a favorable OFDI policy framework since the country’s opening up, as well as its turn to Africa have been several: the rising resources dependency, the Asian crisis, and the WTO accession.</td>
</tr>
</tbody>
</table>
Chapter 6: British Investments in Africa – “The Last Frontier to Find Alpha?”

We want to support African countries to seize the opportunities before them and are injecting new energy into partnerships to build growth. (...) this government believes global business – including British business – can make an absolutely vital contribution here and we will do all we can to foster further commercial ties, open up trade and deepen investment.

– Henry Bellingham, Minister for Africa, 2011

The UK is well placed to benefit from the world of the future. The National Security Strategy of the United Kingdom is: to use all our national capabilities to build Britain’s prosperity, extend our nation’s influence in the world and strengthen our security. The networks we use to build our prosperity we will also use to build our security.

– National Security Strategy (Whitepaper), 2010

1. Introduction

Orthodox explanations usually understand land-consuming OFDI emerging from liberal economies as the rational choice of profit-seeking private actors in a context of resource scarcity and/or financial crisis. In the case of the UK, for instance, Susan Payne, CEO of the London-based Emergent Asset Management, has been repeatedly quoted as saying that her African Agricultural Land Fund focuses on Africa as “the last frontier for finding alpha,” – that is, for finding above average returns on investments. In a similar vein, other British investors, particularly in the biofuel and financial sectors, have argued that above-average returns outweigh the risks attached to agricultural and land-consuming projects in Sub-Saharan Africa and other parts of the world. Indeed, investors commonly

791 Quote by Susan Payne, CEO of Emergent Asset Management in Knaup and von Mittelstaedt (30 July 2009).
792 Speech by Bellingham (2010).
793 Knaup and von Mittelstaedt (30 July 2009).
refer to mounting scarcity pressures, growing demand, commodity price rises, and/or (comparatively) cheap land prices to make these investments appear like safe bets while also emphasizing their positive contributions to greater food and energy security. Hence, land-consuming investments are seen not only to promise above-average returns but to be ethically sound.

In practice, however, the empirical evidence shows that this narrative oversimplifies the drivers and interests involved, while the related rhetoric of success and the promise of high returns rarely materialize. Projects fail, people are dispossessed in the process, and seemingly cheap land turns out to be very costly due to the upfront investments required to build roads and housing and undertake planting. Further, the financial crisis also led to massive crashes in the share values of companies and/or contributed to the ultimate failure of projects. As Chapters 6 and 7 will show, this verdict applies to many of the British land-consuming investments made since 2000. At the same time, the orthodox narrative does not sufficiently capture and explain the (home) country-specific drivers and (f)actors that are part of British land-consuming OFDI in SSA.

I argue that British land-consuming OFDI happens for several complex reasons that go beyond the orthodox narrative. Specifically, four drivers of land-consuming OFDI are important from a home country perspective. I maintain that British land-consuming investments are part of (1) a corporate strategy to profit from economic reforms and rapidly growing consumer markets in the host countries; (2) international and national energy and climate policies that have increased investments in biofuels in SSA; (3) a

794 WB (2011), 51.
strategy by actors of the financial sector to invest in the primary sector in Africa (and related industries) at a time of the financial crisis and economic stagnation back home; and, increasingly, (4) a strategy by the UK government to promote land-consuming OFDI to Sub-Saharan Africa as a way to economic recovery and international political power through rising exports and industrial activity.

Key evidence for this argument is found in official documentation, where land-consuming investments in SSA are openly linked to the national development agenda to rebalance the UK economy as a source of international power, prosperity, and stability. At the international level, this rhetoric is matched by a rising degree of commercial diplomacy and the use of institutional and normative resources in British-African relations. Most importantly, this argument is based on the study of the main empirical characteristics of British OFDI to SSA since 2000.

In the structure of this thesis, – similar to the Chinese case – this chapter is the first part of the two-part UK case study. It will show the main empirical characteristics of how (and to a limited extend why) British land-consuming investments in Sub-Saharan Africa occur. The collected data stems from the systematic process-tracing of over 20 projects that have been listed in influential “land grab” databases until 2012 (see Appendix B for the final list of projects). In addition, I have constantly followed up on British investments activities and relevant home country developments that took place later. This chapter aims to present the rich empirical details of British land-consuming OFDI. These provide the foundation on which to explore alternative explanations about why the investments take place from a home country perspective (Chapter 7). They also allow me to make cross-
country comparisons, and deliberate more broadly about the role of OFDI in the home country context (Chapter 8).

Following this introduction, Section 2 of the chapter introduces the history of British-African relations. These relations reach far back, but they have intensified significantly since 2000. Section 3 then discusses the details of how these investments occur. In particular, it will focus on land-consuming FDI’s sectoral composition and timelines, the role of land, the recipient context, key actors and institutions, and the issue of investment funds. The chapter will conclude by summarizing the key empirical findings about Chinese land-consuming FDI in Sub-Saharan Africa.

Core findings of this chapter accentuate that the empirical characteristics of British land-consuming investments in Sub-Saharan Africa are more multi-layered than is commonly acknowledged. Many projects predate the 2007/2008 crises and they comprise investments in multiple sectors, from construction and mining to farming. They are distributed highly uneven across the continent, reflecting the British investor legacy. Biofuels composed the largest share of listed projects, and the general emphasis has been on the primary sector and related activities (food processing). Overall, the investments reflect a very diverse private sector: companies with a long presence on the African continent are involved, as are early-stage companies that invest in biofuels, and/or alternative stock markets, and financial investors. In addition, several public institutions and multilateral organizations seem to be relevant, together with host country governments. Land is of primary importance in these investments. It is used as a resource and productive space, and, increasingly, as a strategic asset. Different from the “profit through scarcity” and “seeking alpha” rhetoric, though, most biofuel projects, as well as some investment
funds, have failed, for multiple reasons. The empirical evidence shows the exposure of British investment to financial volatility, the dependency on developments back home, such as the economic crisis, and the lack of realistic business models.

2. Background on the UK in Africa

British relations with the African continent go far back, while the “Second Wave of European Imperialism” in the 19th century seems to be most relevant for the assessment of contemporary relations. As shown in Chapter 3, multiple motives and factors have shaped these relations. Importantly, the dominant presence of Britain on the continent continued after the empire’s post-WWII disintegration. As of 2011, British companies are still among the top five investors and trading partners in former dependencies, and on the political level, most former colonies are members in the Commonwealth of Nations, an intergovernmental organization that emerged out of the British Commonwealth.

British engagement with the African continent has been characterized by several waves of intensifying and decreasing exchanges of capital, people, and goods, reflecting broad domestic and global restructuring processes, like, for instance, colonization and decolonization. Since 2000, British interest in the African continent has been growing

796 Kegley and Raymond (2011), 110-112.
797 See White (1999), 184-185. British decolonization was the function of multiple factors, including nationalist pressures and global economic trends (e.g., UK financial industry focused beyond formal and informal empire in its investments; decline in rubber trade worldwide after innovative synthetic rubber introduction; improved balance of payment position of Great Britain; new economic strategies pursued in metropolis that focus on North America and Europe; and/or the declining meaning of sterling area).
798 See, for instance, the edited volume by Dumett (1999). It critically evaluates the influential publication by Cain and Hopkins on British imperialism published in 1993. The latter publication is referenced in the following as Cain and Hopkins (2001), which refers to the second edition of the 1993 publication. Also see Ernst & Young (2011a), 38-41.
again. This was first led by the private sector, but then the public sector followed the corporate trend (see Chapter 7). There seems to be a new “gold-rush mood” among British investors and trading companies as the following 2012 statement from the CEO of British-American Tobacco (BAT) highlights: “So the point really is not whether you should be doing business in Africa, but rather how.”

The new focus on African economies by private and, increasingly, public actors is reflected in the intensifying trade and investment relations of the UK with the continent. From 2007 to 2011, UK FDI in Africa increased by 9% per annum, and UK exports to Sub-Saharan Africa have risen faster than in other transitioning or developing countries.

According to the British Chambers of Commerce, currently “[m]ore Chamber member exporters currently export to the Middle East and Africa (57%) than to North America (47%) and Australasia (40%).” At the same time, UK-African relations are not a one-way road: imports from SSA to the UK have nearly tripled, climbing from USD 4 billion in 1990 to USD 11 billion in 2004. However, this trend was primarily linked to rising imports of a few products (primarily clothing, petroleum, and minerals) from a small number of countries, namely South Africa and Botswana.

Similar to the case of China, the growing interest in Africa since 2000 has been accompanied by significant changes in the official rationalization of these relations. Moving away from the previous focus on humanitarianism and security/terrorism, more

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799 Ernst & Young (2012), 9.
800 Ernst & Young (2013), 34; Te Velde and Cali (2006), 9-10; Smallbusiness.co.uk (13 October 2011).
801 Dhillon (3 February 2014).
802 Simultaneously, EU and global imports from SSA have declined or risen only moderately, indicating that the intensification of trade relations between the UK and SSA is rather unique. See Te Velde and Cali (2006), 9-10.
recent official statements stress the economic and social benefits of engagement with Africa for the actors involved. At the same time, the budget deficit and fiscal conservatism of the acting government limit the extent to which this new interest of the UK government will be met by assigning resources to its promotion. In fact, “[r]esources allocated to Africa are (...) extremely stretched, and the British presence on the continent [which has never been a high priority] already consists of a network in which large regions are covered by as few as one or two diplomats in the field.” As of 2011, the UK’s diplomatic presence (e.g., sovereign embassies) ranked 10th after that of the US, Russia, China, France, South Africa, Nigeria, Germany, Brazil, and Japan.

Against this background of tight budgets, it is worth noting that the UK also benefits from membership in institutions of pooled sovereignty, such as the European Union (EU), which is an active and important investor and trading partner on the African continent. However, domestic economic recession and the rise of the BRICS have begun to affect the UK’s relative economic and political presence on the African continent. For instance, the UK’s leading investor position, particularly in the extractive industries, which it historically shared with the US and France, is increasingly contested by newcomers such as China and India, the latter of which “edged out” the UK as leading investor in Ghana in 2005 (measured by the number of projects per annum since 2000). Simultaneously, some African countries, like South Africa, have started to critically review the role of

803 E.g. Bellingham (2010); and Cargill (2011). Also, see Chapter 7 on guiding ideology.
806 Allen (8 October 2012), 9; Cargill (2011), 11.
British companies in economic development – asking whether these are “viable investment partner[s]” or just a “remnant of the British Empire,” compared to newcomer investors from the emerging powers.\textsuperscript{808}

Despite the new attention directed towards UK-Africa relations, it is crucial to note that by both regional and historical comparison, the share of British FDI in Africa since 2000 has been marginal – at least from the investor country’s point of view. The regional figures point to the issue of asymmetric significance mentioned previously.\textsuperscript{809} In 2011, the African continent continued to rank lowest regarding the share of total UK FDI stock by region.\textsuperscript{810} At the same time, UK overseas investment flows to the continent have been highly volatile: while in 2010, UK overseas investment flows to Africa (GBP 7,822 million) were astonishingly close to those to Europe (GBP 11,374 million) and higher than those to the Americas (GBP -13,814 million), the year 2011 was characterized by divestment (GBP -3,291 million).\textsuperscript{811} Importantly, UK investment in SSA has remained highly concentrated in four countries, namely Kenya, Nigeria, Zimbabwe, and South Africa. This reflects legacies of very uneven regional and sectoral investment.\textsuperscript{812}

3. Key Characteristics of British Land-Consuming OFDI in Sub-Saharan Africa

The complex and evolving nature of economic and political relations between the UK and African countries is not adequately captured by common “free market”

\textsuperscript{808} Osei (2011), 1.  
\textsuperscript{809} See Chapter 3.  
\textsuperscript{810} Allen and Dar (14 March 2013), 11-12.  
\textsuperscript{811} Allen and Dar (14 March 2013), 11-12; and Loots and Kabundi (2012), 134.  
\textsuperscript{812} Joint Nature Conservation Committee (2009), 14.
Therefore, to achieve a more meaningful understanding of British land-consuming FDI in Sub-Saharan Africa, this section will summarize the key empirical characteristics, focusing on sector distribution, timelines, the role of land, stated goals in the recipient context, the phenomenon of investor funds involved in agriculture, and other key actors and institutions.

The major findings are as follows: (1) The majority of “land grab” projects consists of biofuel projects which have been initiated since 2005. (2) Land is of primary importance in most of these investments. It is accessed through mixed forms of direct lease and/or outgrower schemes. (3) Contrary to the “profit through scarcity” and “seeking alpha” rhetoric, most biofuel projects, as well as some investment funds, have failed, for multiple reasons. (4) The respective host country government is a central actor in these investments. It often cooperates with British corporations, some of which have been invited to participate in host country policy-writing processes, – for instance, regarding the national biofuel strategy. (5) From the UK perspective, a diverse private sector, and, increasingly, public institutions are at work.

**Sector**

A breakdown of investments by industry highlights both the UK’s colonial investor legacy on the continent, with its focus on natural resources, and the processes of diversification that have occurred since decolonization. While detailed data was very

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813 Also see the literature review in Chapter 2.
814 In 1999, 40% of UK OFDI in Africa still went to the mining and quarrying industry (compared to 20% worldwide), and two thirds of US OFDI stock was in the petroleum sector. In addition, UK OFDI undertakings in African countries have an extraordinary high degree of profit repatriation: about 75
difficult to obtain, an itemization of FDI projects by industry for the year 2008, which was received upon request from the Office for National Statistics (ONS), shows that the bulk of UK FDI went into mining and quarrying (42.5%) and financial services (43.5%), followed by real estate and business services (3.9%) and food production (2.5%).\textsuperscript{815} Not a single project was recorded for the agricultural sector during that particular year (see Figure 6-1).\textsuperscript{816} 2006 data on British FDI projects by industry and target country also emphasizes the above-mentioned uneven sectoral and capital stock distribution across the continent.\textsuperscript{817} Regarding sectoral distribution, 74\% of investments in South Africa went into financial services (most of which did not have any relation to natural resources), while FDI in Kenya was largely geared towards food production, and investments in Eastern Africa primarily directed towards biofuel production.\textsuperscript{818} At the same time, British FDI stock was primarily located in South Africa.\textsuperscript{819}

The investments that this thesis investigated, as well as newly established databases (such as Land Matrix), show that British land-consuming OFDI covers the full range of sectors from food and biofuel production, livestock farming, and forestry for wood to tourism and mineral extraction (including petroleum).\textsuperscript{820} In more detail, the projects grow, process and trade Jatropha, sugar cane, palm oil, cassava, and sweet sorghum; cultivate rice, livestock (e.g., beef), and horticulture (e.g., paprika, chilies, maize, and cocoa);

cents of every dollar invested went back to the parent company (compared to a UK average of 37 cents in other countries). See Te Velde (2002), 4.

\textsuperscript{815} Data obtained from Office for National Statistics (UK) via email request in June 2012.
\textsuperscript{816} Data obtained from Office for National Statistics (UK) via email request in June 2012.
\textsuperscript{817} Joint Nature Conservation Committee (2009), 14.
\textsuperscript{818} Joint Nature Conservation Committee (2009), 14.
\textsuperscript{819} Wei and Balasubramanyam (2004), 177-178; and Schenk (2005), 463-481.
\textsuperscript{820} TradeInvestNigeria.com (10 October 2009); and TradeInvestNigeria (19 November 2009).
exploit uranium; or are involved in construction (e.g. infrastructure) and the provision of agribusiness support services (e.g., agriculture machinery showcase).

While the sectoral composition of British land-consuming FDI is important for a better understanding of what is happening, it is equally essential to be aware that on the project level, this sectoral differentiation might not fully capture the nature of activities on the ground. In several cases, investor companies are involved in multiple sectors that together make up one project. Take, for example, the biofuel projects, in which companies integrate the whole supply chain from farming to refining to trading activities. In other instances, a single company engages in multiple unrelated industries, such as the Avana Group in Madagascar, which exploits minerals while also being involved in biofuel production, at least temporarily.\(^{821}\) Finally, some companies have switched their operations from one sector to another. One example is Agriterra Ltd., which was active in the petroleum sector prior to moving into farming with the goal to “build itself into a multi-commodity African focused agricultural business.”\(^{822}\)

From a broader perspective, the rising number of early-stage companies involved in the agricultural sector mirrors the widespread belief in its potential as a future growth market, as stated by Agriterra Ltd.: “We believe that the agricultural sector in Africa is an area of activity which has the potential to be particularly resilient to the current global economic climate.”\(^{823}\) At the same time, the British government remains indeterminate on

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\(^{821}\) It seems that Avana dropped its biofuel activities and is now focusing on mining again; no information is available on the former plans to plant Jatropha on 10,000ha. See, for instance, GEXSI LLP (2008), Slide 58; Energy-profile (2009), 53; Matthews (2010), 117-119.

\(^{822}\) Agriterra Ltd. (29 February 2012).

\(^{823}\) Agriterra Ltd (6 January 2009).
the matter of agricultural OFDI in Africa. On the one hand, statements by the former Minister for Africa (2010-2012), Henry Bellingham, clearly reveal the established bias towards the extractive sector. On the other hand, the CDC Group, the UK’s development finance institution, has begun to step up its private equity activities in African agriculture, and British industrial policy promotes farmland-consuming “clean tech” investments like those in biofuels (see Chapter 7).

Figure 6-1 – UK OFDI in Africa by Industry, 2008 (in USD millions, ONS 2008)

Timelines

In stark contrast to the case of China, British “land grab” projects have largely occurred after the year 2000. A closer look at the timelines of British land-consuming FDI in SSA shows three investment trends – characterized by investment focus and

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824 Aigaforum (9 June 2011).
825 Data obtained from the Office for National Statistics upon email request in June 2012.
826 It remains unclear whether this is simply owing to the problem of data collection through the method of crowdsourcing or if it also reflects the problem of biased attention towards some industries (e.g., biofuels campaigns by NGOs) and countries (e.g., China) compared to others.
investor type – since 2000. Firstly, around the year 2000, land-consuming investments were largely conducted by British companies already present on the continent, and they were related to legal and institutional reforms in the recipient country. A good example is Unilever Ghana, which acquired plantations in Ghana in 1999 by taking advantage of the opportunities presented to it by the host government’s divestiture program.\(^{827}\)

Secondly, from 2005/2006, another investment trend can be observed. Around that time, a large share of projects was seemingly related to the international climate negotiations and, more specifically, the emerging British and European policy framework promoting renewable energy (see Chapter 7). The predominant investor types were newly founded companies, many of which floated their shares on the AIM Stock Exchange in London,\(^{828}\) and financial investors. Both actor groups tried to profit from the policy-induced (new) biofuel market and related support structures at the domestic, regional (EU), and international levels (UN FCCC). Importantly, “old investors” with a long presence on the continent were hardly involved in this trend. For instance, British Petroleum (BP) engaged in biofuel production through a joint venture (“D1-BP Fuel Crops”) with D1 Oils Plc., one of the doyens of the crude Jatropha oil industry. However, this cooperation remained rather short-lived, and BP exited the project in 2009.\(^{829}\) Similar divestments happened in other sectors, such as the aviation industry. Lufthansa, for example, originally participated in biofuel investments in the form of offtake agreements\(^{830}\) with the British

\(^{827}\) Ntsofu (2010), 129-137.
\(^{828}\) AIM stands for Alternative Investment Market, a sub-market of the London Stock Exchange where small firms can float their shares under less restrictive regulations than in the London Stock Exchange.
\(^{829}\) Bloomberg News (17 July 2009).
\(^{830}\) An offtake agreement is an agreement between a producer and a buyer to acquire a certain amount of the anticipated production. It is very common in the natural resources sector.
biofuel producer Sun Biofuels, but later decided to end the cooperation in response to protests regarding the potentially unsustainable production of biofuels and the resulting land use competition and food insecurity.

Finally, a significant share of investments started in 2008/2009. These investors – investment banks and private equity funds (public and private) – are seeking “alpha.” That is to say, they are aiming to achieve extraordinary returns on their investments in spite of the financial crisis. In practice, they are making land-consuming investments in agriculture or trying to cash in on opportunities offered by international climate finance, like, for instance, the Clean Development Mechanism (CDM).\textsuperscript{831} As a consequence, this group of actors is increasingly involved, primarily as shareholders, in the business operations of the early-stage companies that began investing in 2006. Some, however, have also taken over the existing operations, such as Highbury Finance Ltd. in the case of Sun Biofuels Mozambique.\textsuperscript{832} While financial investors involved in agricultural projects are often framed as pioneers in the sector, this perception is only partially true. Instead, they follow in the footsteps of UK development finance, such as the CDC Group and Department for International Development (DFID). Investments in agribusiness have been a major part of the CDC’s operations since 1948, allegedly producing high returns of “up to 40 percent.”\textsuperscript{833} Moreover, recent private equity investments by the CDC Group were also

\textsuperscript{831} For more information on the CDM, see the website of the United Nations Framework Convention on Climate Change (UNFCCC) (http://cdm.unfccc.int/). Also, see Chapter 7.
\textsuperscript{832} Highbury Finance (2013).
\textsuperscript{833} AltAssets.net (26 April 2006).
explicitly intended to motivate financial investors to operate in African agriculture projects.\textsuperscript{834}

While a look at these timelines reveals general investment trends, an assessment of detailed project lifecycles shows what is actually happening on the ground. In this regard, the empirical evidence reveals that many projects do not merit comparison with their rhetoric of success and promise of high returns. Instead, they are often rather short-lived, for numerous reasons. For example, the case of Sun Biofuels (SBF) shows that a company’s performance can suffer from inexperience, false assumptions, lack of funding, and/or the financial crisis. In 2005, the company began to grow Jatropha in Ethiopia on land with poor soil, which together with drought conditions made the 1,000ha planted trial area economically unviable.\textsuperscript{835} In the words of the SBF Business Development Director, Harry Stourton: “The idea that jatropha can be grown on marginal land is a red herring.”\textsuperscript{836} Consequently, SBF moved its biofuel operations to Mozambique and Tanzania in 2006. In those countries it acquired a total of 4,854ha and 8,000ha of prime land, respectively, with long-term plans to expand the operations to cover 20,000ha in total. Yet, the company’s operations continued to face difficulties in the form of a dramatic decline in share value (see Figure 6-2) due to the financial crisis and a constant lack of funding. Finally, in 2011, SBF went into administration after its majority shareholder, Trading Emissions Plc., decided to divest. As a consequence, SBF’s Tanzania- and Mozambique-located subsidiary

\textsuperscript{834} AltAssets.net (26 April 2006). CDC (8 November 2013).
\textsuperscript{835} Wendimu (2013), 12.
\textsuperscript{836} Reppert-Bismarck (21 January 2011); and see Pohl (2010) on Jatropha.
companies were sold to financial investors and some plots were discontinued. Data is lacking on the latest status of these projects (as of 2014).837

A similar story of failed potential emerges from my investigation of most biofuel projects. Take, for example, D1 Oils, a UK-based share company founded in 2005. It was one of the first companies worldwide to focus on value-added operations of Jatropha biofuel production; and it experienced a crash in share value from 2007 to 2012 (Figure 6-2). Throughout its existence, it has been struggling with the economic viability of its operations, and up to this day it has not paid any dividends to its shareholders. By 2012, D1Oils’ operational losses amounted to more than GBP 1 million.838 In order to indicate a fresh beginning, the company changed its name to NEOS Resources in 2010, shifted its focus to India, and announced a diversification away from Jatropha production in African countries.839 However, this strategy was not successful either, as the latest update from NEOS in 2014 highlights. A corporate notice from 30 January 2014 states that the company is in the process of selling off the assets from its Indian and other ventures: “it will not be possible to reach sustainable profitable volumes in the near future and therefore plans to develop the trade have been put on hold and all revenue generating activities

837 Subsequently, SBF’s subsidiary companies in Tanzania and Mozambique were sold to two financial investors in 2011, namely the London based merchant bank Lion’s Head Global Partners, operated by former Goldman Sachs employees, and Highbury Finance, a project development and investment advisory firm, founded in 2004 with a specialization in “alternative investment opportunities.” In both cases, the new owners have only conducted maintenance work on the former SBF plantations, which means that large parts of the acquired land lie fallow. Moreover, LGHP only employs 50 of the former 700 workers while also falling short of clarifying the problem of outstanding compensation payments. See Lion’s Head Global Partners (2013); Highbury Finance (2013); Bergius (September 2012); and Bergius (5 July 2013).
839 NEOS Resources Plc (12 October 2011); NEOS Resources Plc (15 November 2011); NEOS Resources Plc (15 March 2012).
within the Group have effectively ceased with effect from January 2014.”\textsuperscript{840} Short of funding and running the risk of losing its AIM London Stock Exchange listing, the company’s board and key shareholders have begun to negotiate “the future direction of the Group and its funding requirements for the next 12 months.”\textsuperscript{841}

Another example of the difficulties encountered by these projects is GEM Biofuels. The company was founded in 2004, and it has been AIM-listed since 2007. Focusing on Jatropha production, the company has managed to secure over 495,000ha in Madagascar since 2005.\textsuperscript{842} Yet, its planting operations came to a halt in 2009, when tied-up capital markets and bad plantation management forced it to focus on maintaining existing plantations rather than (re)investing in their planned expansion.\textsuperscript{843} Thus, during 2011, GEM concentrated on letting the plantations mature, and did not engage in any further planting while reducing the number of staff. By the end of 2011, it had planted Jatropha on a total of 55,737 hectares.\textsuperscript{844} Still, the share value did not recover, nor did the company manage to attract additional funding during 2012.\textsuperscript{845} Unable to profit from its land bank, the company changed its name to Hunter Resources PLC in January 2013 to indicate its new investing policy and board changes.\textsuperscript{846} The latest corporate notice from December 2013 stated that the company’s share trading had been suspended as it did not become an investment company in time to meet AIM London Stock Exchange requirements. The same notice announced that the management was in negotiations to become active in

\textsuperscript{840} Investigate.co.uk (30 January 2014).
\textsuperscript{841} Investigate.co.uk (30 January 2014).
\textsuperscript{842} GEMBioFuels (28 September 2011).
\textsuperscript{843} Hawkins and Chen (2011), 3, 24-25.
\textsuperscript{844} OnVista.de (2014); and GEM Biofuels (12 April 2012).
\textsuperscript{845} GEM Biofuels (5 December 2012).
\textsuperscript{846} ADVFN.com (1 August 2013); and Hunter Resources Plc (30 December 2013).
Peruvian mining projects 563km from the city of Lima in an area where eight exploration concessions (a total of 3,500ha) are located. What has happened to the Jatropha production remains unclear.

Figure 6-2 – Three Examples of Crashes in Share Value, 2008-2012 (www.iii.co.uk.uk)

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Together, these project timelines emphasize that those explanations which identify the financial crisis as a primary driver of land-consuming FDI fall short of comprehending the complexity at play. On the one hand, many land-consuming projects were started prior to the crisis and seem to be related to other events in the home and host countries, such as the climate regulations or divestiture programs. On the other hand, the financial crisis also resulted in massive crashes in the share values of companies and contributed to the failure of investors in search of profitable investments during a time of economic crisis.

Moreover, these timelines provide interesting clues about the multiple individual and systemic difficulties encountered by different actors during a project’s lifecycle. For

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847 Hunter Resources Plc (30 December 2013).
example, the financial situation has been aggravated by a systemic conflict of interest between the different actors involved in these projects: while companies “on the ground” focus on long-term value creation, financial investors “off the ground” are interested primarily in short-term profit. In this regard, the operational problems and long maturation timelines of agricultural projects “on the ground” (for instance, five years for Jatropha) led to constant struggles for early-stage companies that also negatively impacted the respective company’s majority shareholder, usually a financial company promising high returns to its investors and under pressure to deliver. In the case of SBF and its majority shareholder Trading Emissions Plc, a board decision was reached in 2010 to deny SBF additional funds, because the “value creation in this business was a long-term project.”

In other cases, data shows that financial investors made unrealistic earnings forecasts, sometimes in combination with allegedly fraudulent business practices. Cru Investment Management and its Africa Invest Fund, for instance, did not live up to predicted earnings of 30% for 2009-2010. Instead, Cru and Africa Invest were facing fraud investigations for misuse of funds in 2010, as money invested in other funds managed by Cru had been transferred to Africa Invest as loans, without notification of the respective shareholders. At the same time, the CEO Jon Maguire was accused of having withdrawn money without proper documentation. In 2010, Africa Invest was sold for GBP 175,000. This was hardly sufficient to cover fees and liabilities, and investors were unable to recover their investments. An audit by PricewaterhouseCoopers revealed that Cru’s asset

849 Merrett (29 November 2013); BBC (6 February 2010); and Miller (7 July 2011).
850 Grote (16 March 2010).
base was overvalued, and this aggravated liquidity problems in 2011, when the company was unable to sell the (illiquid) holdings of land fast enough to respond to the massive withdrawal of investors.\textsuperscript{851}

In sum, the empirical evidence on project timelines illustrates that investment projects are characterized by constant changes in focus and details over time, including projects that do not end in failure. A good example is the aforementioned Unilever Ghana. It operated plantations in Ghana that it had acquired in 1999 through the host government’s divestiture program.\textsuperscript{852} Eight years later, in 2010, Unilever sold its majority share in the 7,200ha Benso Oil Plantation Ltd, which is listed on the Ghana Stock Exchange and on which more than 9,000 people’s livelihoods depend, to Wilmar Africa.\textsuperscript{853} This was the follow through of a headquarter decision to concentrate on the company’s core business of manufacturing, marketing, and distribution.\textsuperscript{854} Moreover, the empirical evidence highlights the exposure of British land-consuming FDI to financial volatility; the dependency on developments in the home country, such as the economic crisis; or the inadequacy of business models to factor in the reality on the ground in the form of insufficient markets, limited economies of scale in agriculture, or bad plantation management. Together, these facts illuminate the discrepancy between the ‘profit from scarcity’ rhetoric and the actual

\textsuperscript{851} Miller (7 July 2011).
\textsuperscript{852} Ntsiful (2010), 129-137.
\textsuperscript{853} Wilmar Africa, a wholly owned subsidiary of the Singapore-headquartered Wilmar International Ltd, which was “founded in 1991 as a palm oil trading company,” and “is today amongst the largest listed companies by market capitalisation on the Singapore Exchange and one of Asia’s leading agribusiness groups.” See Wilmar International Limited (7 February 2011), 3.
\textsuperscript{854} Ntsiful (2010), 129-137. With regard to Unilevers’ standpoint on plantations over time, see Jones (2005b), 185-214. Also see statement by Wilmar International Limited (7 February 2011), 2.
performance of the respective companies, even in areas, such as biofuels, that are supported by governments worldwide.

**Land: Its Role and Use in These Investments**

The previous sections showed that British land-consuming FDI takes place in multiple sectors and engages multiple actors. At the same time, their assessment has pointed to fundamental challenges that several investment projects are facing, sometimes even leading to their ultimate failure. The following section will assess more closely the role of land used in these investments, major approaches to access land as well as relevant features of its governance. It can be noted that the Chinese cases do not differ in any significant way on these issues from the UK projects.

**Extent**

The scale of British land-consuming investments varies enormously, with projects ranging in size from a 100ha pilot farm to a total investment of 495,000ha (e.g., GEM Biofuels). While this range indicates the great diversity of investment projects falling under the label of land-consuming FDI, these numbers also show that compared to Chinese investments in SSA, the majority of which use less than 10,000ha, British investments are fairly large, particularly in the biofuel sector. To provide some examples: the Equatorial Palm Oil Company (EPO) acquired a total landholding of 169,000ha-182,000ha in Liberia;\(^{855}\) D1 Oils held 155,000ha in Zambia;\(^{856}\) CAMS Agri-Energy acquired 45,000ha

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\(^{855}\) Global Witness (20 December 2013); Equatorial Palm Oil (2011); Equatorial Palm Oil (2013); and The Rights and Resources Group (2013), 267.
in Tanzania;\textsuperscript{857} and VEPOWER Ltd, a bioenergy company focusing on fuel production and power generation, teamed up with Jatropha Africa, a biofuel feedstock company, and signed a feedstock acquisition agreement regarding the produce from the 50,000ha leased land area in Ghana.\textsuperscript{858} However, UK investment projects also tend to be large in other sectors, such as timber: the Equatoria Teak Company owned by the CDC and FinnFund was managing an 18,640ha forest reserve in South Sudan;\textsuperscript{859} and livestock farming: Madabeef, a company active in Madagascar, seems to be operating ranching activities on 200,000ha.\textsuperscript{860} In many cases, companies (e.g., D1Oils, SBF, Agriterra Ltd.) have or had enormous land banks in multiple countries located in SSA, making the total land at their disposal even larger.

However, it has already been highlighted above that a large land bank does not necessarily result in large returns or necessarily represent high asset values for the company in case of a need to sell company assets due to project failure. Still, these figures are impressive, at least at first sight and in view of the local repercussions in the form of land tenure. In practice, a closer assessment of the timelines and details of many projects reveals a huge discrepancy between announced, acquired, and actually planted land area (see Table 6-1). For instance, Sun Biofuels’ (failed) business model envisioned 20,000ha.

\textsuperscript{856} Investigate.co.uk (14 June 2006). There is diverging data on how much land has been secured and how much has been planted. See Table 6-1 for competing sources.  
\textsuperscript{857} Obulutsa (19 September 2008); Oakland Institute (2011b), 4, 18-19, 30.  
\textsuperscript{858} BioZio (2011), 110, 127.  
\textsuperscript{859} In 2010, the CDC and FinnFund divested and sold the companies to unknown investors following controversies that resulted from protests by local communities and an inability to make the forest plantation economically viable in a sustainable way. However, as of 2014, the company and the acquired area, which was leased for 32 years, continue to exist. It is now managed by Maris Capital, a London-based venture capital group. See corporate website under Equatoria Teak Company (2014). Also see Concession Agreement (28 June 2006), 11, 15; Deng and Mittal (2011), 2, 11, 28-29.  
\textsuperscript{860} Üllenberg (2008); Hamelinck (2013), 87.
However, the company ‘only’ managed to secure a total of approximately 12,854ha-13,854ha. And of this land area, which spread across three countries, it had only planted a total of (approximately) 4,310ha prior to its failure. Similarly, as of 2011, (then) D1 Oils had only managed to plant a minor part of the total of 174,000ha it had negotiated in Zambia in 2006 (see Table 6-1).

These enormous gaps between announced, negotiated, and planted land areas under management point to the challenges that these projects face on the ground, some of which were already alluded to in the previous section, such as expansion difficulties, unprofessional plantation management (GEM), inexperience and/or natural events (SBF), land disputes (Equatorial Palm Oil), competition over scarce input seeds, lack of funding and/or marginally viable business models, and administrative challenges. More broadly, these discrepancies between the secured and planted areas over time provide useful data for a grounded discussion about the benefits of large-scale agricultural production in view of rural development or food security, since most large-scale projects have not managed to fully operationalize their business models.

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861 See Table 6-1 for details.
Table 6-1 – Discrepancies between Announced, Acquired, and Planted Land Areas in Selected Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Country</th>
<th>Hectares announced/acquired</th>
<th>Hectares acquired</th>
<th>Hectares planted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun Biofuels (SBF)</td>
<td>Ethiopia</td>
<td>Business model aimed at 20,000ha, but company only managed to acquire 13,000ha</td>
<td>5,000ha since 2005</td>
<td>1,000ha</td>
</tr>
<tr>
<td></td>
<td>Tanzania</td>
<td>Business model aimed at 20,000ha, but company only managed to acquire 13,000ha</td>
<td>8-9,000ha since 2006</td>
<td>Approx. 2,000ha by 2010</td>
</tr>
<tr>
<td></td>
<td>Mozambique</td>
<td>4,854ha since 2006 plus two farms of 607ha and additional 3,000ha under negotiation</td>
<td>1,000ha</td>
<td>2,310ha</td>
</tr>
<tr>
<td>D1Oils</td>
<td>Zambia</td>
<td>155,000-174,000ha (including outgrower schemes) allocated by Zambian government in 2006</td>
<td>155,000ha</td>
<td>In 2007: 2,411ha; and 20,760ha through contract farming</td>
</tr>
<tr>
<td>GEM Biofuels</td>
<td>Madagascar</td>
<td>Secured 495,500ha; plan: 200,000ha planted area by 2010</td>
<td>Exclusive rights over more than 495,000ha</td>
<td>55,700ha (in 2010), plus access to 40,000ha forest area</td>
</tr>
<tr>
<td>Equatorial Palm Oil</td>
<td>Liberia</td>
<td>169,000ha; plans to develop 50,000ha within first 10 years,</td>
<td>169,000-182,000ha since 2008 in the form</td>
<td>Unclear, but due to financial problems and</td>
</tr>
</tbody>
</table>

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867 Data remains unclear. According to GEXSI LLP (2008, 50, 55), the company had 7,386ha in South Africa and 25,525ha in Zambia under operation in 2008. Other reports state that D1Oils had been allocated 155,000ha of land by the Zambian government in 2005 for Jatropha planting (e.g., Investigate.co.uk (14 June 2006)), amounting to a total of 174,000ha when including the company’s contract farming relations (e.g., Reuk.co.uk (15 January 2007)). The Home and Mittal (2011, 28) country report confirms that the company was using 2,411ha of managed plantations and 20,760ha of outgrower schemes by 2007. The 2010 annual report by D1 Oils shows that the company has subsidiaries in multiple African countries (Malawi, Ghana, South Africa, Zambia, and Swaziland), all of which focus on biofuels. See D1 Oils (2010), 50. However, no data is provided regarding the total land bank or planted area.
868 Data from 2010; see Gasparatos and Stromberg (2012), 296; Hawkins and Chen (2011), 21, 23-24; GEM Biofuels (2010); Biofuelsdigest.com (1 July 2010); Biofuelsdigest.com (25 June 2010); Cleantech Investor (May 2008); Proactiveinvestors.co.uk (25 November 2009); and GEM Biofuels (28 September 2011).
869 Global Witness (20 December 2013); Equatorial Palm Oil (2011); Equatorial Palm Oil (2013); and The Rights and Resources Group (2013), 267.
Use and Purpose

Land in British land-consuming FDI projects fulfills three functions, namely land as natural resource, as strategic asset, and as productive space for industrial purposes and/or modernization projects. Lonrho, a formerly UK-listed company with an ambiguous reputation and operations in agriculture, infrastructure, transport, and support services in SSA dating back to 1909, was taken over by a Swiss investor in 2013. Two years before that takeover it described the attractiveness of investments in land and agriculture in Africa as a composite of the following factors: 60% of the world’s arable land, of which only 10% is cultivated; major continent for oil and gas reserves; a primary source for minerals; and the relatively low external debt levels of African countries. While use of land as a natural resource or productive space for industrial purposes has been a common trait of British land-consuming OFDI in African countries, use of land as a strategic asset in overseas investments is relatively new, though not unprecedented. As

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870 These figures are false. They are a modified version of a dominant narrative promoting agribusiness in Africa. The origin is a report by McKinsey (2010, 7-8, 42-44) which states that “Africa’s agriculture holds enormous potential for companies across the value chain. With 60 percent of the world’s uncultivated arable land and low crop yields, Africa is ripe for a “green revolution” like the ones that have transformed agriculture in Asia and Brazil.” Since then, this storyline has been taken up by international organizations (e.g., United Nations Economic Commission for Africa (UNECA)) and businesses, often with a significant change in wording; uncultivated (with crops) land has become “unused,” resembling the idea of a “terra nullius.” Take the example of an article by UNECA, which argues that the “world’s largest reservoir of unused arable land, about 60%,” is located in Africa. See Lopes (2014).

Chapter 3 briefly mentioned, land’s asset function was already a component of business models of chartered companies granting land titles, and of investment portfolios during late 19th-century globalization. However, historical evidence on land acquisitions by businesses also highlights that land constituted only a minor share of personal wealth. Instead, it was largely a reflection thereof, and land holding was a status symbol rather than a standalone promise of extraordinary returns.872 In this context, and against the background of the high failure rate of land-consuming investments by funds (presented in Section 5), I argue for the need to critically revise contemporary claims that land is an asset class which withstands the wealth destruction witnessed in equity investments during times of financial crisis.873 Clearly, the above summary of project timelines highlighted problems related to the overvaluation of assets and the limited economies of scale that can be gained through large-scale land holding. Moreover, the illiquidity of land turns out to be disadvantageous once a project runs into financial problems.

The quality of land is equally important for assessing the meaning and impact of British investment projects. Project details show that food and biofuel investments occur on prime land, which is defined by fertile soils, moderate climatic conditions, and proximity to important infrastructure and cities. Agriterra Ltd., for instance, leased 45,000ha of brownfield agricultural land in Sierra Leone, close to the Liberian border, to produce palm oil in an area with high levels of rainfall.874 And the Equatorial Palm Oil Company has been granted concessions for three palm oil plantations in Liberia, all of

872 Nicholas (1999).
873 Collinson (24 July 2010).
874 Agritrade (6 February 2012); Agriterra (29 February 2012).
which are located in a favorable climatic zone, close to cities, and in proximity to ports with facilities that can accommodate export operations. Similarly, the plots that SBF negotiated for biofuel production in Tanzania and Mozambique were prime land, following the project failure in Ethiopia due to poor soils.

In most cases, it remains difficult to judge the environmental impact of land acquisitions due to the limited data available on the prior use of the lands. The few cases where such data is available show that land deals resulted in land-use rehabilitation as well as land-use change. Particularly in the latter case of land-use change, several projects reveal ways in which these investments might negatively affect local and regional livelihoods, climates, and landscapes (e.g., water security, wildlife habitat, or microclimate). For instance, SBF’s operations in Tanzania took place on land formerly used by charcoal makers, including a swamp area that was important for local water security. In some cases, a given company has stalled its operations due to international pressure over the environmental implications. This was the case with G4 Industries Ltd, which abandoned its 28,000ha biofuel project in Kenya before operations had begun in response to pressure from NGOs over the potential negative impact on wildlife in the wetlands of the Tana River Delta.

875 Global Witness (20 December 2013); Equatorial Palm Oil (2011); Equatorial Palm Oil (2013); and The Rights and Resources Group (2013), 267.
877 For instance, SBF’s operations in Mozambique involved land that had formerly been used as a tobacco plantation, and Equatorial Palm Oil (Liberia) engages both in the rehabilitation of old plantations and the creation of new ones. Hawkins and Chen (2011).
878 WWF Tanzania (2009), 84-86.
879 Cernansky (26 October 2011).
More broadly, the question remains of whether the land is intended to produce for overseas consumption, as is widely assumed in the “land grab” literature (see Chapter 2). In the case of British land acquisitions, most projects were indeed originally intended for international markets, and several had clear export infrastructure in place (e.g., Equatorial Palm Oil). In this context, it appears that host governments have been largely reluctant to ensure that a certain percentage of the harvest is available for domestic consumption and/or value-added operations (e.g., refining). However, in practice, the exports often did not materialize. To provide several examples: the Equatoria Teak Company only managed to sell a few consignments (of timber) from its forest reserves in South Sudan due to local protests. Consequently, the CDC Group and FinnFund sold the concessions in 2010, after three years of operations. Also SBF (in Mozambique and Tanzania) had only managed to sell and export one consignment of 30 tons of biofuel (Jatropha) by 2011. Thereafter, the company went into administration and its subsidiaries were sold to new owners who focus on plantation maintenance (rather than expansion). Meanwhile, Lufthansa, which had a biofuel offtake agreement with SBF, withdrew from this form of cooperation due to European protests over unsustainable biofuel production practices. Similarly, D1 Oils, active in Malawi and Zambia, ended up selling locally prior to its closure. The small scale of its operations – largely a function of limited availability of input seeds – made the pricing difficult. Marketing locally had the advantages of low transport costs and local

880 Zagema (2011); and Cotula (2011).
881 Burnett (7 April 2014).
882 Insight Group Plc (26 October 2011); Dahlbeck (2012), 21; Lufthansa (2014); Greenaironline.com (23 January 2012).
offtake agreements, both of which allowed for agreement on market value. In other cases, such as Cru Investment Management’s Africa Invest fund, the project had simply collapsed by the time of the first harvest. Regarding the question of how much of the biofuel produced in Africa has actually ended up in British transport fuel, it is interesting to note that, according to the UK Renewable Fuel Agency, no Africa-produced biofuel was used in 2010-2011, even though 78% of biofuels had been imported. This information correlates with my empirical findings, according to which most British biofuel producers ended up selling locally or closing operations altogether.

To better understand the utility derived from overseas land acquisitions, it is important to look beyond the question of exports. In addition to land, these projects employ multiple factors of production, including labor, while also creating new markets for British input services and thus potentially creating jobs back home. Moreover, they are reflective of profitable policy frameworks, such as climate finance and related carbon credits, for which at least two biofuel companies, D1 Oils and the SBF, applied. At the same time, the government operates on the assumption that these projects will generate state revenues derived from overseas investment earnings, and the early-stage companies’ projects represent profitable business streams for London banks issuing Initial Public Offerings (see Chapter 7).

884 See UK Trade and Investment (2012), 17.
885 Instead, land used for UK biofuels has been located in Europe (e.g., France, Germany, Ukraine, UK, Belgium), Latin America (e.g., Argentina, Brazil), and Asia (e.g., Malaysia, Indonesia), with a focus on oilseeds, rapeseed, palm oil, soy, corn, sugar beet, sugar cane, and wheat as input factors. Renewable Fuels Agency (2011), 50.
Strategies of Access

Land is accessed through lease agreements, public-private partnership programs, the granting of concessions, joint ventures, outgrower schemes, Memoranda of Understanding (MoU) with county districts and tribal communities, and/or the purchasing of shares in listed plantations. In many cases, mixed access strategies are applied, such as plantation production plus outgrower schemes, or the purchase of a trading company (e.g., Agriterra Ltd. in Sierra Leone) that has preferential supply agreements with a sufficiently large farmer base. Moreover, several companies rely on additional land-intensive inputs from third parties, such as Jatropha seedlings grown by the supplier Diligent Tanzania Ltd. on 3,500 ha. In some cases, the privatization of public plantations provided investors with access options. For instance, the two plantations acquired by Unilever in 1999 and 2004 (through shareholding) both trace back to 1976.

Aspects of Governance

Since the land that is leased is often owned by the state, key ministries and government agencies are involved in the land deals, as are parliaments. At the same time, several British biofuel companies have been part of committees established by host governments to develop governance structures in their particular sector. Jatropha Africa

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886 Agriterra (29 February 2012).
887 Chaponniere et al. (2010), 10. From a historical perspective, these strategies of indirect land (function) access are not new. During British colonial administration, smallholder schemes were often favored over plantations out of concern over social tensions and because they were seen to be more efficient. Also see the summary on “Oil Palm in Ghana” by the World Rainforest Movement (6 August 2010); and Gyasi (1996).
888 Ntsiful (2010), 129-137.
participated in the biofuel committee that supported the Ghanaian Ministry of Energy during deliberations on a renewable energy policy; D1Oils took part in a task force committee on renewable energy that framed biodiesel regulations in Zambia; and G4 International West contributed to West Africa’s biofuel strategy under UEMOA.

Most of the deals seem to be fully embraced and promoted by the respective recipient government. For instance, the Equatorial Palm Oil Company’s 169,000ha holding, of which 89,000ha are concessions granted by the government and 80,000ha are part of an MoU with the county district and tribal communities, is embedded in a plan by the Liberian government to re-establish export-oriented plantations as a growth sector and foreign exchange earner. On a similar note, Agriterra Ltd.’s lease of over 45,000ha of brownfield agricultural land has been promoted by the Sierra Leone Investment and Export Promotion Agency (SLIEPA) in line with the government agenda to use “oil palm as a priority growth sector.” SLIEPA, in cooperation with the District Councils and the Ministries of Land and Agriculture, has been “earmarking and preparing a number of

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890 Jatropha Africa (22 August 2010). However, due to the unclear policy environment and lack of funding, a policy overview by Antwi-Bediako (31 October 2013) mentions that Jatropha Africa went into administration.
891 See Investigate.co.uk (14 June 2006).
892 See ESG/ICTSD/LeHub/UEMOA/UN Foundation (2008), vii.
893 In most cases, the terms seem very favorable to foreign investors. In Sierra Leone, for example, investors often seem to be exempt from taxation and they are allowed to lease land for up to 71 years (for USD 20-30 per ha per year) while profiting from low labor costs, which range between two and three dollars per day. See Caullker (2010), 12. A similar case is Liberia, which is currently extending and rehabilitating its plantations by granting concessions to foreign investors such as the Equatorial Oil Palm Company. That this company’s investments are fully embraced by Liberian President Sirleaf is highlighted by the fact that she took part in the 2011 inauguration ceremony of the company’s newly established mill. Moreover, the concessions over 50 years were enacted by the Parliament of Liberia. Equatorial Palm Oil 2011; Equatorial Palm Oil (23 February 2010), 6-8; Carrere (2013), 15, 55-56.
894 Bangura (2011); World Rainforest Movement (9 August 2011).
suitable sites for 10,000+ hectare palm plantations.” Moreover, several companies cooperate with state agencies, such as D1Oils, which co-manages a 600ha farm with the Zambian Ministry of Agriculture, and CAMS Agri-Energy Tanzania, which collaborates with a Tanzanian seed authority and Indian NGO to reach out to farmers. Also, the terms of the agreements seem highly favorable to the investor side, as land leases range between 32 (Equatorial Teak Company) and 50 years, the costs of compensation schemes appear to be extremely low, while governance structures in the host countries are rather weak, and labor costs are very low.

Aside from governance schemes at the domestic level, some investments are also part of international governance arrangements. Jatropha Africa, for instance, is an industry partner of an EU-funded interregional cooperation program (EU-ACP) on “Capacity Building in South Africa, Namibia and Ghana to create Sustainable, Non-Food Bio-Oil Supply Chains.”

**Actors and Institutions**

The empirical evidence on the governance of land has highlighted that, as in the Chinese case study, the presence of African governments in these investments is obvious in the form of ministerial and parliamentary involvement, investment promotion centers, and/or legislation. At the same time, civil society groups and local community members

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896 Obulutsa (19 September 2008); and WWF (2009), 14-15, 23, 26, 29-36.
897 One of the largest investments by land area, the 495,000ha GEM Biofuels project in Madagascar, is granted for over 50 years and made up of parcels which range between 2,500 and 50,000ha. Included are the rights to a 40,000ha natural forest.
898 Caulker (2010), 12.
899 Jatropha Africa (n.d.).
seem to remain largely on the sidelines during the negotiations, and investor promises made to these groups, such as the building of health services and schools or the provision of sufficient jobs for the community, are often the first to be broken when a project fails and/or is taken over by new investors, – as, for instance, in the case of the projects of SBF in Tanzania and Mozambique.

From the British side, public agencies and government officials from different levels, as well as private actors and institutions, are involved. In addition to the prominent roles played by early-stage companies, alternative stock markets, and financial investors, several public institutions seem to be relevant. One such institution is the CDC Group, the UK’s public development finance institution that has begun to enhance its efforts with regard to land-consuming (private equity) investments in Africa, focusing on infrastructure, real estate, and, increasingly, agriculture. Moreover, new political institutions and reforms, such as bilateral investment forums or aid programs, have been introduced by the acting government as part of a broader attempt to step up commercial diplomacy with African countries.

Also, several financial institutions, such as the Standard Chartered Bank, a UK merchant bank with a long presence in African economies, and/or investment funds, and the AIM London Stock Exchange play an important role, as the majority of companies rely on their financial services for funding. At the same time, the UK government proactively calls on entrepreneurs to make use of aid-funded business opportunities in the form of
public-private-partnerships. Some companies have also accessed aid funding through institutions of pooled sovereignty, such as the EU.\textsuperscript{900}

On a (inter)national and regional level, there are a number of interlinked (non-)financial institutions at work, especially in the biofuel sector. These include domestic obligatory blending mandates, European and UK directives on carbon dioxide (CO2) emissions reduction, the EU Emissions Trading Scheme, and/or UNFCCC-related mechanisms, all of which promote a renewable energy market (see Chapter 7, Section 1 for more details). Also, the newly launched G8 Alliance for Food Security, which was established in 2012 and “gathers together donors, partner countries and the private sector” to “promote private sector investments in agriculture by improving the business environment and explore ways to reduce risk through providing better legal and administrative conditions for investors,” has British companies among its members.\textsuperscript{901} In the G8 Alliance program for Tanzania, for instance, the UK is expected to contribute GBP 63 million from 2012 to 2015. Several British companies submitted a letter of intent to participate in the program, namely Syngenta, Unilever, and Vodaphone, which basically implies expanding their business activities in multiple African countries.\textsuperscript{902}

A significant share of the actors and institutions active in these investments also reflects the existence of a transnational or even global business culture that is characterized by personal linkages; registration in the same locations, namely the tax havens of

\textsuperscript{900} P. Harvey (2010).
\textsuperscript{901} European Commission (18 May 2012).
\textsuperscript{902} See New Alliance for Food Security and Nutrition (http://new-alliance.org/). For a critical discussion of the G8 Alliance in the context of commercial pressure on land, concentration of land ownership, and crowding out effects, see Hall and Sulle (2013).
Mauritius and Guernsey; the involvement of multiple investors from different countries in one project; and the reappearance of the same actors in different institutions. At the same time, the network does not consist entirely of private actors but also includes UN agencies (UNECA; UN FCCCWB) and other public agencies on the international (AfDB), regional (European Investment Bank), and domestic levels (see Table 6-2).

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903 For instance, SilverStreet advised GAVI alliance, and CAMEC and Agriterra had the same board members before CAMEC was sold to a Kazakh firm.
### Table 6-2 – The UK in Africa: Actors involved in Land-Consuming OFDI (selected)

<table>
<thead>
<tr>
<th>Actors Involved at Different Levels of Governance</th>
<th>Public</th>
<th>Private</th>
<th>Hybrid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTER-NATIONAL</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>International agents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- United Nations Industrial Development Organization (UNIDO)</td>
<td>- Jatropha Alliance</td>
<td>- African Biofuel Board</td>
<td></td>
</tr>
<tr>
<td>- UNFCCC Clean Development Executive Board</td>
<td>- Lufthansa</td>
<td>- G-8 New Alliance for Food and Nutrition Security</td>
<td></td>
</tr>
<tr>
<td>- UNECA</td>
<td>- UoP Houston</td>
<td>- Jatropha Africa in cooperation with EU-ACP</td>
<td></td>
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<tr>
<td>- European Commission Biofuel Directive</td>
<td>- Refining company in Helsinki</td>
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<tr>
<td>- African Union</td>
<td>- Africa Invest (Channel Island-listed)</td>
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<tr>
<td>- NEPAD Cassava Initiative</td>
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<tr>
<td>- EU-ACP</td>
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<tr>
<td>- AU (biofuel promise)</td>
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<tr>
<td><strong>UK</strong></td>
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<tr>
<td>National</td>
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<tr>
<td>- The CDC Group Plc</td>
<td>- British Airways</td>
<td>- Private Equity Funds</td>
<td></td>
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<tr>
<td>- UK Renewable Fuels</td>
<td>- G4 Industries Ltd</td>
<td></td>
<td></td>
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<tr>
<td>- Agency (closed 2011)</td>
<td>- GEM Biofuels</td>
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<tr>
<td>- UK Department of Trade and Investment (UK TI)</td>
<td>- CAMS Agri-Energy Tanzania</td>
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<td></td>
<td>- Schroders Investment Management</td>
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<td></td>
<td>- Vepower Ltd</td>
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<td></td>
<td>- Cru Investment Management</td>
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<td>- Virgin Train</td>
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<td></td>
<td>- Biodiesel Plants</td>
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<td></td>
<td>- Sun Biofuels Ltd</td>
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<td></td>
<td>- Trading Emissions Plc</td>
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<td></td>
<td>- ReSolve group</td>
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<tr>
<td></td>
<td>- D1Oils (called NEOS - Resources Plc since 2012)</td>
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<td></td>
<td>- BP International (exited 2009)</td>
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<td></td>
<td>- Lion’s Head Global Partners (run by former Goldman Sachs employees)</td>
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<td></td>
<td>- Highbury Finance</td>
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<td></td>
<td>- Principle Capital Investments</td>
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<td>- Saner Plc</td>
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<td>- Avana Group</td>
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<tr>
<td></td>
<td>- Funds</td>
<td></td>
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<tr>
<td><strong>Sub-national</strong></td>
<td>-Regional investors (Wales)</td>
<td></td>
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<tr>
<td><strong>BILATERAL</strong></td>
<td></td>
<td></td>
<td>-Investment</td>
</tr>
<tr>
<td>Forum</td>
<td>Country</td>
<td>Recipient</td>
<td>Forwards (e.g. UK-Nigeria Investment Forum 2012)</td>
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<td>-----------------------------------------------</td>
</tr>
</tbody>
</table>
| National | Ministries | -Parliament of Liberia  
-Presdent of Liberia  
-Presdent of Sierra Leone  
-Sierra Leone Investment and Export Promotion Agency | Jatropha Africa (Ghana) |
| Sub-national | Government agencies  
-Communities  
-Farmers | Contract farmers  
-Diligent Tanzania Ltd (Seed company) |

4. The Investments in the Recipient Context: Stated Goals and Multifaceted Reality

British FDI projects are embedded (as described above) in national and regional development frameworks which are characterized by their rhetoric of rural development, energy/food security, and economic growth with its alleged promise of jobs, better livelihoods, and state revenues. The Tanzanian government, for instance, has leased 600,000ha to foreign investors since 2006 in the context of a national development program that prioritizes biofuel production. 904 Similarly, the Ghanaian government promotes biofuel investments in the context of its national energy policy. 905

Many host countries’ national development programs aim to ease the administrative process that affects land-consuming FDI. At the core of such IFDI-attraction strategies is the perception that the host countries have to reduce barriers to investment “and tap their potential and comparative advantages to develop the biofuels sector and benefit from

904 See, for instance, Veit (2010).
globalization through CDM [Clean Development Mechanism, A.G.] and the global carbon market\textsuperscript{906} while boosting their agricultural sectors. This is expected to improve negative terms of trade and earn foreign exchange through export growth, but also to contribute to greater self-sufficiency in food and energy within the context of global market failure, namely the failure of the global market to ensure reliable access to cheap resources. Also, on a regional level, these investments are embedded in development frameworks. For instance, West African countries agreed on a “blueprint for bioenergy, agriculture and rural development” for 2009-2011. This so-called UEMOA strategy was facilitated by UN agencies\textsuperscript{907}.

In line with the official rhetoric, most companies “on the ground” identify their projects as impact investments that combine profits with development objectives. Notably, there is a difference between “on the ground” and “off the ground” investors. “On the ground” companies tend to highlight the benefits of their programs, which allegedly contribute to rural development through jobs, housing, or health services. “Off the ground” actors, such as the financial companies that are majority shareholders in “on the ground” companies, seem to focus more on goals related to the context in which their headquarters operate, such as the UK and the EU. Trading Emissions Plc., for instance, stated its intent to profit from climate change mitigation policy by producing “clean” and renewable energy. Moreover, the scarcity rhetoric pursued by most agricultural funds appears to be more targeted towards capital from rich investor countries than poor ones, as in the latter case scarcity might be associated more with poverty than profit.

\textsuperscript{906} UNECA (2008), 30.
\textsuperscript{907} ESG/ICTSD/LeHub/UEMOA/UN Foundation (2008), 3-26, 110-118.
Whether the choice made by African governments to realize their development plans with foreign capital will be sustainable remains to be seen. In contrast to contemporary mainstream economics, with its focus on capital location, the above highlights that capital ownership and home country context could be equally important for a country’s sustainable development. Take, for example, those biofuel investments that struggled to gain funding in the UK due to conflicting interests between headquarters and the subsidiary regarding timelines, or other events in the home country that affected the realization of development plans in the host country, such as the economic recession. Another factor to consider is the historically low rate of reinvestment regarding the profits made. At the same time, host governments have made unfortunate choices, such as providing support without accounting for the specific planting season of a crop.908

The discrepancy between planned and actually planted areas of land over time, the frequent change of owners, and the high degree of project failure all highlight the challenges of realizing domestic development plans through private foreign capital. For instance, the company SBF had not resolved its compensation problems by the time the company was resold, and the new investor was not interested in acting on the matter either. In many cases, new investors taking over failed projects do not make necessary investments while only reemploying a minor share of the previous workers. In addition, the above-average remittance rate that has characterized some British subsidiaries in Africa for a long time – with 75 cents of every dollar of profit being repatriated to the home

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country\textsuperscript{909} – appears worrisome, as this means that only a minor share of the realized profits might actually be reinvested in host country operations. The ambiguous developmental impact of these investments also holds true in view of the underpinning business models. Many of these foresee the reduction of labor over time while relying on constantly low wages and minimum environmental standards to stay economically viable (e.g., Jatropha).\textsuperscript{910}

Consequently, there remains sufficient room for doubt about whether these investments, and the extended commercial presence of British companies and actors in the form of aid and trade, will be “Delivering Prosperity Together”\textsuperscript{911} as claimed (see also Chapter 7). On a national scale, many host countries’ overall governance performance has improved over the last decade.\textsuperscript{912} At the same time, governance areas that are relevant in order for land-consuming OFDI to be beneficial for host country development, such as the rule of law, have deteriorated in many countries, also those that are considered to be the continent’s economic powerhouses (Nigeria, South Africa).\textsuperscript{913} Also, from a broader perspective, it is debatable whether export-oriented biofuel investments are a good way to achieve greater food and energy self-sufficiency, as assumed by many national development programs. In fact, many African countries seem to be already over-consuming locally produced biomass, and this is a challenge that is likely to expand in view of anticipated population growth, negative effects of climate change on land and soils, \textsuperscript{909} Te Velde (2002), 4.
\textsuperscript{910} See, for instance, the case of D1 Oils in Mitchell (2010), 124-125.
\textsuperscript{911} Bellingham (2010).
\textsuperscript{912} The Africa Report (29 September 2014).
\textsuperscript{913} See, for instance, WB Governance Indicators (http://info.worldbank.org/governance/wgi/index.aspx\#countryReports); and findings of the 2014 Ibrahim Index of African Governance survey (http://www.moibrahimfoundation.org/interact/9).
and/or general land-use conflicts (food vs. fuel vs. urbanization/modernization). Many governments do not seem to attach any export restrictions or local content requirements to land-consuming investment projects, or to demand the development of domestic refining capacities to diversify their countries’ economies.

5. Investment Funds for Agriculture

Similar to the issue of labor in the Chinese case, one particular aspect of British land-consuming FDI has gained widespread international attention: the rise of new actors in the form of investment funds that engage in agricultural projects. For a better understanding of what is actually happening, the following paragraphs outline the key characteristics of these projects. The goal is to capture the reality of this investor type, which is responsible for, or at least involved in, a significant number of British land-consuming FDI projects (see Table 6-3).

A first challenge towards the assessment of these funds is their complex and evolving nature and opaque structures. Accordingly, the first important question is who is actually investing. Take, for example, the self-proclaimed “largest agricultural fund in Africa,” African AgriLandFund, which has been launched by the British hedge fund Emergent Asset Management. It is based on a capital transfer made by a US pension fund with the stated intent to make private equity investments in African agriculture. Running from 2009 to 2011 under the management of EmVest, an operating company under the control of Emergent Asset Management, the fund was spun out of the Asset Management

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914 Mushi (18 May 2012).
915 EdificeCapital.com (2014); and McNellis (2009), 11.
investment portfolio in 2011. These constant changes in management and shareholding are in fact key characteristics of these funds, which makes it difficult to capture what is occurring and why.

Judging from the rhetoric of a range of fund managers, the focus on SSA is explained by the region’s favorable conditions for food production. In the words of the African AgriLandFund: "because of its series of microclimates, its highlands, its agricultural diversity and good logistics, South Africa and Sub-Saharan Africa can deliver an enormous amount of food." At the same time, most funds use the same overarching theme to explain their business interest in farmland and agriculture: they apply a resource scarcity framing. Accordingly, in a world with a growing population, a rising middle class, a declining arable-land-per-capita ratio, climate pressures, high commodity prices, and competing claims over (farm)land, investments in agriculture promise high returns at a time of otherwise meager investment prospects as a result of the financial crisis.

In practice, however, the connection to farmland and food production is in many cases less obvious than it first appears. While empirical evidence does highlight a variety of farmland and food-related activities, it primarily reveals funds investing in the private equity of agricultural companies (e.g., Cru Investment Management) or going into related sectors, such as real estate, trading, shipping. So far, only a few funds have invested in land itself. For instance, Schroders Investment Management’s “Agricultural Land Fund,” which was launched in 2008 when commodity prices peaked, pursues a mixed strategy by

916 McNellis (2009), 13.
917 Schroder (August 2008).
investing “in companies and funds which ‘will generate capital and income from the efficient management of land,’ as well as holding direct stakes in agricultural land.”

Moreover, alongside this new trend of investment funds framing agriculture and land as an asset class, there are critical voices as well. Take, for example, David Bryant, Managing Director of Rural Fund Management (Australia), who warns that the rise of investments in natural assets, such as agricultural land, hints at the formation of a new bubble that is likely to burst in the future. According to Bryant, the rosy predictions of a continuous appreciation in farmland value are by no means certain. Instead, the correlation of high commodity prices and land value raises serious doubts about the long-term profitability of such undertakings. From a historical perspective, total returns from agriculture, of which land values are a key component, “rose in line with [commodity] prices, but were driven back again by economic events,” most of which were outside the control of individual companies, such as the Asian crisis. In reality, the “property component of agricultural businesses is that these assets are natural resources;” and the “dynamic of agricultural property business is that the ability to yield, combined with the price of the commodity it produces” defines the profitability of the operation and the value of agricultural land.

Returns from large-scale agricultural projects are also severely challenged by other factors, such as the price volatility of agricultural markets, and/or the risks of currency appreciation, extreme weather events, and pests; the fact that “economies of scale in agriculture tend to approach an optimum at relatively low levels of scale” – due to the

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918 McNellis (2009), 16.
relative increase of overhead costs compared to returns; and the difficulty of establishing adequate corporate structures which respond to the volatile and dynamic farming realities on the ground. In practice, and similar to the biofuel projects discussed before, the investment fund sector has already witnessed cases of dramatic value destruction and allegedly fraudulent behavior, as the case of Cru Investment Management (Africa Invest) highlighted. Moreover, the illiquidity problem experienced by Cru Investment shows that holding land as a strategic asset also poses a challenge in the case of project failure.

Together, these factors indicate that it is not surprising that the business rationale of agricultural investment funds often turns out to be less successful than it first appears, particularly with regard to the claim of above-average returns in the medium term (see below). They also suggest that a business rationale which assumes appreciation in land and commodity values in its profitability calculations could become troublesome in view of global food security. The inherent problem for food security becomes obvious in a 2002 presentation about falling wheat prices by Silver Street Capital, “an investment management firm focusing on investing in two major areas: Africa and the agricultural sector.” The presentation starts out with a “problem definition” centered on the fact that the front month futures prices for wheat were “still around 40% off the 2008 peak.” Ascribing declining world wheat inventories to extreme weather events since 2008, the presentation comes to a ‘positive’ outlook of re-rising wheat prices. “Global inventories

921 See Chapter 6 (Section 3).
922 Silver Street Capital (12 March 2015).
923 Silver Street Capital (9 August 2010), 10.
924 Silver Street Capital (9 August 2010), 10.
are now near balance once the Black sea shortfall [i.e. reduced production due to drought conditions, A.G.] is replaced [i.e. once US farmers have sold surplus inventories, A.G.] so any further negative surprises in wheat harvests will lead to price rises.”

While expected price increases are clearly bad news for people depending on markets to access their food supplies, they are good news for the investor.

Against this background, a growing body of literature has been emerging since 2008 that discusses the disconcerting implications of this financialization of the food sector. It seems particularly worrisome to see financial actors gaining equity-related control over various activities in the global food-supply-chain. This could bestow investors with the power to induce scarcity in the medium term in order to increase profits, – for instance, by withholding crops in storage or not planting anything. It also reflects the broader trend of the concentration of land ownership in the hands of a few. In this case, the owned land is then leased to farmers or directly operated by the investment fund. At a minimum, examples from other sectors characterized by similar processes of ownership concentration and control over supply chains – from production to storage and distribution – serve as a warning about the potential repercussions. Take, for example, the manipulative control of a physical commodity market in the form of price rigging through hoarding – an

925 Silver Street Capital (9 August 2010), 10.
926 For a detailed discussion of the political implications of the financialization of the food sector in the form of distancing and private accumulation, see Clapp (2013).
927 Also see Patel (2012); and Clapp (2013).
928 Wilson (28 July 2013).
accusation that Goldman Sachs was confronted with in 2013, when the stockpiling of tons of aluminum allegedly drove up prices.\textsuperscript{929}

For the time being, the empirical evidence on UK financial companies investing in African land and agriculture (presented below in Table 6-3), highlights that reality is starkly different than the assertion that scarcity pressures and rising demand will ensure the success of these undertakings, which in turn will contribute to food security and reduce import dependency in host countries. Instead, Cru Investment Management’s Africa Invest turned out to be fraudulent in its use of financial resources. And, Susan Payne’s widely mentioned African Agricultural Land Fund came under new management in 2011, though it did attract an impact investment of USD 500 million from another financial investor. At the same time, Actis’ Africa Agribusiness Fund’s monopoly in grain handling allegedly led to food price increases in Kenya, highlighting the dangers associated with excessive market power. And Schroders’ Agricultural Land Fund did not generate the alpha returns promised; in fact, it mostly performed under the benchmark level from 2006 to 2013, showed great volatility over time, and invested largely in futures rather than equity.

This empirical evidence, then, raises a very different question: How is it that this rhetoric of success and profit continues to be so powerful (and go unchallenged) in the media and government policies, even though the counterexamples are so numerous? Additional and more detailed assessments of these investment projects are needed in order to trace the path of the millions of US dollars associated with cases of fund failure. This

\textsuperscript{929} Wilson (28 July 2013); United States Senate Committee on Banking, Housing and Urban Affairs (23 July 2013); and \textit{The New York Times} (26 July 2013).
would help to clarify the underpinning interest formations that are characteristic of a significant share of these investments.
### Table 6-3 – Examples of UK Financial Companies Investing in Africa
(Merian Research and CRBM 2010)\(^{930}\)

<table>
<thead>
<tr>
<th>Name</th>
<th>Time</th>
<th>Vehicle &amp; Purpose</th>
<th>Projects</th>
<th>Additional Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cru Investment Management</td>
<td>Unclear start (2008?); suspended in 2009</td>
<td>Africa Invest Management Ltd. London Invest in agriculture for food production (e.g., paprika, chilies, potatoes) and profit from rising global food demand</td>
<td>Private equity investments in five to seven farms in Malawi (conflicting information) Approx. 6,000ha and additional outgrower schemes</td>
<td>The fund was suspended in 2009, farms were sold to a Malawi farming company, and CEO Jon Maguire was accused of misuse of financial resources for personal profit.(^{931}) Just before its closure, Africa Invest was awarded the European Market Research Centre award at a UN FAO conference, as well as the “Best SME in Africa” Award at the “Commonwealth Business Council – African Business Awards Ceremony” held in London in 2008.(^{932})</td>
</tr>
<tr>
<td>Actis Capital LLP London</td>
<td>Actis was established in 2004. Until then, it had been part of the CDC, the UK’s development arm, which was founded in 1948 to invest in the Commonwealth.</td>
<td>Actis Africa Agribusiness Fund Sectors: tea and coffee processing, aquaculture, horticulture, forestry, and bio-power.(^{934})</td>
<td>Private equity investments</td>
<td>Actis was previously part of the CDC, which still holds 40%.(^{935}) Grain Bulk Handlers Ltd., in which Actis is invested, has established a monopoly in grain handling in Kenya which has driven up food prices.(^{936}) In 2009, Actis was voted Africa real estate firm of the year, highlighting that most of its investments are in effect not flowing into agricultural projects.(^{937}) Instead, the Fund focuses on mining, gas and oil.</td>
</tr>
</tbody>
</table>

\(^{930}\) The table is based on Merian Research and CRBM (2010), as well as information from corporate websites.  
\(^{931}\) Merian Research and CRBM (2010), 28.  
\(^{932}\) Merian Research and CRBM (2010), 28.  
\(^{933}\) Actis (2014a).  
\(^{934}\) AltAssets (26 April 2006).  
\(^{935}\) AltAssets (26 April 2006). Accordingly, “[a]gribusiness has been a core part of CDC’s investments in Africa over the past 50 years and realizations have generated returns of up to 40 per cent, according to CDC. All of CDC’s portfolio companies need to comply with CDC’s business principles, including health and safety, business integrity and social policies.”  
\(^{936}\) Merian Research and CRBM (2010), 9.  
\(^{937}\) Actis (2014a).
Emergent Asset Management Ltd. London

2008 until 2011
African Agricultural Land Fund, London
Sectors: biofuel, livestock, game farming, and timber
Private equity fund investing in multiple projects
150,000ha of land under management in 15 African countries (in 2008)
Opened by former employees of Goldman Sachs and JP Morgan, Susan Payne and David Murran. When Susan Payne left Emergent Asset Management Ltd. in 2011 the fund was spun out as well. As of 2012, the fund had received a USD 500 million investment from Truestone Impact Investment Management.

Schroders Investment Management

2008
Schroders Agricultural Land Fund
Hybrid fund involved in real estate, private equity, and equity markets
Follows investment theory that 44% growth in population over next 40 years will be highly profitable in these areas.
Total fund size is USD 200.8 million.
The fund shall deliver 10-15% to institutional investors per year over 5 years by investing 25% in agricultural land-related equities and commodities – to get returns on land holding and land management. De facto, it had primarily invested in futures of agricultural commodities by 2013, and it did not generate alpha (above average returns) but rather stayed largely below the benchmark value while reflecting great volatility.

6. Conclusion

This chapter presented the main empirical characteristics of what is happening regarding British land-consuming OFDI since 2000. The rich empirical details are the foundation that allows me to explore alternative explanations of British land-consuming

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938 Actis (2014b).
939 McNellis (2009), 11, 13.
940 Murrin (2009); and Private Equity (10 February 2012).
941 See Private Equity (10 February 2012); and corporate website Truestone Impact Investment Management (n.d.).
942 Also see De Schutter (2011b).
943 Schroders (2008).
944 Schroders (2014).
OFDI from a home country perspective (Chapter 7); to meaningfully compare the differences and similarities of Chinese and British land-consuming OFDI; and to put forward an argument about the role of OFDI in the context of home country development (Chapter 8). Importantly, the empirical findings move beyond the orthodox narratives about British ‘land grabbing,’ due to the complexity of (f)actors at play and/or the different timelines involved (also see Chapters 1 and 2).

The key empirical characteristics of British land-consuming FDI in African countries highlight the necessity to critically investigate investor claims. Instead of representing cases of scarcity-induced success, many projects have failed and/or never lived up to their promise of high returns and developmental impact. This holds even in areas, such as the biofuel sector, where government policies and international frameworks are highly supportive of related entrepreneurial activities. In some cases, the resulting market concentration even led to price rises, pointing to the challenges associated with massive capital inflows in developing countries.

The predominant actors in British land-consuming OFDI are large corporations with a long presence on the continent, early-stage companies, and financial investors. More recently, British government officials have also become involved in promoting OFDI, and the CDC, the development finance institution, has expanded the range of its activities in SSA. It promotes trade and investment and also acts as both an indirect and direct investor in land-consuming OFDI projects. Important institutions that influence investor rationales and/or open business opportunities are the international and domestic climate regime, host country privatization policies, the London Stock Exchange, and multilateral aid projects.
The UK’s long investor history is obvious in the activities of “old” companies in the recipient countries, but also in the responsiveness of new actors to international/transnational incentive structures. At the same time, it is surprising that the majority of investments are undertaken by newly founded companies, or by actors (e.g., funds) that engage in new operations (e.g., agriculture). Thus far, the majority of investments have used land as a natural resource, with the focus on export to world markets. However, the reliance on stock markets for industry finance often leads to the problem of crashing share values and a lack of patient capital, particularly in agricultural projects with medium-term maturation timelines.

The previous assessment devoted a section on the nature and implications of new actors that have attracted a lot of attention in the contemporary debate, namely financial funds investing in the physical commodities of food and land. The overview highlighted that their business rationale is less self-explanatory than it might appear at first sight. Indeed their business models might come at a high price in cases where this yields market power concentration and wealth destruction. Even though their access to large sums of capital puts these investors at an advantage over competitors that are only active in the productive or farming sector, the poor performances of the various funds raises doubt about their business rationale and developmental impact. Moreover, and similar to the Chinese case study, the agency in host countries also featured prominently in these investment projects: not only did the respective governments try to attract British land-consuming FDI, but British companies also participated in regulatory initiatives.

In concluding, several tendencies of British land-consuming OFDI seem notable and demand a more detailed assessment in the home country context. In particular, the
British investment projects in SSA reflect a very diverse private sector that seems to have distinct business interests that relate to host country reforms, biofuels legislation, and/or the search for alternative investment outlets at a time of financial crisis. In this context, the findings also show the predominant use of alternative stock markets to access funding and the related lack of patient capital has led many projects ‘on the ground’ to ultimately fail – highlighting a potential dysfunctionality of the UK’s political economy. More recently, public actors and institutions have begun to engage in British land-consuming OFDI activities, as investors and/or agents that pro-actively support the private sector through commercial diplomacy. Importantly, these investments seem to respond to home country policies and/or crises that influence investor choices, and the government promotes them as a part of its development agenda and foreign policy – indicating that they do not take place in a “free market” vacuum. What this actually means from a home country perspective will be evaluated in the following chapter.
Table 6-4 – Brief Review of the Empirical Characteristics of UK OFDI

<table>
<thead>
<tr>
<th>Category</th>
<th>Core Empirical Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actors</td>
<td>Three types of actors are predominantly involved: corporations with a long presence on the continent, early-stage companies, and financial investors. Recently, the British development finance institution, the CDC, has become involved as investor.</td>
</tr>
<tr>
<td>Institutions</td>
<td>Important institutions include the international and domestic climate regime (e.g., the CDM), host country privatization policies, the London Stock Exchange, and multilateral aid projects (e.g., the G8 Alliance). Increasingly, commercial diplomacy institutions (e.g., bilateral investment forums) and British development finance (the CDC Group) are involved.</td>
</tr>
<tr>
<td>Sectors</td>
<td>While official data shows that British OFDI in SSA goes largely into mining projects and financial services, “land grab” databases largely list projects in agriculture for food and energy (biofuel) purposes.</td>
</tr>
<tr>
<td>Timelines</td>
<td>Most investments started around 2000 or later. Three major timelines can be identified: around 2000, from 2005 onwards, and post-2007.</td>
</tr>
<tr>
<td>Role of land</td>
<td>Land is used as a natural resource, as a space where profitable business opportunities open up (e.g., construction), and as an asset. Investments often intend to produce for export; however, they often end up selling locally.</td>
</tr>
<tr>
<td>Recipient context</td>
<td>British investments are part of national development plans in host countries which try to attract IFDI. In the case of biofuels, British companies were invited by several host governments to participate in the development of sectoral regulations.</td>
</tr>
</tbody>
</table>

945 This table intends to reduce complexity and orientate the reader. In doing so, it leaves out some findings presented in this chapter that though important, do not form the core of British OFDI in SSA.
Chapter 7: The British Context: Investments from a Home Country Perspective

1. Introduction

The empirical evidence presented in the previous chapter highlighted that British land-consuming FDI in African countries comprises several sectors, and reflects distinct motivations, as well as a wide range of operations. The evidence also shows a complex actor constellation: in addition to the highly diverse private sector, increasingly, agents of the public sector are involved. A significant share of these investments clearly pre-dates the 2008 crises. The production of food does not seem of primary importance in these investments, while biofuels investments have featured quite prominently – producing largely for international markets. Together with the important role of the financial sector, also the use of land as a strategic asset has been increasing.

Based on the empirical evidence presented in Chapter 6, this chapter assesses how and why British land-consuming OFDI activities happen against the background of the investor country. In particular, it will discuss these activities in view of the country’s OFDI policy (Section 2), the guiding ideology of UK-Africa relations (Section 3), and, finally, against the backdrop of the country’s political economy (Section 4) and development trajectory (Section 5). The multiple threads emerging from this discussion will be summarized in the conclusion (Section 6), which will be guided by the question of why these investments occur as they do in and over time. In addition to domestic dynamics and international contexts, this section will also briefly assess the investments’ likely welfare implications.
In this part of the two-part case study, I argue that the following features of the home country context are significant in explaining British OFDI from a home country perspective: (1) The investments are embedded in a long-established OFDI framework; however, this framework has undergone some changes in the past decade, such as the new “official” focus on Africa and the introduction of novel financial instruments. (2) Many investments are part of a foreign policy ideology tailored to domestic development ambitions captured under the acting government’s “prosperity agenda,” while some relate to (inter)national climate policies. (3) The actors and institutions involved reflect the dominance of the financial industry in an era of deregulated capital markets whilst highlighting the challenge of attracting patient capital for agricultural investments through the stock exchange (AIM) mechanism. At the same time, (4) the detrimental impact of the financialization-led growth model pursued over the last decades has led the acting government to support OFDI in Africa as a way to reindustrialize and “rebalance the economy” – after the financial crisis hit.

More broadly, as stated in the introduction of Chapter 6, I conclude that four drivers explain why British land-consuming OFDI in SSA happens from the home country perspective. This general argument about British land-consuming OFDI in SSA builds upon the empirical evidence presented about the home country context in this chapter, and the main empirical characteristics of British OFDI presented in the previous chapter. Accordingly, I maintain that British land-consuming OFDI projects in Sub-Saharan Africa are part of multiple strategies to profit from the economic reforms and rapidly growing consumer markets in the host countries; to abide by the international climate regulations and use domestic energy and climate policies to encourage investments in ‘clean’ biofuels;
and/or to “seek alpha” through alternative investments in the primary sector in Africa at a
time of the financial crisis, Eurozone crisis, and economic stagnation back home. Increasingly, land-consuming OFDI to Sub-Saharan Africa are also part of a (long-term) political strategy to economic recovery and international political power through rising exports and industrial activity.

2. Home Country Measures

Britain has benefited from that global system over a long period of time. But we cannot afford to rely on history or sentiment if we are to earn our living. We cannot take it for granted that markets will remain open to our business, or that our businesses will always be able to take full advantage of the opportunities that exist.

– Department for Business, Innovation and Skills, 2011

British land-consuming investments in Africa are embedded in a fully developed framework of home country measures that has evolved over time. Some of its elements trace back to the late 19th century, such as the Foreign and Commonwealth Office that emerged out of the Colonial Office (est.1854) and the Dominions Office (est.1925). Historically, the adoption of home country measures underwent several stages, from a pre-WWI laissez faire approach to a more guided course since WWI, and an increasingly promotional stance since the mid-1970s. The introduction of explicitly promotional OFDI policies occurred in the UK in 1974.

The shifting OFDI policy stances of the various UK governments reflect specific domestic development concerns and international events in time. For instance, Treasury

946 BIS (2011a), 3.
947 Atkin (1970), 324-335; and De Beule and Van den Bulcke (2010), 296-297.
948 De Beule and Van den Bulcke (2010), 296-297.
instructions in 1919 to tighten OFDI regulations reveal the intention to protect foreign exchange and ensure the availability of capital for domestic development, like housing, following WWI. And, more recently, the promotion of overseas FDI by the UK government seems to be related to the prevailing perception that OFDI is an important component of the UK’s ability to “punch above its weight” and maintain “prosperity” at home in a changing world order characterized by the rise of the BRICS. That is, to play an extraordinary influential role in international political and economic relations given the country’s actual size.\textsuperscript{949} At the same time, UK OFDI has remained astonishingly stable, at about 2% of GDP, since the end of WWII while the British share in world stock of FDI has mostly ranged between 14% and 15%.\textsuperscript{950}

\textit{OFDI: Development, Context, Objectives}

A closer look at the historical evidence shows the nature and sequence of events and development objectives that made various governments (under their respective political economies and development strategies) reach conclusions about the usefulness (or ineffectiveness) of overseas investments to address internal or external challenges or realize certain development ambitions. As has been mentioned before, the UK moved through several stages in this respect, namely a laissez faire approach during the 19\textsuperscript{th} century, when it was a significant capital-exporting country; a permissive approach in the

\textsuperscript{949} Atkin (1970), 325; M.Harvey (2011).

\textsuperscript{950} While OFDI flows briefly spiked to nearly 15\% during 1996-2000, due to an increase in mergers and acquisitions of British firms overseas (e.g., Unilever), the percentage of overseas FDI as a portion of GDP had dropped again to 2.5\% by 2002. However, the interim spike had the long-term effect of raising “the stock of UK FDI” to 1980s levels of approximately “14.5 per cent of world stock of FDI.” See Schenk (2005), 474.
late 19th century “when it was rapidly losing its industrial supremacy;”\textsuperscript{951} a slightly more regulated phase post-WWII, when the country was focusing on recovering its industry and infrastructure; and an increasingly promotional stance since the mid-1970s, following EU accession and the oil crisis, when OFDI was seen as a way to help the tarnished manufacturing industry to access European markets.

Over time, government rhetoric suggested that OFDI would facilitate the acquisition of natural resources, technology, and knowhow for domestic industry, promote exports, mitigate market failure, and, to a rising degree, create new markets and strengthen UK industry through globalized production processes that allow companies to internalize locational advantages. At the same time, OFDI has increasingly been perceived as an income earner able to moderate the negative post-1947 UK trade accounts. This holds particularly true since the Thatcherite era in the 1980s, when the terms of trade deteriorated as a result of multiple factors, such as structural changes within the economy in the form of deindustrialization, financialization, and deregulation; high commodity prices during the oil crisis in the 1970s; and a changing international context, in which many countries had begun to catch up with regard to industrialization, and British companies were losing their competitive edge.\textsuperscript{952}

Through the above-mentioned periods, the framing and administration of OFDI changed significantly: while the 19th century was characterized by a political perception of OFDI that reflected mercantilist thought and great power struggles over resources, markets, strategic locations, and spheres of influence, increasingly, an economic-technical framing

\textsuperscript{951} Chang (2004), 695-697.  
\textsuperscript{952} Carnell (1996).
of OFDI gained influence in public debates and international economic governance. However, more recently, under the trade and investment agenda of the acting government (since 2011), OFDI has been loosely yet explicitly (re)linked to the UK’s national interests.

In practice, official documentation shows that in the years after the British empire’s disintegration, particularly during the 1970s, 1980s, and 1990s, the UK focused on resource security and negotiated bilateral investment treaties (BITs). The UK governments were concerned over expropriations in the former dependencies, where the colonial investor legacy, the call for a New International Economic Order (1974), and the popularity of dependencia theories (early 1980s) had led to a hostile attitude among host countries towards British FDI.\textsuperscript{953} At that time, OFDI policy was still strongly guided by the UK’s foreign policy agency, the Foreign and Commonwealth Office (FCO), which was in charge of the negotiations. Once British officials and business reoriented their focus towards market access as well as investment and export promotion, competencies were transferred to the UK Trade and Investment Department.\textsuperscript{954}

As of 2012, proactive OFDI promotion is part of a larger package of industrial policy that focuses primarily on export promotion and IFDI-attraction while being embedded in a reindustrialization program designed to “rebalance the economy.”\textsuperscript{955} The reindustrialization program aims to promote “the growth of high-tech industry, small firms, and service providers (tertiary sector).”\textsuperscript{956} In this context, OFDI promotion is framed as helping British business to “go global,” thereby opening markets for specific industries that

\textsuperscript{953} For information on the history of UK bilateral investment treaties, see Walter (2000), 9-11, 23-26.
\textsuperscript{955} BIS (2011a).
\textsuperscript{956} Nagle (2000), 304.
the government perceives to be the UK’s comparative advantage (e.g., pharmaceutical, biotech sector, food manufacture), encouraging trade, securing access to resources (oil, minerals), enhancing competitiveness, and profiting from growth markets overseas and from contract work opportunities that might help to secure jobs back home (e.g., construction projects). While the geographical focus rests on Asia, the Gulf, and Latin America, there has been a growing interest in Africa as well. For instance, the Foreign Secretary has established a Commercial Taskforce “to increase the presence of British companies across Africa.” Correlating with the intensified commercial diplomacy, exports to African countries as well as investments increased significantly. However, the case of Angola, a major crude oil exporting country with little refining capacity where British companies have managed to significantly increase their exports (of refined oil) since 2012, highlights that it in many cases, the established trade and investment legacies of the UK play out.

The Home Country Measures: Jumping on the Corporate Bandwagon and “Rebalancing the Economy”

As of 2014, the UK is categorized as a country with a low degree of OFDI control and a high degree of OFDI promotion. For comparison: China has been characterized as a country with a high degree of control and promotion of OFDI flows. The UK’s set of home country measures involves multiple policy areas. It is composed of encouragement

957 BIS (2011b); BIS (2011a), 1-25; and HM Treasury and BIS (2011), 3-4; FCO (2011b).
958 Bellingham (2010).
959 Soque (30 June 2014); KPMG (2014).
960 De Beule and Van den Bulcke (2010), 299.
policies, simplified approval processes, and regularized supervision. While some features were disbanded at a certain point, such as the energy attachés, and/or taken over by diplomatic staff, others persist, such as the net food-importing country’s agricultural attachés, though their locations and numbers have changed, particularly after the UK’s accession to the European Economic Community in 1973.\textsuperscript{962} Several agencies were transformed into hybrid organizations that now comprise private and public actors. Take, for example, the FCO/ Department of Trade and Industry (DTI) Joint Export Directorate that became the UK Department of Trade and Investment (UKTI), a government agency that works closely with industry partners and associations. In addition, British investors have increasingly profited from the pooled sovereignty of the EU, as well as from multilateral institutions and related political and financial support mechanisms. At the same time, it has to be noted that the OFDI policy framework should not be overestimated in view of effectiveness. In practice, the government budget is tight, and the multi-level home country measures’ framework lacks coherence. For instance, the UK’s BITs can be in disaccord with EU standards, as many have been negotiated prior to the UK’s accession to the European Economic Community (now European Union).\textsuperscript{963} Also, the government does not have a long-term vision for its engagement with the African continent.\textsuperscript{964}

The home country measures (HCMs) that apply particularly to investment projects in African countries have often been in place for several decades. As mentioned above, the BITs were negotiated in the 1980s and 1990s, and the Export Credits Guarantee

\textsuperscript{962} The National Archives (2005), 21-22.
\textsuperscript{963} Harrison (2010) and (2013).
\textsuperscript{964} Chafer (2010).
Department (ECGD), the UK’s export finance and credit agency, has been offering political risk insurance for overseas investments since 1970, in the form of loans to finance purchases, sharing credit risks with banks, and insuring UK overseas investors.\textsuperscript{965} However, the case of the UK’s political risk insurance also highlights the degree to which the utilization of home country measure services has amplified: investor insurance liability increased by 58\% between 1998 and 2001, covering GBP 1 billion.\textsuperscript{966} With regard to regional distribution, however, Africa ranks rather low in HCM services. In 2007, only 6\% of ECGD services went to projects in Africa.\textsuperscript{967}

Key institutional reforms and program re-conceptualizations linked to these long-standing policy frameworks took place under the Labour (1997-2010) and Conservative governments (since 2010). These reforms and re-conceptualizations have proven important for British land-consuming investments in SSA. Already in the late 1990s, UK development assistance began to focus on Africa while embracing the concept of poverty alleviation through private-sector-led growth. In 2010, the Conservative government re-aligned the DFID programs with FCO interests, echoing the credo of the 1980s to “give greater weight in the allocation of our aid to political, industrial, and commercial objectives alongside our basic development objectives” (Neil Marten, Minister for Overseas Development, 1980).\textsuperscript{968}

In practice, this has meant that investment-related bilateral aid, which research shows to positively correlate with OFDI flows, has increased from 18\% in the 1970s to

\textsuperscript{965} For an assessment of the UK’s export promotion agencies, see Hauswirth (2006), 96-102.
\textsuperscript{966} Te Velde (2007), 97.
\textsuperscript{967} Te Velde (2007), 97.
\textsuperscript{968} Barder (2005), 7, 10.
30% in 2002 (as a share of total UK aid).²⁶⁹ Major emphasis lies on improving the investment environments of host countries through programs that focus on infrastructure, human resource development, macroeconomic stability, legal rules, or private sector support.²⁷⁰ For example, the Investment Climate Facility for Africa finances policy and regulatory work “to improve the investment conditions in Africa,” while providing a platform “for the private sector to work in partnership with governments and donors.”²⁷¹

Moreover, the UK’s development finance institution, the CDC, strengthened its geographical focus on Africa (and South Asia) in 2011, and it has transformed its operational strategy from being a “fund of funds” (i.e., intermediary equity investments) to becoming an investor engaged in direct private equity operations. This move is important as it will result in more equity investment geared towards improving the economic fundamentals of recipient countries – to the benefit of British investors – while reducing the risk potential. By 2011, the CDC had invested in several funds that were engaged in land-consuming investments in SSA: it transferred USD 20 million to the previously-mentioned SilverLandsFund of London-based Silver Street Capital LLP, which concentrates on agribusiness operations in Central and Southern Africa. It also invested in the Global Environmental Fund (GEF), a firm focusing on clean tech operations which currently manages 468,860ha of forestry land in Ghana, Mozambique, Tanzania, Swaziland, and South Africa.²⁷² And, it made a USD 15 million investment (i.e., 15% of the total target of USD 100 million) in Schulze Global Ethiopia Growth and

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²⁷⁰ Te Velde (2006), 24; and Te Velde (2007), 96.
²⁷¹ Department for International Development (25 March 2013).
²⁷² Data calculated from data provided by GEF (http://www.globalenvironmentalfund.com/).
Transformation Fund I, a private equity investment fund involved in agriculture and food production in Ethiopia.973

In the words of Andrew Mitchell, former Secretary of State (2010-2012) for DFID, the sole CDC shareholder, these investment activities, particularly the investment in Schulze Ethiopia Growth, are living proof of the marked shift in geographical and strategic focus that the CDC Group has experienced: "For the first time, CDC is directing its much-needed capital to help promising entrepreneurs and businesses in Ethiopia to transform agriculture and food production."

974 At the same time, the CDC has begun to invest in service industries catering to the interests of these agribusiness investments. For instance, it is involved in the Progression Eastern African Microfinance Equity Fund (2012) that provides microfinance in Kenya Tanzania, Rwanda, Zambia, and Uganda.975 This is particularly interesting against the background of the outgrower schemes that are applied by many investor companies. These schemes, as described above, rely on farmers who are able to pay for inputs; as a result, microfinance has repeatedly been recommended by industry representatives to support rural development and private-sector-led growth.

In the bilateral political realm, the Cameron government in the UK has begun to step up its commercial diplomacy in the form of high-level visits and the launch of bilateral investment forums. These resemble similar Chinese and French platforms, though they are undertaken in a more ad hoc fashion. In this context, the then Minister for Africa, Henry Bellingham (2010-2012), stated in 2010 that he was “on track to visit all 53 states in

973 Department for International Development (9 May 2012).
974 CDC (9 May 2012).
975 Manson (8 March 2012).
Africa by our next general election in 2015.” The key actors in this commercial diplomacy spree are the FCO, DFID, and UKTI, which are frequently located in the same offices in African countries due to the previously mentioned budget cuts that have impacted diplomatic infrastructures.

In addition to these domestic home country measures, the previous chapter has highlighted that companies from liberal economies which are well-integrated in the global economy, such as the UK, also have access to regional institutions that belong to the wider set of HCMs. Take, for example, the ACP Investment Facility (IF) under the management of the European Investment Bank (EIB). Set up in 2003 to “[p]rovide long term lending to promote European objectives,” the IF is a “EUR 3.137bn risk-bearing revolving fund (…) [that] was established to support investment in private businesses and commercially-run public sector companies (including revenue-generating infrastructure)” in African, Caribbean, and Pacific countries. The IF provides risk capital through equity participation, quasi capital, and guarantees, as well as ordinary loans (non-concessional and concessional). Moreover, other regional and international institutions are important, such as the EU-Africa strategic partnership and related summits and action plans since 2007; the Lomé and, now, Cotonou agreement between the EU and ACP countries;

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976 Bellingham (2010).
977 Bellingham (2010).
978 See, for instance, Sakellaris (4 October 2010).
979 European Investment Bank (9 December 2010).
980 Analysis for Economic Decisions (2010), 4-10.
982 See Te Velde and Bilal (2003).
the UNFCCC’s Clean Development Mechanism; and the G8’s “New Alliance to improve Food and Nutrition Security.”

This means that (inter)national regulatory frameworks and support structures that go beyond the traditional understanding of home country measures play a significant role in British land-consuming investments. They impact investor choices, and match the self-description of the UK as a cosmopolitan economy. Therefore, I will briefly outline the key features of the frameworks that are most important with respect to British land-consuming FDI in SSA, the setting of incentive structures at different levels of governance, and the creation of new markets: climate finance and biofuels regulations.

Empirical evidence presented in Chapter 6 pointed to the importance of international climate negotiations for overseas biofuel investments. In particular, the Kyoto Protocol (1997), an agreement related to the 1992 United Nations Framework Convention on Climate Change, has been influential because it established legally binding greenhouse gases emissions reductions which feature prominently in biofuel industry statements, particularly with regards to the Clean Development Mechanism (CDM) and the tradable Carbon Emission Reduction (CER) mechanism. For example, Trading Emissions Plc., the investment company that bought a majority share of SBF (2008-2011), stated at the time that it was “paying close regard to the growth and development of these businesses and

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983 European Commission (18 May 2012). For a critical discussion of the G8 initiative as industrial policy to strengthen UK agribusiness, see Haigh (2014).
984 See Chapter 6 (Section 3).
their market position vis-à-vis domestic and international climate and renewable energy policy.”

Related developments on the European level were equally important in the creation of the biofuel market. In 1997, the European Commission (EC) published the first whitepaper which set the target for renewable energy in Europe’s energy mix at 12% by 2010. The whitepaper was a response to the climate negotiations and related concerns over the potential socio-economic implications of emissions reductions for European growth. Renewable energy sources were framed as low-carbon energy sources that would allow the European Union Member States to meet the legally binding reduction targets (amongst other measures, such as energy efficiency), without threatening the overall growth strategy regarding trade and transport activities.

Consequently, renewable energy has been deemed to improve energy (supply) security, foster industrial innovation, provide low-carbon energy, and promote rural development – a rhetoric that remains central in European development strategies as of 2014. Subsequent EC directives followed this line of reasoning while advancing the details: Directive 2003/30/EC established a 5.75% share of renewable energy in the transport sector, to be reached by 2010. In 2009, Directive 3009/28/EC raised the renewable energy target to 10% in all Member States by 2020, and it introduced sustainability criteria to counter rising criticism of biofuels, particularly regarding their negative impact on food

985 Trading Emissions Plc (2010), 9, 32.
987 See, for instance, the guidance note by the Department for Transport (5 November 2012). It discusses the renewable transport fuels obligations (RTFO) and applies this narrative.
security.\textsuperscript{988} In addition to the introduction of targets and the framing of renewable energy as low-carbon energy, the EU established a European Emissions Trading Scheme.\textsuperscript{989} As aviation emissions have been included in the scheme since 2012, the aviation sector has taken great interest in the biofuel industry. In the case of British investments in SSA, Lufthansa had signed offtake agreements with SBF, and it conducted trial flights with biofuels.\textsuperscript{990} While the company backed out of that agreement in the face of mounting protest in the home country, it continues to consider Jatropha and its resourcing via offtake agreements as a viable option to meet its CO2 emission reduction requirements in the near future.\textsuperscript{991}

The international and European agreements have also had relevant repercussions at the domestic level. While the UK government introduced its first biofuel regulations in 2000 as a response to the Kyoto Protocol obligations, it raised the targets in 2003 to 20%
CO2 savings by 2050 (compared to 1990 levels). The 2003 Energy Whitepaper stated that the “increased use of biofuels is considered a way to contribute to the achievement of these targets.”992 In 2007, the Renewable Transport Fuel Obligation (RTFO) was legally enacted by the government. It required major transport fuel suppliers “to ensure that a percentage of their sales were from a renewable source, intended to deliver carbon savings in the transport sector and provide a sound platform for private sector investment in renewable fuels infrastructure and technology.”993 From 2008 to 2011, the Renewable Fuel Agency, a non-departmental public body, administered the implementation of the RFTO.994 Moreover, the Climate Change Act was published, establishing a framework to cut between 26% and 32% of the UK’s carbon emissions by 2020, and 80% by 2050 (compared to 1990 levels).995 With regard to the socio-economic outlook, the “clean tech” industry has been reframed as a future industrial growth sector under the reindustrialization program, and has also been at the core of the traditional HCM framework (see above). For instance, the 2009 UK Low Carbon Transition Plan foresees the medium-term creation of 1.2 million green jobs.

It is usually difficult to evaluate the effectiveness of such frameworks in achieving their objectives of CO2 reduction and reindustrialization. However, the empirical assessment of biofuel projects in Chapter 6 has provided valuable insights in this regard, and they will be presented in the remainder of this section. Operators of British land-

992 MRL Public Sector Consultants (2014); Department of Trade and Industry (2003).
993 See MRL Public Sector Consultants (2014).
994 The Renewable Transport Fuel Obligation applies to fuel suppliers. These have to prove that a certain percentage of fuel consists of renewable energy sources. See Department for Transport (5 November 2012).
995 UK Climate Change Act (2008).
consuming FDI in the biofuel industry, as well as financial investors in London, constantly refer to these political frameworks, if only to use the related rhetoric in their promotional materials. Biofuel investments appear as a ‘safe bet’ in view of the (predicted) growth in demand for bioenergy in the future, which is based on the assumption that biofuels will become an alternative to oil. Moreover, the framing of biofuels as an alternative energy source that provides “clean” energy and contributes to “green growth” through multiplier effects in the form of jobs and energy security in the host, as well as the home country, bestowed these investments initially with a positive image.\textsuperscript{996} By 2004, so-called “clean tech” companies made up 6\% of the AIM London Stock Exchange’s initial public offerings (IPOs).\textsuperscript{997}

However, contrary to the extremely ambitious sector goals embedded in the policy framework and/or business plans of companies involved in biofuel projects that aim at becoming a “clean energy leader,” and in spite of the largely positive outlook of companies and sector analysts alike, the empirical data presented in Chapter 6 showed that most biofuel projects experienced dramatic wealth destruction. Aside from operational challenges, alternative energy (i.e. first generation biofuels) has also not lived up to its socio-economic and environmental promises, and the business models rely on minimum

\textsuperscript{996} This framing and rhetoric is directly taken from the official frameworks, such as European Directive 2009/28/EC, which explicitly argues as follows: “The control of European energy consumption and the increased use of energy from renewable sources, together with energy savings and increased energy efficiency, constitute important parts of the package of measures needed to reduce greenhouse gas emissions and comply with the Kyoto Protocol to the United Nations Framework Convention on Climate Change, and with further Community and international greenhouse gas emission reduction commitments beyond 2012. Those factors also have an important part to play in promoting the security of energy supply, promoting technological development and innovation and providing opportunities for employment and regional development, especially in rural and isolated areas.” For a discussion of the evolving bioenergy directives, see Ismail and Rossi (2010).

\textsuperscript{997} Cleantech Investor (March 2007).
social and environmental standards to be economically viable. In the UK context, the Gallagher Review (Renewable Fuels Agency 2008), commissioned by the Secretary of State for Transport to study the “indirect effects of biofuels production,” came to the conclusion that biofuels contributed to rising food prices and deforestation while failing to reduce CO2 emissions. Subsequently, the report called for a moratorium on biofuel investments until government could ensure that only idle and marginal lands were used for biofuel production – if they do exist.

In sum, then, the multi-level regulatory climate regime that biofuels are embedded in and supported by highlights a key problem, namely that such frameworks and measures might have significant undesirable repercussions. It is ironic that it was the growing awareness of the negative feedback loops between food and energy production that led many investors to focus on Jatropha-based biofuel projects, assuming that such projects could flourish on marginal land. In practice, however, the empirical evidence presented, such as the SBF trial plots in Ethiopia, has revealed that Jatropha is not economically viable under harsh conditions. Moreover, its prevalence on prime land clearly intensifies the negative feedback between food and energy production under conditions of insufficient

998 Renewable Fuels Agency (2008).
999 The UK Renewable Fuels Agency (RFA), the first organization globally with an independent board intended to assist in the implementation of the Renewable Fuel Transport Obligation (RFTO) from 2008-2011. It identified additional problems preventing sustainable biofuels production: First, “under a largely voluntary system, obligated suppliers are able to buy un-certified biofuels on the spot market, avoiding the need to establish supply contracts that are longer term;” second, the lack of a “price premium for feedstock with assured Carbon and Sustainability provenance” discouraged producers; and, third, the sustainability criteria under the European Renewable Energy Directive “focused on avoiding the worst practices rather than promoting the best” – setting only very broad sustainability standards in view of land use, which were related to biodiversity and carbon stocks. See Renewable Fuels Agency (2008), 6-8; and Renewable Fuels Agency (2011), 6.
governance while hardly resulting in economically viable undertakings conducive to rural development.

Summary

Four observations follow from the interrelation of UK HCMs and British land-consuming investments in SSA. First, OFDI promotion continues to be a by-element of the UK’s broader trade and investment strategy, which puts primary emphasis on export promotion, market access, and the attraction of IFDI. This is highlighted by whitepapers and strategy papers published since 2000. At the same time, the OFDI approach to SSA has become more planned as a consequence of institutional reform, changing strategies, and geographical program adjustment.

Second, from a broader perspective, the pro-active government approach and the cooperation of public and private actors in the area of OFDI reflect the newly adopted “grand strategy” of the current UK government. It tries to encourage the close cooperation of government agencies in support of British trade and investment activities (e.g., cooperation by UK DTI, DFID, the FCO, and BIS), and reflects the government’s decision to revive the economy by jumping on the rising corporate interest in the African continent as a new growth region. In particular, the rise in investment-related aid, a significant part of which is going to SSA, will have a positive impact on British investment flows to the region. For instance, the CDC Group and DFID have expanded their

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1000 See, for instance, BIS (2011a); and HM Treasury and BIS (2011).
1001 BIS (2011a); UK Trade and Investment (2006); BIS (2011b); UK Trade and Investment (2011).
1002 E.g., BIS (2011a); or Allen (8 October 2012).
1003 This acronym stands for the UK Department for Business, Innovation & Skills.
operational activities and shifted their focus (at least part of it) towards SSA. At the same time, aid-funded business opportunities are promoted by the FCO and UK DTI and facilitated by DFID. And new trade policy initiatives, such as the Africa Free Trade initiative (AFTi) promoted by UK DTI, are explicitly geared towards securing market access in SSA. Overall, however, it is important to remember that it was the private sector that led the way and invested in African economies, and that the government largely followed suit, matching public finance programs with private sector interests.

Third, despite the growing interest in SSA-directed OFDI, recent budget cuts and the dramatic indebtedness of the UK government limit the prospects of the ambitious grand strategy approach. This problem is multiplied by the fact that the UK does not have a coherent and long-term vision for its political and economic relations with African countries. However, the access to EU support structures mitigates the budget constraint problem.

Fourth, the importance of UK-Africa relations is highlighted by the impressive quantitative increase in UK OFDI in Africa during the last decade. This is remarkable, considering that it is happening at a time when UK OFDI flows worldwide have been falling dramatically, from USD 233,371 million in 2000 to USD 11,020 million in

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1004 E.g., the CDC shifted from intermediary equity to direct equity and debt investments, and DFID established Challenge Funds to support UK companies overseas.
1005 Chafer (2010, 1) has argued that "(...) policy relating to Africa is often short-termist and preoccupied with meeting, often annual, targets, with the result that a long-term view of the strategic importance of Africa is not taken and that the resources deployed in support of UK Africa policy by the FCO/MoD/DFID are not deployed in a strategic way (e.g., initiatives launched one year and then abandoned a year or two years later, leading to waste of effort and resources). On Africa policy, both London and Paris are confronted by what one might describe as the "ends vs. means" dilemma: in other words, both the UK and France wish to remain key players in Africa but increasingly do not have the means (financial and personnel) of their ambitions."
While the fall of OFDI flows is related to the financial crash and the Eurozone crisis, the intensified trade and investment with African economies correlates with UK interests of the private (and, more recently, public) sector to participate in and profit from the continent’s growth dynamics. It strongly mirrors an international trend, namely the shifting perception within the capital markets of the African continent. For instance, the British Standard Chartered Bank estimates that the region will grow at a rate of 7% per annum, faster than China. In practice, data from 2001, 2002, and 2003 highlights that UK OFDI has generated “profit rates that are two to three times higher in Africa than worldwide.” However, this is a finding that hardly matches the empirical evidence about land-consuming FDI presented in this thesis.

3. Guiding Ideology

The rhetoric running through the key documents of the political and financial mechanisms introduced above highlights that British land-consuming investments are embedded in a guiding ideology (in the form of several sets of ideas that perform ideological functions) about national development and international grandeur that has emerged over the last decade from significant government speeches, reports, and whitepapers across several policy sectors. While some elements of this ideological frame are clearly about framing development challenges and pathways of the UK regarding

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1006 See Annex 1 of Allen and Dar (14 March 2013).
1007 See Ernst & Young (2012). Accordingly, between 2003 and 2011, the number of FDI projects increased by 253%, from 339 (2003) to 857 (2011), and – as the diverse sector distribution in the China case indicated – this growth in the number of projects was associated with an increasing share in the non-extractive industry sectors, such as manufacturing or business services.
1008 Ernst & Young (2012), 18.
1009 Te Velde and Calì (2006), 12.
1010 See Chapter 1.
economic recovery, others serve to legitimate the measures taken, by underlining that they help to mitigate environmental challenges or that they are tailored to host countries’ interests while ensuring domestic security and prosperity back home, creating jobs, ensuring international influence, strengthening energy security, and meeting climate obligations. In sum, the argumentative structure of the guiding ideology flowing through relevant government documents connects growth, prosperity, and security, and takes the form of a hypothetical syllogism along the following lines: when there is private-sector-led growth there is prosperity,\(^ {1011}\) and when there is prosperity, there is security (and vice versa),\(^ {1012}\) therefore, when there is private-sector-led growth, there will be both prosperity and security.\(^ {1013}\)

In more detail, the discourse surrounding British investments in Africa reflects the fundamental transformations that have taken place in view of domestic and international economic relations. On the one hand, a turn in UK industrial policy is detectable. After decades of an arms-length approach and relative neglect of this sector, the current UK government openly embraces a closer linkage of business and state actors, domestically, as well as with regards to overseas business opportunities;\(^ {1014}\) and it favors reindustrialization

\(^{1011}\) BIS (2011a).
\(^{1012}\) HM Government (2010).
\(^{1013}\) HM Treasury and BIS (2011); and BIS (2011a).
\(^{1014}\) This “grand strategy” is envisioned in multiple government whitepapers and publications, such as the “Trade and Investment” Whitepaper (BIS (2011a)) and the FCO’s Five Year Plan (FCO (2011a)). It is also mentioned in government speeches (Hague 2010). Accordingly, “British Ministers” can be “a valuable asset when it comes to persuading other countries to work with us or adopt our objectives as their own”; and “joint initiatives between businesses” can be influential in “changing attitudes” in different governance forums as well. See Hague (2010); HM Treasury and BIS (2011); BIS (2011a), 55-59.
as a way to promote domestic economic recovery. On the other hand, the tone in bilateral relations has begun to shift from an asymmetric top-down rhetoric that highlighted the challenges of African economies to one that praises the opportunities African economies have to offer. In this context, the public statement by BIS that national economic interests are a key driver behind the intensified relations with African countries constitutes a major change in the UK’s more recent development policy. In fact, following the empire’s post-WWII disintegration, international development narratives concentrated strongly on topics of humanitarianism and security, and national interests were considered by many (politicians and public) to be a rhetorical taboo in relation to Africa. Additionally, the outlook on international economic relations has changed. Since the failure of the OECD initiative to promote a multilateral investment regime in the 1990s – during which time bilateralism was framed as a step away from multilateralism – the UK now officially embraces bilateralism as a stepping stone towards multilateral economic institutions.

A British Africa Policy?

As mentioned above, British land-consuming overseas investments in SSA are part of development rhetoric about coming to terms with international challenges and changes and about “rebalancing the economy” through trade, investment, and reindustrialization in

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1015 Hague (2010).
1016 BIS (2011a).
1017 Cargill (2011).
1018 The Multilateral Agreement on Investment (MAI) was an initiative in the mid-1990s (1995-1997) by the US and other OECD countries to negotiate universal investment rules, similar to those for trade under the WTO. For more information, see the collection of articles at the Global Policy Forum (2014).
particular areas, such as “advanced manufacturing, life sciences, creative industries, green energy and non-financial business services.”\textsuperscript{1019} In this context, OFDI is seen as a way to secure overseas business opportunities and “allow (…) businesses to grow and diversify.”\textsuperscript{1020} However, the lack of a coherent long-term vision means that there is no visionary ‘Africa policy’ in place.

To counter concerns about the fact that trade and investment has become a topic of British foreign policy, all relevant official documentation (see Table 7-1) applies the rhetoric of mutual benefit, using mainstream economic arguments (“win-win”) while also embracing an image of the UK as a country characterized by “enlightened national interest.”\textsuperscript{1021} As the “Trade and Investment for Growth” Whitepaper puts it:

\begin{quote}
(...) as we work to rebuild our economy, we must redouble our efforts to enable developing countries to build their own paths to growth through trade and investment, and to help them develop the capacity to do so, especially in Africa. This is the right thing to do both on moral grounds and for Britain’s national interest.\textsuperscript{1022}
\end{quote}

In the words of the former Minister for Africa, MP Henry Bellingham (2010-2012), the UK pursues “a foreign policy in which the promotion and protection of human rights around the world is indivisible from our efforts to bring security and prosperity to Britain, and, of course, in Africa as well.”\textsuperscript{1023} On the project level, the mutual benefit rhetoric is taken up by framing many investment projects as impact investments that contribute to the host country’s development while generating above average returns. Yet, in spite of this mutual benefit rhetoric, the African continent continues to be portrayed largely as a source

\textsuperscript{1019} HM Treasury and BIS (2011), 4.
\textsuperscript{1020} BIS (2011a), 4; also BIS/FCO/UK Trade and Investment (2012).
\textsuperscript{1021} FCO (2011a), 1-2.
\textsuperscript{1022} BIS (2011a), 4.
\textsuperscript{1023} Bellingham (2010).
of primary commodities, i.e. as possessing “relatively abundant reserves” to meet the “global demand for oil, minerals, natural gas, food and agriculture and other natural resources.”

In his speech “UK and Africa: Delivering Prosperity Together,” Bellingham lists three aspects of how this mutual development agenda is being operationalized. Firstly, cooperation with governments and enterprises has been intensified in order to profit from “the trade and investment opportunities on offer.” Secondly, enhanced intra-African trade has been supported by the UK government. And, thirdly, the “removing of barriers to Africa’s goods in global markets” is being promoted. In practice, the discourse supports several measures that were introduced to operationalize the new interest in African resources and growth markets, such as the Africa Free Trade initiative (AFTi), the pro-actively pursued commercial diplomacy in the form of high-level forums and visits, the channeling of aid funding through the Foreign Office (FCO), the alignment of DFID programs with FCO trade and investment objectives using, for instance, global challenge funds, and the generally close cooperation between the government and private sector.

\[\text{BIS (2011a), 41.} \]
\[\text{Bellingham (2010).} \]
\[\text{Bellingham (2010).} \]
\[\text{BIS (2012), 8.} \]
### Table 7-1 – Key Documents Outlining the UK’s Development in Relation to UK in Africa (selected) 1028

<table>
<thead>
<tr>
<th>Speeches</th>
</tr>
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<tbody>
<tr>
<td>2010 – “Britain’s Foreign Policy in a Networked World,” William Hague (FCO)</td>
</tr>
<tr>
<td>2010 – “UK and Africa: Delivering Prosperity Together,” Henry Bellingham (Minister for Africa)</td>
</tr>
</tbody>
</table>

**Government (White) Papers**

| 2007 – Whitepaper, “Meeting the Energy Challenge,” DECC |
| 2011 – Whitepaper “Trade and Investment for Growth,” BIS |

**Reports and policy**


**International Policy**

| 1997 – International Agreement, “Kyoto Protocol,” UNFCCC1030 |

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1028 The references for the documents listed are as follows: Hague (2010); Bellingham (2010); Bellingham (2011); BIS (2011a); FCO (2011b); HM Treasury and BIS (2011); UK Department of Trade and Investment (UKTI) (2011); DTI (2004); UK Department of Energy & Climate Change (DECC) (2007); DFID (2000); DFID (1997); HM Government (2010); FCO (2011a); BIS (2011c); RFA (2008); DECC (2006); Department for Environment, Food and Rural Affairs (DEFRA) (2008); RTFO (2007); Commission for Africa (2005); Commission for Africa (2010).  
1029 See UK Trade and Investment (2012), 17.  
1030 For more information, see UNFCCC (n.d.).
Summary

The UK’s changing development rhetoric, which has moved from humanitarianism to mutual development, as well as its renewed interest in the African continent, correlates with the contemporary challenges that the country is facing. These include prolonged economic recession, the financial crisis, and the failure of the financialization-led growth model – embraced by British governments since the Thatcher-era – to generate sufficient jobs, growth, and revenues (for more details, see also Section 4 on political economy). Most striking is the similarity of the Chinese and British guiding ideologies – the mutual development rhetoric applied in British policy documents might have been influenced by the rise of the BRICS and the popular discourse characteristic of South-South Cooperation.\footnote{Goetz (2015) (forthcoming).}

At the same time, the empirical evidence on the timelines of British land-consuming FDI projects emphasizes that the framing of UK-Africa relations as mutual development opportunity and national security measure is the result of the government jumping on the corporate trend of investing in African economies, a trend that has been gaining momentum since 2000. Therefore, the relatively recent promotion of British land-consuming FDI in SSA by the UK government has to be seen in the broader effort to address the economic recession that the country has been suffering from since 2007/2008. Many investors who saw Africa as a new growth region where novel markets could be won, and extraordinary profits and returns on investments earned, moved their business focus towards African economies long before the 2008 crisis became an additional driver to look

\footnote{Goetz (2015) (forthcoming).}
for profitable options overseas. However, the crisis does seem to have instigated actors from the public sector to redirect development finance, expand commercial diplomacy, and introduce a range of mechanisms to support this trend as part of a national recovery approach.

Importantly, the change in UK-Africa relations that is reflected in the application of a “grand strategy” of business-government cooperation for economic development and the strengthening of explicitly identified British stronghold industries (in the form of advanced manufacturing, life sciences, creative industries, green energy, and non-financial business services) does not only apply to international economic relations. Instead, the core characteristic of the close cooperation and coordination between public and private actors is a reflection of the fundamental domestic reforms that have been occurring over the past two decades. These are characterized by the ongoing privatization of public services, which has led to the state-funded operation of public services by private actors – under the assumption that this will promote private sector growth while enhancing efficiency.

4. Political Economy

As a country that has a proud and successful history of trading and benefiting from investment and that sees these factors vital to our prospects for growth, the UK offers a good case for how, in practice, trade and investment drive growth.

– Department for Business, Innovation and Skills 2011

While the UK continues to be portrayed as an ideal-type liberal economy, particularly against the European background of so-called ‘coordinated continental

\[\text{\textsuperscript{1032}}\text{HM Treasury and BIS (2011), 4.}\]
\[\text{\textsuperscript{1033}}\text{BIS (2011a), 17.}\]
economies,’ this simplified typology ignores the changes that have taken place since the 1980s, such as the increase in public regulation during the New Public Management era in the 1990s,\textsuperscript{1035} the adoption of a “grand strategy” approach towards trade and investment under Conservative rule (since 2011), and the changing quality of (foreign) economic policy and state-market relations.

In this section, I will focus on two aspects of British political economy, namely state-market relations in the context of financialization and the transformation of the political economic paradigm. I will show that both are relevant for a meaningful understanding of what is occurring with regard to land-consuming FDI. The major arguments emerging from the findings are as follows: (1) Even though the financial sector (aka “the City”) features prominently in overseas investments, it would be wrong to argue that these investments are primarily driven by it. Instead, there is an overlap of interests and “intellectual capture” across different actor groups in the public and private sectors. (2) These investments are embedded in broader economic restructuring endeavors, such as reforms that aim at the delivery of public services by private actors and foreign economic policies that focus on strengthening the capacity of British producers to retain influence in international political and economic governance while rebalancing the economy. However, in the meantime, (3) the economy remains highly dysfunctional in view of industry finance, as has been highlighted by biofuel investments in SSA.

\textsuperscript{1034} Hall and Soskice (2001).
\textsuperscript{1035} Hood et al. (1999).
The empirical evidence on industrial finance (presented in the previous chapter), together with the rising number of investment funds “seeking alpha,” has highlighted the prominent role of the financial sector in British land-consuming investments in SSA. Based on this evidence and the liberal characterization of the UK economy, it would be rather easy to conclude that, similar to claims about the British empire and ‘gentlemanly’ capitalism in the 19th century, the financial sector in London is once again – under “free market” conditions – the primary driver of these investments. However, state-market relations in general, and issues pertaining to finance and industrial development in particular, are far more complex than the liberal characterization would suggest – even under conditions of financialization. Also, the national context continues to influence the perceptions of and options available to financial investors, as in those cases where the capital that is exported via London to Sub-Saharan countries has its origins outside of the UK.

In fact, the empirical evidence about British investments in SSA has emphasized that there are multiple actors and mechanisms at play, extending beyond stock markets and private enterprises, such as public policy-induced markets in the renewables sector, public finance through the CDC Group, and/or investment-related aid programs. Moreover, the old narrative, according to which the financial sector (alias “the City”) was the sole driver behind the colonial expansion, has long been undermined by subsequent historical
research. Next, I will highlight relevant developments that have occurred in the financial and state sectors since the 1980s, both with regard to actor constitution and economic orientation, and in view of related changes in state-market relations.

While the financial sector plays a key role in the British economy, it is important to note that the City’s actor composition and business culture has been altered significantly since the “Big Bang” stock exchange reforms in the mid-80s – in the sense that it has been globalized. These reforms have opened the investment banking sector to foreign competitors, resulting in the dramatic decline of investment banks under British ownership and the related “death of gentlemanly capitalism.” The latter has been described by Augar as the demise of a business culture characterized by strong relational ties and aristocratic cultural traits. In its place, a global financial business elite has emerged. The corresponding internationalization of London’s financial sector is well reflected in the British biofuel investments in SSA, where lead actors have personal linkages with US investment banks, sometimes being former high-level employees. For example, Susan Payne and David Murrin, who launched the Emergent Asset Fund in 1997, had worked as

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1036 Great Britain’s political economy of decision making was fairly complex at the end of the 19th century, when “fractions between free marketeers and interventionists ran across business and political actors,” and the bias towards financial interests in public policy was the outcome of many factors, such as personal ties, profit seeking, and/or regime stability. In the medium-term, overseas expansion facilitated the continuation of elite strata and the maintenance of a high degree of social inequality (characterized by low domestic demand), in spite of the profound changes in the economic and political systems that emerged as a consequence of the first Industrial Revolution. Cain and Hopkins (1987), 199-200; and Halperin (2005).

1037 See Augar (2001) for a description of the demise of the British banking system since the late 1980s.


1039 Augar (2001), 6-7. Accordingly, the reasons for this failure were multiple: British banks did not have the level of experience and scale of their US counterparts; the hands-off approach under Thatcher led to “the existence of a vacuum where the authorities should have been;” and the business culture itself that had largely remained unchanged since the 1950s and revealed traits of new aristocracy that “inhibited good management.” Augar (2001), 320.
traders at JP Morgan and Goldman Sachs.\textsuperscript{1040} Also, Bim Hundal, founder of Lion’s Head Global Partners, a London-based investment banking group which took over the operations of Sun Biofuels in Tanzania in 2011, previously worked for over 17 years at Goldman Sachs, running the capital markets business for Central Europe, Russia, the Middle East, and Africa.\textsuperscript{1041}

At the same time, the state and its political economy paradigm have transformed considerably, moving from “embedded liberalism” to an “embedded financial orthodoxy”\textsuperscript{1042} and “free market” ideology during the Thatcher era in the 1980s. This shift has been characterized by deregulation, a hands-off approach, and arms-length industrial policy. In practice, this paradigm modification has had far-reaching consequences for the state’s relations with the financial sector and the society, as well as with regard to industry development. Since these developments partially explain how British land-consuming FDI occurs, I will introduce them in following paragraphs by focusing on three aspects, namely transformations of the state, industrial development, and societal implications.

Firstly, the state has grown even more dependent on the City’s overseas earnings as a result of this paradigmatic shift.\textsuperscript{1043} In fact, financial sector OFDI earnings “kept the trade account in reasonable balance.”\textsuperscript{1044} While the trade in the goods account had deteriorated over time, its last net surplus being recorded in 1980-1982, the UK’s trade in

\begin{footnotesize}
\textsuperscript{1040} Oakland Institute (2011a).
\textsuperscript{1041} Lion’s Head Global Partners (n.d.).
\textsuperscript{1042} Cerny and Evans (2004), 53.
\textsuperscript{1043} Augar (2006), 181.
\textsuperscript{1044} BIS (2010), 15.
\end{footnotesize}
(financial) services has largely been in surplus since the mid-1960s.\textsuperscript{1045} Contributing factors for this growing dependency of the state on the financial sector are structural and personal, comprising, for instance, rising public debt due to the tax cuts during the Thatcher era; personal ties and “intellectual capture”;\textsuperscript{1046} the need for electoral funding of political parties and the fact that the financial sector has made significant contributions to the acting government’s Conservative party; and the phenomenon of revolving doors.\textsuperscript{1047}

Secondly, the financialization of the British political economy since the 1980s has impacted the country’s industrial development, especially by aggravating the negative deindustrialization path\textsuperscript{1048} that had set in post-WWII.\textsuperscript{1049} While the collapse of the manufacturing sector during the late 1970s was strongly related to the oil crisis, the financialization of the economy and the adoption of the “free-market ideal based on neoclassical political economy” slowed reinvestments by the private sector necessary to modernize the UK’s industrial base.\textsuperscript{1050} Specifically, four aspects contributed to this effect, which is best described by the rise of market control over organizational control. On the one hand, British companies had hardly established organizational control models at the time of liberalization. On the other hand, the accounting practices and corporate law made

\begin{itemize}
\item \textsuperscript{1045} BIS (2010), 15.
\item \textsuperscript{1046} The degree to which governments embraced the financial sector as source of prosperity is reflected by a speech made by (then) chancellor Gordon Brown at the annual Mansion House Dinner in 2004, in which he praised the City’s innovative capacity to adopt to changes in the international economy (e.g., derivatives), and referred to it as a role model for British industry at a time of globalization. See Brown (2004).
\item \textsuperscript{1047} See Augar (2006), 180-186.
\item \textsuperscript{1048} Negative deindustrialization means that the decline in industry production was not the result of upgrading of economic production or economic re-orientation, but primarily the result of companies going into administration.
\item \textsuperscript{1049} Specifically, the traditional separation of finance and industry in the UK accelerated the decline of the industrial sector. See Lazonick and O’Sullivan (1997). Also see HM Treasury and BIS (2011) for a critical assessment of this development path.
\item \textsuperscript{1050} The New Political Economy Network (2010), 14, 11, 12.
\end{itemize}
it more unlikely for organizational reforms to occur, as they treated investments in labor, as well as returns on labor, as expenses, making it – from a market control perspective – undesirable to invest in these factors of production and thereby enhance productivity and foster innovation. In addition, the framing of market control as “shareholder value” prevented changes towards greater organizational control within the company structures, as these would negatively impact the “principal.” Finally, the generous (financial) rewards received by the top managers of industrial companies applying market control strategies advanced the adoption of market control strategies. In view of British land-consuming FDI in SSA, biofuel projects, such as the SBF, highlight a key difficulty presented by this political economy, namely the absence of patient capital and lagging reinvestment.

Thirdly, the process of financialization has also produced multiple long-term effects with regard to state-society relations, both domestically and internationally. As a result of an ongoing domestic reform process, public services under the new public management approach became increasingly commodified and framed as commercial contracts. This process led to a high degree of interconnectedness between private and public actors in the provision of public services that is characteristic of the UK’s political economy today. In

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1051 Lazonick and O’Sullivan (1997, 29) have highlighted the importance of this “shareholder” ideology in preventing change: “The ideology that the ‘shareholder’ is the ‘principal’ of the industrial corporation helps to ensure that such organizational transformations will not take place. This ideology places a premium on economic performance that reaps the benefits of prior investments in productive capabilities while ignoring the new investments in organizational learning that can potentially generate greater returns for more people in the future.”

1052 Lazonick and O’Sullivan (1997), 27.

1053 The New Political Economy Network (2010), 13-14. Accordingly, “[p]ublic services were turned into quasi-markets governed by cost efficiency and targets. Commercial values all but supplanted the ethos of public service. (...) A new kind of consumer compact between individual and the market began to replace the old social welfare contract.”
the context of British land-consuming FDI, this trend is highlighted by the shift of public development finance and diplomacy to match corporate interest in the African continent.

At the same time, this process of publicly-funded privatization also led to the gradual integration of citizens into financial markets with their volatile pressures, increasingly linking the realization of British workers’ social security rights with the livelihoods of people in other countries. In fact, the history of pension funds depicts the ensuing connection of workers and people through financial markets, where the prosperity of some might be founded on the impoverishment of others through land-consuming investments that result in forced disappropriation and/or low workers’ welfare. Pension funds and other institutional investors began to divest from fixed-interest securities, searching instead for more profitable investments. Some have started to explore investments in commodities and farmland, though not necessarily in SSA. For instance, BT Pension Scheme, a large UK pension fund, stated its intent in 2012 to replace its commodity future investments with farmland investments in the near future.1054 These actors have prominent supporters, such as Sir Bob Geldof, who allegedly “warn[s] UK pension funds they are missing out on the ‘last great investment opportunity left’ by not placing money in Africa.”1055

1054 Bow (13 March 2012). It remains unclear whether this actually happened – according to the latest BT Pension Scheme report (2013), it did not.
1055 Silver Street Capital (20 June 2010), quoting an article in the Financial Times.
The Transformation of the Political Economy Paradigm

The resulting dominance of the financial sector within the UK economy is highlighted by the sectoral distribution of British OFDI in SSA (see introduction). At the height of the “embedded financial orthodoxy,” Gordon Brown praised the achievements of the financial sector as an extraordinary contribution to the UK’s prosperity and economic position in the globalized world. Accordingly, the fact that over 40% of the world's foreign equities are transacted in London was perceived as proof of the rise of “an era that history will record as the beginning of a new golden age for the City of London” and that will benefit the UK at large.

However, these hopes for a financialization- and service-led solution to the economic development challenges posed to the UK by deindustrialization and a globalized economy were unrealistic – and soon to be shattered. Instead, the financial crisis and the ensuing Eurozone crisis aggravated problems that had been accumulating. Key examples are the rising unemployment (over 8% till 2009), unsustainable and rising wealth inequality, and mounting private sector debt. Regarding the latter, it is important to note that part of the rising private sector debt was escalating personal debt whose share of disposable income increased from 45 per cent to 160 per cent between the 1980s and 2007. While other European countries managed to recover from the financial crash, at least partially, Britain, with its reliance on the financial sector experienced a prolonged

1057 See Brown (2002).
1058 TradingEconomics.com (2014)
1059 See Hills et al. (2010); and The Equality Trust (2012).
economic recession up until 2014. At the same time, growing public debt and fear over international marginalization made the development approach seem unsustainable.

Consequently, the detrimental impact of the financialization-led growth model pursued over the last decades has been identified in the acting government’s Plan for Growth (2011-2015):

This Plan for Growth is an urgent call for action.

Britain has lost ground in the world’s economy, and needs to catch up.

If we do not act now, jobs will be lost, our country will become poorer and we will find it difficult to afford the public services we all want. If we do not wake up to the world around us, our standard of living will fall, not rise. In the last decade other nations have worked hard to make their economies more competitive. They have reduced their business tax rates, removed barriers to enterprise, invested in their infrastructure, improved their education systems, reformed welfare and increased their exports.

Sadly the reverse has happened in Britain over the last ten years. The UK economy stopped saving, investing and exporting and instead turned to a model of growth that failed. It resulted in rising levels of debt, over-leveraged banks, an unsustainable property boom, and a budget deficit that was forecast to be the largest of any of the world’s twenty leading economies. Continuously rising but unaffordable government spending disguised the fact that it was an unsustainable economic boom, with the economy becoming steadily more unbalanced, less competitive and less prepared to meet the challenges of the future.1062

The ongoing transition towards a new political economy paradigm has been promoted under the heading of “rebalancing the economy”1063 and guided by the FCO. The current Conservative government aims to address the legacy of deindustrialization through reindustrialization in the form of advanced manufacturing projects:

We want to remain the world’s leading centre for financial services, yes; but we should determine to become a world-leader in, for example, advanced manufacturing, life sciences, creative industries, green energy and non-financial business services.1064

1063 BIS, FCO, UK Trade and Investment (2012).
Aside from financial services, telecommunications technology, clean tech and low-carbon goods and services, business to business services (excluding finance), biotech and pharma, energy and utilities, retail, oil, and gas are among the key sectors that have been identified as contributors to UK economic growth.  

In practice, this new development approach, implemented under the current government’s “Plan for Growth” (2011-2015), focuses on private sector growth through export promotion, access to growth markets, high-quality IFDI attraction, and OFDI advancement. For its operationalization, the FCO and UK TI have begun to cooperate across government agencies and work closely with industry, the government has stepped up its commercial diplomacy in Africa, and new aid programs have been created that call for public-private partnerships in their realization, thereby opening up publicly-funded business opportunities for British companies overseas.

The relatively open economy, with a deregulated capital market and a great dependency on foreign inputs, leaves the government with only limited options at its disposal to moderate the negative side effects of its economy’s global exposure and financialization. In this regard, reindustrialization as an approach to rebuilding the economy seems to be among the few measures remaining that would not prompt fears of retaliatory action from countries and actors that the UK has come to rely on.

**Summary**

The assessment of state-market relations highlights that simply pointing to the financial sector to explain why land-consuming investments occur does not address the

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1065 Ernst & Young (2011b), 18 (Graph 19).
whole story. One must also take into account the “embedded financial orthodoxy” that has informed British economic policies and trajectories since the 1980s; the intellectual capture of the public sector agents who have prepared the ground for the dominance of “the City” and the neglect of the industrial sector; the increasing dependence of public and private sector actors on financial markets in their operations; and, more recently, the adoption of a strategy to strengthen industry through better coordination of government agencies and their cooperation with the private sector.

Core traits of the British political economy explain certain characteristics of land-consuming OFDI in SSA. Firstly, the great number of financial investors involved in these investments has been highlighted. The material presented above shows that this situation has developed for multiple reasons. Clearly, some investors have begun investing in African economies and agricultural projects as part of their strategy to “seek alpha” at a time of financial crisis back home. Others, however, are involved primarily as providers of industry finance. In fact, most of the early-stage companies that invested in biofuel projects had to turn to the AIM stock exchange for funding. In this context, the short-term focus of the financial investors who are financing such operations reflects the dysfunctional nature of the existing structures for industry finance, specifically the lack of patient capital. For example, the case of the SBF highlights that financial investors withdraw their investments after a period of time that does not match the long maturation time of Jatropha plantations, contributing to the failure of the project.

Secondly, following the financial crisis, British land-consuming OFDI has taken place in the context of a rise in commercial diplomacy and a reorientation of existing UK development finance programs. For instance, I have presented the strategic modification
that occurred in the CDC Group’s investment strategy. The increasing presence of public actors and institutions in private British OFDI projects in SSA is related to the government’s renewed interest in industrial policy and the rebalancing of the UK’s economy.

5. Development Context

As I have shown above, the current government promotes OFDI as a way to “rebalance the economy”\textsuperscript{1066} and maintain the UK’s influential international status as a major investor and trading country. At the same time, the UK has a long investor legacy, and a promotional OFDI policy stance has been evident since the 1970s. Therefore, it is not surprising that in the case of British land-consuming FDI projects in African countries, national and foreign factors have played crucial roles in the interest formation of investors, such as the IFDI-attraction programs of recipient countries; the international and European climate regime and the related creation of a market for biofuels; and the Eurozone crisis that led to a search for new growth markets. Importantly, though, it was the private sector that pioneered the UK’s reorientation towards the African continent. Due to the liberal economic context of the home country, global markets and overseas developments are key parameters shaping corporate portfolios. In the context of British OFDI in Africa, it is the perception of the continent as a new growth region that has been influential.

From the perspective of the home country’s development context, the empirical evidence that emerges from official documentation, policies, and speeches suggests that

\textsuperscript{1066} See, for instance, BIS/FCO/UK Trade and Investment (2012).
oversea investments in SSA are explicitly linked to particular national interests and
development ambitions of individual or collective actors. In addition to concerns about the
home country’s energy security and CO2 emission targets, as well as related policy
regimes that explain the high number of biofuel investments by early-stage companies,
these investments are also part of the search for (more) profitable investment outlets by the
financial sector. More recently, these investments have become part of the proactive trade
and investment agenda of the current UK government (since 2011) – a development that
contrasts starkly with the “embedded financial orthodoxy,” “free market” ideology, and
related development strategies pursued since the 1980s. It seems remarkable that OFDI in
Africa today is part of a larger development ambition to both rehabilitate the country’s
crisis-stricken state budget and economy through reindustrialization and secure its
international position by promoting investment in productive assets and related operations,
such as export promotion and overseas expansion. Yet, the financial sector clearly remains
an important component of the British economy, and the focus on reindustrialization is
seen as a necessary complement to address the development challenges yielded by the
financialization-led growth model over time.

In fact, the development model that has been pursued since the 1980s, with its
focus on the financial sector and “free market” ideology, has come at a high cost in view of
economic and social development, and since the financial crisis in 2008, the volatility of
state revenues and incidents of social unrest have provided an additional incentive to
modify the emphasis of the existing development model.\textsuperscript{1067} Among the most pressing problems of the service-oriented development trajectory is the neglect of productive industry. For decades, the productive sector only contributed a small share of the country’s GDP, and the UK’s share in the international trade of manufactured goods has been declining. Since 2000, the rise of, and heightened competition from, emerging countries has aggravated the problems confronting the British manufacturing industry and the government.

On a national level, this non-productive development trajectory has resulted in a vicious cycle of lagging investment in the industrial base at home, declining exports and increasing imports (machinery and transport equipment), deteriorating terms of trade, and a growing dependence on the financial sector for jobs, growth, and revenues.\textsuperscript{1068} This situation is further aggravated by the country’s increasing dependence on external resources (energy and food), which is unsustainable, especially during times of high and/or very volatile commodity prices.\textsuperscript{1069} Socially, the country has recently faced rising unemployment – repeatedly over 8% between 2009 and 2012;\textsuperscript{1070} rising wealth and economic opportunity inequality, which was identified as a core driver of the 2011 London

\textsuperscript{1067} For a discussion of the UK’s financialization-driven development trajectory, also see Lapavitsas (2014).
\textsuperscript{1068} Te Velde and Calì (2006), 8.
\textsuperscript{1069} In 2005, the UK, the EU's largest energy producer and exporter (e.g., natural gas and oil), became a net importer of energy due to its declining oil and natural gas reserves. See US Energy Information Administration (2013) and Kuzemko (2010). The UK is also a net food-importing country, raising concerns during the food price crisis in 2007/2008. In 2008, the UK imported 40% of its food needs. See Cabinet Office (2008), i-x.
\textsuperscript{1070} TradingEconomics.com (2014).
riots;\textsuperscript{1071} and mounting private sector debt, partly due to a personal debt load whose share of the disposable income rose to 160\% in 2007 (compared to 45\% in 1980).\textsuperscript{1072} Clearly, the global economic slowdown also aggravated the mounting public debt. Since the financial recession began, the national debt has risen to 76.6\% of GDP (January 2014), without accounting for the financial sector interventions.\textsuperscript{1073}

\textit{Summary}

British land-consuming FDI has become part of the transformation of industrial policy towards reindustrialization. This is an official strategy to moderate unemployment; provide decent wages; ease social tensions; and increase state revenue while improving international accounts through the increased export of advanced manufacturing goods, thereby retaining the country’s international economic standing. In the context of the financial crisis, the strengthening of high-tech manufacturing in particular sectors is supposed to provide the UK with the competitive advantage needed to successfully participate and compete in international markets.

However, tight government budgets and a dysfunctional industry finance system pose serious hurdles to operationalizing the acting government’s attempt to strengthen the secondary sector.\textsuperscript{1074} Moreover, it would be unrealistic to assume that the core traits of the country’s political economy have changed since the crisis. Although the government has

\textsuperscript{1071} The Equality Trust (2012). In 2010, a national survey on inequality revealed that the UK suffers from high levels of systematic inequality (within and across social groups) of income and opportunity. See Hills et al. (2010), 386.

\textsuperscript{1072} The New Political Economy Network (2010), 25, 10.

\textsuperscript{1073} Watt (7 June 2010).

\textsuperscript{1074} Theodora.com (31 January 2014).
begun to promote reindustrialization, the key characteristics that run across all of the UK government parties, such as the credo of marketization and privatization, continue to prevail. Instead, the “grand strategy” approach towards OFDI promotion and reindustrialization shall mitigate the high costs of the “cosmopolitan economy,” which include unemployment, private debt, rising wealth inequality and increasing import dependency, and declining state revenues. Also, the strategy is said to ensure the favorable position of the UK in world politics, – allowing the country to “punch above its weight” despite changes in the international political and economic landscape.1075

At the same time, international incentives have played a strong role in spurring contemporary land-consuming FDI. It is important to recall that the current government jumped on the corporate bandwagon rather late. In fact, British-African trade and investment relations have increased since 2000, when Africa was increasingly framed as a new growth region by the British private sector. Only after the financial crisis in 2007/2008 did the government adopt this perception as a way to address the country’s prolonged economic recession. Significant events that influenced private decision making regarding the utility of land-consuming OFDI in SSA include economic reforms in the host countries (e.g., divestiture programs) and the emergence of a climate regime after Kyoto (1997).

Whether the foreign economic policy approach will be successful remains to be seen. However, at this point in time, there is reason for doubt. On the one hand, a quote by the former Minister for Africa, Henry Bellingham, reflects the assumption that British

1075 For a detailed discussion of UK attempts to position itself in a changing world, see M. Harvey (2011).
relations with African economies will continue to be characterized by their asymmetry, sustaining prosperity on the one side while mitigating “abject poverty” on the other: “[o]pen markets offer the only realistic hope of pulling billions of people in developing countries out of abject poverty, while sustaining prosperity in the industrialized world.”1076 This would be disadvantageous for the host countries.

At the same time, the empirical evidence presented in Chapter 6 reveals the reality that many projects, particularly in the ‘clean’ energy sector, witnessed dramatic wealth destruction over time and never actually realized their business goals. Even putting these operational challenges aside, alternative energy (i.e. first generation biofuels) did not live up to its socio-economic and environmental promises.1077 Moreover, the short-term focus on value creation by financial investors collided with the long-term maturation timelines of the projects “on the ground.” Further investigation would be needed to identify the extent to which capital exports made during the Eurozone and financial crises are, in effect, manifestations of capital flight. According to one British corporate actor I interviewed, the case of Cyprus, where savings above Euro 100,000 were taxed by a compulsory capital levy to moderate state debts, has led capital owners to deliberate on relocating their savings out of fear that something similar might take place in other European countries in the medium term. In this case, then, capital exports would aggravate the UK’s domestic problems, such as lagging investments, rather than addressing them. Finally, historical evidence on the implications of OFDI for home country development, presented in Chapter 3, underlines the high cost that such a capital export strategy might entail due to the often

1076 Bellingham (2010).
1077 Renewable Fuels Agency (2008), 8.
inverse relationship of capital exports and domestic job creation; and/or lagging reinvestment in industry back home.

6. Conclusion

Overall, this case study highlighted a great variety of factors at play in British land-consuming OFDI. The key argument that has been put forward is that these investments are part of multiple strategies to profit from the economic reforms and rapidly growing consumer markets in the host countries, to advance biofuels investments in the context of international and domestic energy and climate policies, and/or to “seek alpha” through alternative investments in the primary sector in Africa at a time of the financial crisis and economic stagnation back home. Increasingly, land-consuming OFDI to Sub-Saharan Africa is also part of a (long-term) political strategy to economic recovery and international political power through rising exports and industrial activity. Importantly, the private sector perceived Africa as a new growth region as early as 2000. Only later did the government jump on the corporate trend in an attempt to revive the economy.

More in detail, British OFDI in SSA is reflective both of the country’s long investor legacy and the government’s promotional policy stance towards OFDI since the 1970s; as well as the domestic challenges the country has been facing recently, such as the rising energy insecurity and the socio-economic costs of the non-productive development model. British companies are experienced at factoring international incentive structures into their business operations; in contrast, Chinese companies are just beginning to globalize their operations. This is clearly reflected by the fact that host country and international reforms played an important role in corporate decision making, in addition to
home country developments. More recently, the current Conservative government in the
UK explicitly (re)aligned OFDI in Africa with its foreign policy interests, namely by
sustaining the country’s favorable international economic and political presence at a time
of domestic crises and global re-ordering. As a result, OFDI in Africa has become part of
ODA-funded business opportunities; has been backed by commercial diplomacy; and has
been promoted by a rhetoric that no longer frames the continent as a place ridden by
humanitarian crises, but as a region of great opportunity and hope.

Consequently, these investments happen in the context of multiple country-specific
developments that can be divided between pre-crisis and post-crisis dynamics. Pre-crisis
dynamics include, for instance, economic liberalization in host and investor countries since
the 1980s, as well as the introduction of domestic targets for biofuels to meet CO2
emission targets and strengthen energy security. And post-crisis dynamics include the
increasing severity of socio-economic problems in the financial-sector-dependent domestic
economy; the changing landscape at the international level, where the rise of new
economic powers has led to increasing competition over political influence, economic
opportunities, and access to resources; and the development of a fear among the British
political elite which recognizes that the UK has an exceptional position in world politics
relative to its actual geographical size, and that, accordingly, the country might lose its
status as a great power in the future. At the same time, financial actors in the UK’s
deregulated capital markets have been drawn to African growth economies and the “real
asset” sector at a time of economic crisis, when private equity investments are no longer
profitable and growth at home is stagnant. In addition, the growing availability of
multilateral finance mechanisms and development programs, particularly in the area of
renewable energy, food security, and carbon credits seems to have impacted investor choices.

These findings on how British land-consuming FDI occurs underline my broader argument that also in the case of liberal economies, these investments are not the outcome of so-called “free markets,” but that the country’s legacy, development trajectory and ambitions, political economy, guiding ideology, and international context matter. The investments around the year 2000 were related to host country reforms, largely conducted by investors with long histories in the host economies, often dating back to the late 19th century. Another cluster of investments reflects the emerging climate regulations and has involved a high number of early-stage companies trying to profit from the newly created markets. Once the financial crisis hit, financial investors in search of at a time of economic recession became involved in the investment projects. At the same time, the acting government in the UK has adopted a proactive approach, intensifying commercial diplomacy with African countries and introducing bilateral investment forums in the French and Chinese model, though they are on an ad hoc basis. Still, ODA programs have been aligned with foreign policy goals, and they place special emphasis on supporting private companies investing overseas. In this context, the official rhetoric with regards to African countries has changed significantly – they are now described as markets of opportunity rather than areas in need of humanitarian intervention.

Moreover, it has become clear that the importance of financial actors and the AIM stock exchange in these operations does not verify the assumption that these investments are largely driven by the financial sector. Instead, it reflects the intellectual capture and overlap of public and private sector actors characteristic of the UK’s political economy,
and refers back to the financialization-led development trajectory pursued since the 1980s. Consequently, and promoted by public policy, financial actors play a major role in the British economy and land-consuming OFDI, both as direct investors as well as the main source of industry finance. The problems associated with this constellation have been visible in British OFDI projects, namely in the difficulty of identifying who is actually involved in a project due to the constant changes in shareholding and the lack of patient capital. The latter is something that institutional development finance (the CDC) and DFID-directed aid programs are intended to address. Similarly, the sectoral composition of British land-consuming OFDI reflects the country’s investor legacy. The investments are directed to a few countries, and they primarily head towards the resources and services sectors. Perhaps unsurprisingly, this sectoral composition resembles the economic constitution of the home country, which is characterized by high external resource dependency and a strong services sector.

Finally, I have shown that British OFDI involves a wide range of interests of the very diverse private sector. Many of these actors share the perception of Africa as a new growth region. Consequently, we see investment funds from the public and private sector that try to profit from this growth dynamic at a time of economic recession back home. Others respond to public policy-induced markets. Early-stage companies, for instance, invest in the production of biofuels in African countries, which continue to be framed as “land-abundant,” in spite of the ongoing land crisis. At the same time, related industries support these investments, such as actors from the aviation sector that seek access to cheap fossil fuel alternatives, and try to cooperate with biofuels companies through offtake agreements. What is surprising is the large numbers of inexperienced investors that engage
in land-consuming OFDI, often with very unrealistic expectations and/or business models in place – a fact that also explains the high number of failed projects. From an official perspective, these investments are promoted as a way to strengthen economic recovery through increases in exports and sustained access to cheap resources. Moreover, geopolitical considerations have entered the debate, reflecting realist assumptions. Accordingly, an intensified economic presence is useful to sustain the country’s influence at the international level at a time of global restructuring.

Similar to the Chinese case, and against the background of the diverse range of actors and interests at play, my description of British OFDI shows that what makes these investments British is the specific combination of industrial set-up, development trajectory, contingent events, ideology, and political economy in and over time.

More broadly, reflecting on the role of land-consuming OFDI from a home country perspective, the previous assessment stresses that these investments are part of a trend among private sector actors that has gained speed in the context of financial crises in the UK and the Eurozone, namely to profit from overseas growth markets and/or to respond to incentives provided by host country reforms or the domestic/international climate regime. More recently, the investments have become part of the government’s attempt to support these corporate interests. The deeper context is the failure of the UK’s financialization-led development path to deliver sufficient jobs, revenue, and other aspects of economic development. Against this background, the renewed expansion of the productive industry at home and abroad is part of a broader strategy and “prosperity agenda” that promises to deliver security while advancing domestic prosperity and growth:
The National Security Strategy of the United Kingdom is: to use all our national capabilities
to build Britain’s prosperity, extend our nation’s influence in the world and strengthen our
security. The networks we use to build our prosperity we will also use to build our
security.\textsuperscript{1078}

The success of British land-consuming investment projects and the new foreign
policy they are part of is not at all clear, however. The high project failure rate, regular
involvement of fraudulent actors, and danger of capital flight all point at the challenges
confronting these investments. Moreover, government efforts have so far not addressed the
dysfunctional features of the home country political economy, such as the lack of patient
capital or the effects of financialization on the state and society.

\textsuperscript{1078} HM Government (2010), 9.
### Table 7-2 – Brief Review of the Home Country Context and British OFDI in SSA

<table>
<thead>
<tr>
<th>Category</th>
<th>Home country Context</th>
<th>UK OFDI in SSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development context</td>
<td>Since the 1980s, the country has pursued a financialization-led development trajectory and neglected its productive sector, resulting in deteriorating terms of trade, a decline in British manufacturing, and high social and economic costs, particularly at a time of financial crisis, and in the context of heightened international competition (e.g., BRICS). Also, the country is a net importer of food and energy and confronted with the challenge of meeting its CO2 emission targets under the climate regime.</td>
<td>The unsustainable development trajectory has resulted in attempts to address related problems and reindustrialize. As a consequence, the British government has been proactively involved in land-consuming OFDI in SSA since 2010/2011. The outcomes of this involvement have to been seen yet. Moreover, the development trajectory, with its neglect of the industrial sector, and the investor legacy, with its focus on resources, explain the predominance of investments in resources and (financial) services (and fewer investments in manufacturing) characteristic of UK OFDI in SSA. At the same time, new actors (e.g., funds, early-stage companies) are investing in land for agricultural production.</td>
</tr>
<tr>
<td>Home Country Measures</td>
<td>The UK as a long-term liberal economy has had a promotional policy stance towards OFDI since its accession to the EU in the 1970s, as well as an elaborate HCM framework. Recently, OFDI has become a part of the country's foreign policy.</td>
<td>OFDI and trade to Africa as a new growth region is proactively promoted by newly introduced instruments, such as aid-funded business opportunities facilitated by DFID; new trade policy initiatives; and commercial diplomacy.</td>
</tr>
<tr>
<td>Guiding Ideologies</td>
<td>OFDI is embedded in a rhetoric which argues that related private sector-led growth is important for prosperity and national security and necessary for “rebalancing the economy.”</td>
<td>In the particular case of Africa, the guiding ideology has shifted. It now links OFDI in Africa with national economic interests, formerly a taboo (after decolonization); rhetoric of mutual benefit has been adopted.</td>
</tr>
<tr>
<td>Investor Legacy</td>
<td>As a former empire and long-term investor in African economies, the UK is still a dominant investor country today.</td>
<td>This investor legacy is also highlighted by the uneven investment structure in terms of sectors (e.g., resources, financial services) and countries.</td>
</tr>
<tr>
<td>Political Economy</td>
<td>Since the 1980s, the political economy has been characterized by an “embedded financial orthodoxy” that only now is being challenged. Core traits are the overlap of public sector and financial sector interests through intellectual capture and personal affinity and the financialization of society.</td>
<td>The dominance of the financial sector in the British political economy is reflected in the prominent role of financial actors in the investments (in the form of finance provision and direct investments). More recently, public actors have become involved (e.g., the CDC), jumping on the corporate bandwagon. Most remarkable is the high number of early-stage companies responding to energy and climate policies.</td>
</tr>
<tr>
<td>Events</td>
<td>Several incentives have influenced investor choices: host country reforms; climate regime and energy policies; and the financial crisis.</td>
<td>These events explain different actors involved in land-consuming OFDI, namely old companies exploiting opportunities in host countries; new companies trying to profit from the novel climate and energy regime; and financial actors in a post-crisis search for “alpha.”</td>
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Chapter 8: Pushing the Limits – Conclusion and Outlook

This thesis has sought to explore alternative explanations and provide a more accurate version of “land grabbing” by capturing the complexity of agencies, structures, and ideologies at play. The main focus of my research project has been on the reasons for and the impact of “land grabbing” from the home countries’ perspectives. Consequently, I have assessed the empirical characteristics of Chinese and British land-consuming OFDI in SSA since 2000 in the home country settings, linking project-level data with the home countries’ political economies, ideologies, and development trajectories. The comparative study of two major investor countries in SSA that are at different junctures of their economic development and have very dissimilar political economies allowed me to identify the main country-specific and cross-country factors at play.

I have argued that land-consuming investments from China and the UK occur as they do for numerous complex reasons, many of which are overlooked by the orthodox narrative. In the next paragraphs I briefly highlight the main findings of my two case studies, which will then be reviewed in detail in the Sections 2-5. Importantly, my argument that a comprehensive assessment of “land grabs” has to account for the home country context of outward FDI activities is country-centric, not state-centric. While the analysis of Chinese and British land-consuming FDI activities in Sub-Saharan Africa takes note of the particular context, it does not primarily focus on the activities of the state.

In the case of China, four drivers stand out from the home country perspective. I argue that Chinese land-consuming OFDI projects are part of (1) a long-term strategy to diversify supply and access to resources (mineral products), even if these were not always
exported back home; (2) a diplomatic strategy to foster political alliances and expand the country’s soft power in international relations; (3) a strategy to develop and open new markets for Chinese products; and (4) a strategy to internationalize China’s industrial base to address the competitive pressures back home, as well as the ecological and social challenges of the country’s development trajectory.

In the case of the UK, four drivers of land-consuming OFDI are important from a home country perspective: (1) they are part of a corporate strategy to profit from economic reforms and rapidly growing consumer markets in the host countries; (2) they are part of international and domestic energy and climate policies that have increased investments in biofuels in SSA; (3) they are part of a strategy by actors of the financial sector to invest in the primary sector in Africa (and related industries) at a time of the financial crisis and economic stagnation back home; and, increasingly, (4) they are part of a strategy by the UK government to promote land-consuming OFDI to Sub-Saharan Africa as way to economic recovery and international political power through rising exports and industrial activity.

In comparison with the orthodox explanations, the country case findings suggest that the focus on the 2007/2008 international crises and the related resource-security concerns only captures a minor share of what is happening. For instance, evidence from both case studies shows that a significant share of land-consuming OFDI projects started prior to the 2007/2008 international crises. In the case of China, OFDI to African countries has been occurring since the country opened up in the 1980s, picking up speed in 2000. Most British land-consuming OFDI projects also began before 2007/2008, though a sizeable portion did indeed occur around 2007/2008. Moreover, in a related point, the
empirical evidence indicates that neither Chinese nor British investments are undertaken solely to secure food or energy resources. Instead, the main drivers are country-specific, and relate to events that resonate(d) in the context of the home country’s economic structure, political constellation, and ideological outlook.

In the case of China, a combination of factors led the government to support Chinese OFDI to Africa, and incentivized companies and private actors to get involved. These include the rise in external energy dependency since the 1990s; the collapse of major export markets in the late 1990s; the mounting competitive pressure faced by indigenous companies due to foreign investment in China since 2000; the limited transfer of skills and technology through IFDI back home; and the international economic governance regime, particularly the quasi-monopolistic energy markets that have made integration difficult, but also the liberal framework that has provided Chinese actors with the opportunity to peacefully expand overseas in response to domestic challenges. At the same time, the role of the triple crises in 2007/2008 remains unclear. China was largely food self-sufficient when the food crisis hit, and had been actively diversifying its energy supplies since the 1990s. Clearly, the financial crisis allowed some Chinese companies to go overseas and profit from ‘cheap bargains’ in the context of increased price sensitivity and falling asset prices. However, it also deprived companies of necessary funds, yielding a temporary decline in Chinese overseas investments in 2009/2010.

In the case of the UK, land-consuming investments were linked to privatization policies in the host countries in the 1990s, and they have been associated with the emerging climate regime since 2000. A bulk of land-consuming OFDI projects since 2008 have also been related to the financial crisis and the economic recession in the home
country. However, as in the Chinese case, the financial crisis had an ambiguous impact in the form of tight capital markets that led to a dramatic fall in British OFDI flows globally and crashes in the share values of a considerable number of companies.

In addition, the dominance of the primary resource sector in Chinese and British investments does not necessarily imply that these investments’ purpose is to provide for resource and/or food security back home – as is often assumed. The empirical evidence highlights that Chinese projects in the agricultural sector are mainly intended for host country or regional markets. Similarly, investments in the energy sector do not necessarily lead to the production output being shipped to China. In several cases, the products are sold on regional and world markets, and the profits are then repatriated back home. However, more than two thirds of China’s imports from the continent comprised minerals and energy resources (as of 2010), emphasizing the significant role of resources in China’s involvement with African countries.\footnote{Africa Research Institute (2012), 3; and State Council (2013).} Interestingly, in the case of the UK, many projects that were originally intended to produce for international or British export markets ended up selling domestically (in the host country), due to multiple operational problems.

Furthermore, although the notion that these investment activities are beneficial for the home countries and investors is a core assumption of the orthodox explanations, empirical evidence highlights that seemingly inexpensive bargains often turn out to be very costly and unsustainable; for instance, due to the high overheads of developing ‘cheap land’ or the lack of patient capital. Besides, in both country cases, land-consuming investments involve a large number of inexperienced investors, such as early-stage
companies, SOEs beginning the process of globalizing their operations, established companies entering new areas of activity, and financial investors searching for new investment outlets. As a result, many projects fail. And, in those instances where projects are economically successful, it remains difficult to clearly indicate in which ways they might benefit the home country. Although the investments are embedded in and reflective of their home countries’ domestic policy frameworks and support mechanisms, which ascribe to capital exports a particular, positive function in the overall development trajectory (see Sections 2, 3, and 5), it is far from clear whether these investments will actually live up to the expectations and rhetoric promoting them.

In this context, it is also important to account for the purposeful agency in the host countries. My empirical assessment highlights that Chinese and British land-consuming OFDI is often embedded in the national development strategies of host governments, which attract and frame foreign capital as another source of development finance. For instance, Chinese agricultural development centers have been realized upon the request of African host countries, and, in the British case, biofuel corporations have been invited to develop large-scale plantations and participate in the development of associated regulatory frameworks.

Finally, the orthodox assumption of a single conscious rationale and policy driving these investments has to be questioned in the face of the diversity of interests, actors, reasons, and events involved. Clearly, these investments are part of the home and host countries’ industrial and foreign economic policies, which set the boundaries within which they take place. The investments also involve a significant number of public actors on both sides. However, this does not imply that all of the actors from a given country have the
same intentions, nor does it mean that the related policy frameworks and institutional settings are more coherent than they are in other policy areas. In practice, even Chinese state actors and SOEs pursue multiple agendas, some of which conflict with the overarching strategic outlook of the central government. In the British case, the short-termism of the financial actors often clashes with the long-term business models of the “on the ground” companies and/or the “rebalancing” aspirations of the current government. Moreover, the history of relevant policy frameworks shows that these have emerged in response to particular events rather than as a result of a long-term plan or strategic outlook.

Regarding the contemporary role of land-consuming OFDI in the context of home country development, therefore, this thesis advances the broader argument that these investments “push the limits” which confront home country actors in view of advancing their economic, political, and/or ideology-driven interests. This means that the investments are pursued even when they are not at all economically successful, because they serve the interests of the diverse agents (individuals, firms, governments) that participate in them. In spite of their different investment models, this is true for both China and the UK – in both cases, the investments are driven by a mix of political, economic, and ideological rationales.

Overall, this thesis makes three contributions to the contemporary research on “land grabbing,” that will be reviewed in the following sections in greater detail. First, the thesis provides actual empirical evidence on Chinese and British investment activities and explains these from a home country perspective. The findings of the two case studies will be revised in Section 1 and 2, respectively. Second, the comparative research design critically interrogates stereotypic narratives and identifies the differences, as well as the
similarities, that are characteristic of both countries’ overseas investments, in and over time. The review of the comparative findings of the contemporary and historical assessment will take place in Sections 3 and 4, respectively. Third, based on these findings, the thesis considers the role of OFDI in the domestic development of the home countries. These results will be briefly reviewed in the final Section 5 of this chapter.


Chinese land-consuming OFDI projects in Sub-Saharan Africa, I argue, are part of multiple strategies to diversify supply and access to resources (mineral products), foster political alliances and expand the country’s soft power in international relations, develop and open new markets, and internationalize China’s industry in response to the competitive pressures as well as the ecological and social challenges back home.

From an official perspective, Chinese land-consuming OFDI in Sub-Saharan Africa is expected to assist the country’s economic expansion in an exclusive, highly competitive, and crisis-ridden international setting. It is also part of the country’s political transformation and the broader economic liberalization and globalization process, and reflective of its political economy of growth. At the same time, from a project-level (agency) perspective, it is important to remember that Chinese land-consuming investments comprise a very diverse range of actors and interests that often reflect the country’s social and economic conditions. As a result, the projects include workers that hope to improve their families’ standard of living; SOEs and POEs searching for lucrative business opportunities; central state officials that support and use the increasing levels of trade and investment in their diplomatic strategy to build political alliances; state-owned
and foreign manufacturing companies in China that are interested in the access to cheap resources and new markets; sub-state government officials and representatives of China’s financial institutions that promote the export of labor and pursue intergovernmental economic cooperation to facilitate growth and moderate the social tensions of their administrations’ development plans; Chinese companies that have been crowded out by inward FDI and try to find new business opportunities overseas; and/or national oil companies interested to diversify their portfolio in the face of declining reserves-to-production ratios (R/P ratio)\textsuperscript{1080} of Chinese oil fields and rising demand. The investments also include Chinese state-owned agribusiness companies delivering economic cooperation projects; as well as infrastructure companies that use changes in corporate law to act as contract bidders, in addition to implementing China-Africa cooperation programs.

In the following paragraphs I will review the core empirical elements of Chinese OFDI in SSA in the context of the social, ecological, and economic dimensions of China’s development trajectory, as well as in view of the country’s political economy, institutional frameworks, and ideological context.

The empirical characteristics of Chinese land-consuming investments in Sub-Saharan Africa are complex: they involve multiple agencies from the private and public sectors, home and recipient countries, and multilateral agencies. Most projects are implemented in collaboration with actors from key ministries and/or the host country parliament. They are also embedded in the national development strategies of the home and host countries, and often rely on funding from third parties. The empirical findings

\textsuperscript{1080} Jiang and Sinton (2011), 1-14.
show that these investment projects take place in a wide range of sectors, from farming and mining to infrastructure construction. They mostly pre-date the 2007/2008 crises, with some projects even tracing back to before the year 2000. Surprisingly, the Chinese government’s official data suggests that investments in agriculture, the central focus of the “land grabbing” debate, only made up a minor share of total Chinese FDI (measured by value) in Sub-Saharan Africa. Also, the role of land in these investments is multifaceted. A significant share of projects uses land as a resource for mining or farming. However, other, equally important projects use it as a productive space in which infrastructure projects are realized, Special Economic Zones constructed, or processing plants operated. On the operational level, most projects extract and produce primary commodities for domestic, regional, or international markets, rather than for export back to China. Moreover, the projects function on the basis of market principles and mainstream economic theory, also in cases involving Chinese development finance.

Home-country-specific structures, agencies, ideologies, and events provide for a better understanding of why these investments occur while also explicating their extent and the forms they take. Since the early 1990s, China’s government has opted for an IFDI-led, export-oriented economic development path. While the country has experienced tremendous quantitative economic growth during this period, specific events at different points in time have highlighted the shortfalls of this development trajectory. Insofar as they have presented a threat to the political and economic elite and/or led to relevant changes in the country’s actor constellation, structural setting, or ideological superstructure, these events have been significant for Chinese OFDI policy and regulation. In particular, four successive events stand out: the economic expansion beyond the carrying and provisioning
capacity of the country’s resource base in the mid-1990s, the Asian crisis in the late 1990s, the WTO accession in 2001, and, subsequently, rising civil discontent with the socio-economic and ecological implications of the development trajectory. In the home country context, these events have stressed China’s growing external dependency on resources, ecologies, markets, and political cooperation. They have also demonstrated the necessity of upgrading the country’s domestic processing operations to improve the ecological and social conditions of this development trajectory and reduce the crowding-out effects of WTO accession on Chinese industry. In response to these events – and the underlying challenges for Chinese actors (individuals, firms, government) that have made them meaningful – the Chinese government has adopted an increasingly promotional policy stance towards OFDI.

Consequently, China, formerly a country with close to zero overseas investments, had become a major global capital exporter by 2009. While African economies still receive the smallest share of total Chinese OFDI, the continent’s overall share has been rising significantly since 1991 (1991: 0.2%; 2007: 5.9%).\textsuperscript{1081} The home country’s development trajectory also explains the sectoral composition of Chinese land-consuming OFDI in African countries, namely the strong focus on resources for energy and industrial purposes, as well as the importance assigned to manufacturing activities and overseas markets. In addition, the infrastructure projects improve the operating space of (Chinese) companies in African countries, and/or strengthen the diplomatic relations by demonstrating the government’s commitment to host country requests.

\textsuperscript{1081} TopForeignStocks.com (13 June 2009); and Renard (2011), 18.
At the same time, it is this official emphasis on resources and commercial activities that sheds light on the surprisingly small share of agricultural investments in total OFDI since 2000. African governments have repeatedly asked the Chinese government to engage in the rehabilitation of the so-called Friendship Farms as part of the mutual benefit approach that allegedly characterizes China-Africa cooperation. In response, the Chinese government has agreed to build 30 agricultural demonstration centers across Africa, and it has become involved in other food security activities in the partnering countries through capacity building measures, donations to multilateral programs, and/or the establishment of a special fund (China-Africa Development Fund) that supports agricultural operations overseas. Largely, these activities relate to the reputational concerns of the Chinese government, which has to rely on soft power to advance its economic and political interests in its relationships with African countries. Thus, investments in the agricultural sector, particularly by SOEs, have been driven by the desire to demonstrate a different approach than the major resource importers from the North, with their violent histories of expansion and exploitation. At the same time, these activities have enabled Chinese actors, such as the Chinese agribusinesses which run the Friendship Farms on the basis of mainstream managerial economics, to internationalize their operations and gather first-hand managerial experience as transnational companies.

Moreover, the home country’s particular actor constellations and ideological context are important factors in understanding Chinese land-consuming OFDI from a home country perspective. They constitute important “mechanisms of selection”\(^{1082}\) with regard

\(^{1082}\) Hein (2001), 16.
to the responses to the particular events described above while also explaining the form of these land-consuming investments. In particular, the victory of the economically liberal faction within the Chinese Communist Party (CCP) in the 1990s has led to the adoption of an expansionist guiding ideology of development. Importantly, (GDP) growth is perceived by the political elite as a way to identify whether development plans and strategies for economic governance are achieving success. It has thus come to determine political career paths within the CCP. In addition, the cluster of expansionist ideas (alias: guiding ideology) frames growth as a means to ensure the stability of the political regime by offering jobs and opportunities to the Chinese population. In this regard, the adoption of the set of ideas about growth performs ideological functions – it legitimizes, rationalizes, and promotes what is happening. It also drives overseas investments.

Concurrently, political reforms since the 1990s resulted in the growing importance of sub-state actors in the home country’s domestic politics and international relations; the rising degree of “rule by regulation;” the modification of Chinese corporate law so that it bestows SOEs with discretionary managerial power in their enterprises; and the shifting mind-set of political agents who act as “bureaucratic entrepreneurs” and are interested in profitable business. Together, these home country features explain why multiple actors with diverse interests are involved in the initiation, implementation, and operationalization of Chinese land-consuming OFDI projects in Sub-Saharan Africa.

Regarding Chinese land-consuming OFDI in SSA, this politico-economic and ideological transformation process explains the shifting nature of China-Africa cooperation

1083 Feng (2009), 432; and Yu (2008), 23.
visible on the policy and project levels. Powerful interests of the country’s altered political and economic elite, particularly the manufacturing industry and bureaucratic entrepreneurs at different levels of government, in economic expansion, resource security, and profitable business opportunities have shaped OFDI-related policies. Official documentation, significant speeches, and whitepapers published since 2000 showcase the government’s move away from the historical framing of self-reliance and autarky as the ultimate (foreign) policy goal informing China-Africa relations. Instead, mainstream economic ideas have become the core framing and *modus operandi* of economic cooperation. This has resulted in the profound modification of how projects are run by Chinese actors. For instance, construction companies that were previously aid-funded have become successful entrepreneurs and contract bidders on the African continent, and even aid projects have adopted a for-profit rationale in their operations.

I have highlighted above that it remains unclear how successful the promotion of land-consuming OFDI will be in securing resources, opening markets, strengthen political partnerships, and/or internationalizing China’s industrial base. China-Africa trade and investment activities have intensified significantly. The trade and investment patterns strongly take after traditional asymmetries of North-South relations, with the focus on resources and the export of machinery.\textsuperscript{1085} Regarding the official framing of China-Africa cooperation as “mutually beneficial,” the effect could be very different for China and African countries. From a home country perspective, manifold evidence from other countries’ globalization experiences highlights that the impact of overseas expansion on

\textsuperscript{1085} See for instance State Council (2013).
home country development is ambiguous, and might entail the export of jobs, the hollowing out of the productive sector, amongst other problems. From a host country perspective, the outcome depends on whether the governments steer these activities to support the genuine development and diversification of their economies.

Overall, the varied assemblage of interests that range from geopolitical considerations, crowding out effects, individual hopes for a better life, and/or the specific characteristics of the Chinese political economy explains why the increase in land-consuming OFDI is likely to continue, even though many projects might fail and associated risks remain high. It appears that for many actors, the opportunity costs are comparatively low.

2. UK in Africa: Growth Regions, Climate and Energy Security, Reindustrialization

British land-consuming OFDI projects in Sub-Saharan Africa are part of multiple strategies to profit from the economic reforms and rapidly growing consumer markets in the host countries, to respond to international and domestic energy and climate policies and the markets created for biofuels, and/or to “seek alpha” through alternative investments in the primary sector in Africa at a time of the financial crisis and economic stagnation back home. Increasingly, land-consuming OFDI to Sub-Saharan Africa are also part of a (long-term) political strategy to economic recovery and international political power through rising exports and industrial activity.

From a project-level perspective, British OFDI in SSA mirrors the interests of a highly diverse private sector characteristic of the UK’s liberal political economy: some actors with long histories of operating on the “new growth continent” have exploited the
opportunities presented to them through divestiture programs, while others, such as the financial sector, have just begun to engage in land-consuming investments in the wake of multiple crises. Public and private funds search for alternative investment outlets as a result of the financial crisis and the prolonged economic recession, whereas a number of wealthy individuals seem inclined to invest overseas to avoid any future compulsory capital levy to moderate state debts in the context of the Eurozone crisis. Also, the adoption of biofuels and CO2 emission targets provided incentives to newcomers to invest in agricultural projects and produce for the related markets. Early-stage companies have started to invest in Jatropha plantations, and actors of the aviation industry – affected by the CO2 emission targets – got involved and offered these companies medium-term offtake agreements for their seemingly ‘clean’ energy products. More broadly, the perception of Africa as the new growth region has attracted numerous different actors to join in land-consuming OFDI activities, of which many have little prior experience, desolate growth outlooks back home, and an overly optimistic (and in some cases fraudulent) profit expectation. From the official perspective, land-consuming OFDI has been part of a liberal policy stance towards capital exports that was adopted back in the 1970s. Only recently, OFDI to SSA has become an explicit component of the UK’s foreign economic policy, which reflects the country’s self-identification as a “cosmopolitan” economy and major political and economic power (and former empire). This policy frames overseas investments (alongside trade and IFDI) as a way to facilitate home country growth, thereby generating wealth, welfare, political stability, and international recognition. In this view, the overseas economic networks associated with OFDI can be used to sustain or expand the country’s “soft power” at the international level.
In the following paragraphs I will review the core empirical elements of British OFDI in SSA in the context of the social, ecological, and economic dimensions of the UK’s development trajectory, as well as in view of the country’s political economy, institutional frameworks, and ideological context.

Empirically, British land-consuming OFDI involves a wide range of actors from the home and host countries, private and public sectors, and regional and international institutions. As in the Chinese case, these investments are often part of the domestic development plans of the host and home countries. Moreover, despite the predominance of food and biofuel production projects in the “land grab” databases, the investments actually cover a wide range of sectors. Most British projects produce for export to international markets or the UK. This is a significant departure from Chinese land-consuming projects, which are largely aimed at domestic (i.e. host country) and regional markets, particularly in the context of agricultural projects. In many cases, however, the export-oriented business models designed by British companies did not materialize due to project failure, pricing problems, funding issues, and/or inexperienced plantation management, to name just a few of the problems encountered on the ground. As a result, many projects ended up selling their products in the host country or regionally. Regarding the role of land in British investment projects, it has been perceived primarily as a resource or financial asset and, again in contrast to the Chinese case, less often as a space for productive activities. On the subject of timelines, three trends are observable in the 2000 to 2013 period. Separated by the emergence of key events and factors, these are described in the next paragraphs.

The first trend comprises investments made around the year 2000. The empirical details of British land-consuming investment projects indicate that at that time, host
country divestiture programs and private sector perceptions of Africa as a new growth region were fundamental factors impacting investor decisions. Importantly, these factors emerged when economic growth in Britain and its major trading and investment partners was stagnant. The related investments were conducted by companies that had a long presence in the host countries, and/or they involved companies with the financial capacity and international experience and mind-set to respond to these national and international incentives.

The second trend is observable regarding land-consuming FDI projects that took place between 2000 and 2007. Most of these were related to international, European, or domestic renewable energy and climate policies, namely directives, targets, and carbon credits developed to achieve energy security and/or CO2 emissions-reduction targets. The related land-consuming OFDI projects were operated primarily by new business actors, such as the early-stage companies that often had little prior experience in agriculture, and whose business models aimed to profit from these new policy regimes and related markets – they frequently failed to do so.

The third bulk of British land-consuming investments started after 2007. These projects have been strongly linked to the financial crisis, the economic recession in the UK, and the Eurozone crisis. These economic shocks have led financial actors to seek new investment outlets, often in the form of primary commodities. They have done this either as a hedge against inflation or, given the dire situations in the UK, the partner countries of continental Europe, and the crisis-ridden US, in pursuit of new growth markets. Since 2011, [1086]

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the British government has also jumped on this corporate trend by trying to promote British OFDI in African countries as a way to revive its manufacturing sector and open new export and business opportunities.

Home-country-specific structural factors, agencies, ideologies, and events explicate the extent and forms of these post-2000 investments and make sense of them in the home country context. Importantly, the UK’s investor legacy and long history as a liberal economy, as well as its promotional OFDI policy stance since the 1970s, explain why a significant share of British land-consuming investments have been made in response to particular pull-factors, such as host country reforms and international policy regimes. “Old” investors with a long presence in the respective host country, such as Unilever, have taken advantage of the opportunities presented to them in the form of privatization programs. And early-stage companies investing in African economies have tried to profit from the newly created (energy) markets that emerged from climate negotiations. At the same time, the sectoral composition of British land-consuming OFDI, with its focus on resources and financial services, echoes the country’s investor legacy, as do the highly unequal investment patterns across countries. In fact, the investments are concentrated in a few countries and focus on the same sectors that have characterized British-African economic relations for over a century. The limited number of manufacturing projects also mirrors the (financial-) service-sector orientation of the home country and the “embedded financial orthodoxy” of its political economy.

Compared to the Chinese case, the UK case study findings highlight that in a country with an open economy, host country dynamics and international events play out more prominently. At the same time, the specific home country setting, namely the actor
constellation, development context, and ideological superstructure, remains central to the explanation of how these investments take place. Take, for example, the dysfunctional system of industrial finance that is characteristic of the British political economy. Its effects are evidenced by the lack of patient capital that has plagued British biofuel and agricultural projects, often leading to their failure. Moreover, the strong presence of financial actors in British land-consuming OFDI projects reflects the “intellectual capture,” as well as the overlapping interests of seemingly distinct public and private sector actor groups, that are characteristic of the UK’s political economy of growth.

The relatively recent involvement of the British government in land-consuming OFDI activities in SSA has concurred with changes in the guiding ideology. In fact, the set of ideas that promote, rationalize, and legitimate OFDI in Africa has been modified in outlook and emphasis. The current UK government now emphasizes the “mutually beneficial” nature of UK-Africa business relations, explicitly associating overseas investments more with national and foreign economic interests rather than unilateral humanitarianism. In the context of the 2007 financial crisis and ensuing economic recession, the UK government identified the financialization-led development approach, with its focus on financial services and its dependency on credit-financed public and private consumption, as posing a key challenge to economic recovery and the operative functioning of the state.\(^{1087}\) The core problems of that approach include reduced and increasingly volatile government revenue; the country’s declining industrial base, which has gone hand in hand with the loss of decent jobs and deteriorating terms of trade,

\(^{1087}\) Confederation of British Industry (2011), 6; Pettinger (3 January 2014); Pettinger (8 January 2014).
particularly since the country became a net importer of energy sources; economic recession at a time of international financial crisis; and rising socio-economic inequality and the associated risk of social disintegration. Against this background, the current government has begun to frame and reengage in OFDI activities as a means to stimulate growth, access resources, improve industrial competitiveness, and provide for socio-economic essentials such as jobs.

Official documentation also references realist assumptions and geopolitical considerations and suggests that the country’s economic expansion – through further extension of the international economic networks comprising OFDI, IFDI, and trade – correlates with political power in international relations. OFDI to SSA is framed as an important component of the government’s ambition to play an influential role in world politics by sustaining the country’s economic and political presence overseas and in multilateral institutions. On the institutional level, this rhetoric is matched both by an increase in the UK’s commercial diplomacy and by the aligning of UK development finance and programs with the country’s foreign policy goals. As a result of this “grand strategy” approach, development finance is increasingly being invested in the private sector operations of British companies active in African countries.

It remains to be seen how successful British OFDI in SSA turns out to be in meeting the multiple expectations associated with it. While trade and investment has increased significantly, the investment activities are spread very uneven, both with regards to countries and sectors. Moreover, the high project failure rate, regular involvement of

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On the implications and reasons for Britain's industrial decline, see Skidelsky (24 January 2013).
fraudulent actors, and danger of capital flight all point at the challenges confronting these investments, on the project-level as well as from a home country perspective. Overall, the official rhetoric seems overly optimistic regarding the utility of OFDI for the home country; while no long-term strategy exists regarding the UK’s engagement with Africa. At the same time, government efforts have so far hardly addressed the dysfunctional features of the home country political economy, such as the lack of patient capital or the effects of financialization on the state and society. From a host country perspective, the impact is strongly dependent on the steering of these investments to the benefits of the affected populations and societies. Anecdotal evidence suggests that the attraction of large-scale land-consuming FDI often comes at a high cost for the affected populations and ecologies, with no safeguards in place.

3. Comparing Chinese and British Land-Consuming OFDI

The foregoing case study summaries underline that Chinese and British land-consuming FDI projects are embedded in country-specific guiding ideologies, influenced by the social, economic, and ecological dimensions of domestic development, related to specific events, and supported by institutional frameworks. At the same time, the forms taken by these projects are reflective of the home countries’ particular political economies, and OFDI is framed as an important tool in the geopolitical ambitions of both countries’ foreign economic policies.

This section’s comparative study of the unlike cases is intended to systematically explore alternative explanations of “land grabbing” from a home country perspective, and identify country-specific as well as cross-country factors and dynamics at play. In the
structure of this thesis, this approach complements the process tracing and builds on the rich empirical evidence generated by it.

In the following paragraphs, I make three (interrelated) arguments based on the comparative findings. Firstly, the thesis shows multiple differences regarding Chinese and British land-consuming OFDI. However, these differences are not necessarily significant in explaining why these investments happen, nor are they antithetic. Instead, difference is best understood as variation of the particular composition of actors and interests involved. Secondly, the complexity of (f)actors at play forbids any monocausal explanations of what is happening. Thirdly, it is important to note the similarities that exist regarding Chinese and British land-consuming OFDI. From a home country perspective, land-consuming OFDI is backed by relatively similar policy frameworks, and sets of ideas that associate OFDI with particular socio-economic and geopolitical interests. On the project-level, the investments apply the same managerial economics. Thus, for a better understanding of why these investments occur as they do, it is necessary to assess the main characteristics in the home country context. In the following paragraphs, I will explicate the comparative findings under the headings of difference, complexity, and similarity.

In view of difference, firstly, the particular mix of home-country-specific conditions explains how and why land-consuming investments occur, and ultimately highlights what makes them Chinese or British. In other words: difference is best understood as a variation. It does not refer to any sort of (antithetic) absolute difference in how and why these investments occur from a home country perspective. To explicate this finding, the next paragraphs will review the main empirical differences of Chinese and
British land-consuming OFDI in SSA, and their significance in explaining what is happening.

Both country cases differ considerably in their empirical characteristics. The sectoral composition of Chinese investments reveals a focus on manufacturing and infrastructure projects, as well as energy resources, while British investments are largely resource- and service-oriented and include a significant share of agricultural projects aimed at biofuel and food production. Regarding the role of land, Chinese investors prioritize its use as a resource and space for productive activities, whereas British investors use it mostly as a resource and, increasingly, as an asset. This does not, however, imply that all of these investment projects are related to the 2007/2008 resource and financial crises. In both cases, a large share of land-consuming OFDI projects began prior to the 2007/2008 timeline. Chinese projects often build on, or rehabilitate former aid projects, particularly in the agricultural sector where some projects can be traced back to the 1970s. Moreover, a large share of Chinese investments involves equity investments in existing projects, often in the form of a Chinese SOE investing in an African company that is itself an SOE or has close ties to the host government. Many British investments also go into existing enterprises (such as plantations) and involve companies with a long presence on the continent. At the same time, the bulk of early-stage companies are involved in greenfield investments, specifically the operation of plantations for export purposes.

The most obvious difference can be observed in the actor composition of both countries’ investments. In spite of the great diversity of public and private actors from the host and home countries that are involved during a project’s lifecycle, in the Chinese case, the investigated OFDI projects were predominantly executed by SOEs. British investments,
by contrast, were undertaken primarily by private companies and financial investors, with the exception of the CDC Group. However, I have also shown that the British government has become involved through commercial diplomacy and/or the provision of investment-related development finance to British investors operating in African countries.

A detailed assessment of these investments in the home country context also shows that different events, investor legacies, and political economies play important roles. In the Chinese case, the country is a relatively new source of FDI in Africa. The OFDI policy supporting this trend has emerged since the 1990s in response to particular events, such as the country’s rising resource dependency in the 1990s, the Asian crisis in the late 1990s, and WTO accession in 2001. This means that Chinese land-consuming OFDI is strongly related to political reforms that have occurred since the 1990s and led to fundamental change and partial liberalization of the country’s industrial and foreign economic policies and related administrative procedures.

In the British case, by contrast, the country’s long investor legacy and presence on the continent is of importance. Consequently, investments made prior to 2007/2008 were largely related to external pull factors, such as reforms in the host economies, the perception that African countries provided profitable business opportunities, or the international climate regime. Political reforms and home country strategies have come into play only more recently, in the form of a revised foreign policy regarding the British presence in African countries.

Whereas in the Chinese case public sector reforms seem to have set the ground for the investments to occur as they do, in the British case it has been the private sector that has triggered the government to reconsider its engagement with African countries at a time
of stagnant growth back home. In both cases, the public and private sectors overlap greatly, either through the strong role of SOEs in the domestic economy (China); the guiding ideology shared by public and private actors involved in the political economy of growth relevant for overseas investments in Africa (UK and China); or though revolving doors and the dependency of capitalist states on the economy to generate the revenues and jobs that are necessary for societal reproduction.

It is also noteworthy that most Chinese investment projects produce for domestic or regional markets in Africa, while most British investors planned to export to international markets or the UK. In the Chinese case, investors have just begun globalizing their activities and are producing largely for local and regional markets in the host countries. In the UK case, this export orientation is largely a continuation of historical investment patterns, as well as a reflection of the capacities of relevant actors.

Additionally, the dissimilar rationales embedded in relevant official documentation and policies reflect another way in which Chinese and British land-consuming OFDI projects differ. In the case of China, these investments cater to the interests of a political economy of growth characterized by a very resource-intensive and export-oriented manufacturing sector, the marketization of power by state representatives, and the official interest in improving China’s position and influence in the international political and economic landscape. Consequently, these investments open new markets, form part of a globalization process of Chinese companies, focus on the diversification of energy supplies, and are embedded in an official strategy to intensify political and economic networks. Contemporary agricultural projects have largely been motivated by reputational concerns and stem from the “mutual benefit” principle of China’s Africa policy, i.e. they are
intended to give something back in exchange for the increased, yet highly asymmetric trade and investment relations, thereby fostering good relations. Moreover, many investment projects have a medium-term profit strategy built in to their operations. The core actors in the Chinese political economy of growth are government officials, SOEs, and the private sector, all of which pursue the same expansionist agenda, albeit for different reasons. Documented rationalizations range from considerations of political stability and resource security to access to new markets and the hope of finding profitable business opportunities overseas in light of the fierce competition back home.

In the case of the UK, the political economy of growth comprises private actors seeking profitable investments in established sectors and, more recently, new actors trying to profit from newly created markets for renewable energy or the presence in new growth markets. The important role of the financial sector as a source of industry finance in these investments also reflects on the service-sector-driven growth strategy that has been pursued by British governments since the 1980s. More recently, in the face of the financial crisis, public actors have reengaged with the industrial sector in pursuit of a source of growth. However, it remains to be seen what this implies for land-consuming OFDI in SSA. At the same time, the dominance of the financial sector in British OFDI reflects the problems generated by the country’s political economy, namely the lack of patient capital, which is needed, for instance, in the agricultural and industrial sectors.

Together, these details of Chinese and British OFDI in SSA highlight the core differences between the predominant trends in Chinese and British investments, particularly in view of their actor composition, sectoral distribution, timelines, events, and strategic rationalizations. As I have shown, these differences relate to home country-
specific aspects of the political economy, development context, investor legacy, and institutional setting. However, a closer look at how Chinese and British investments transpire also shows that many of these differences are not useful in explaining the purpose of these investments. Clearly, there are more public actors involved in the Chinese case, and a greater presence of financial investors in the UK case. At the same time, however, Chinese investments are largely for-profit, and are rationalized using mainstream economic thought. This means that the important role of public actors reflects China’s role as a newcomer to the international economic realm, and not the final purpose of these investments. Accordingly, the country has to rely more strongly on inter-governmental cooperation to open new markets for industrial expansion and to diversify the country’s supply of industrial resources. Moreover, the findings refer back to the Chinese domestic set-up, which clearly favors state enterprises.

In the UK case, meanwhile, this difference in actor composition does not mean that private investments appear in a vacuum. Instead, the less frequent involvement of public actors seems related to the UK’s long-established ties with the African continent and private actors’ correspondingly lengthy operational histories there. Moreover, these investments are embedded in national and international public policy frameworks and supported by home country measures. The huge number of financial actors is reflective of the “embedded financial orthodoxy” that has guided UK’s domestic development policies since the Thatcher Era.

More broadly, the comparative discussion of (dis)similarities between British and Chinese investments implies that difference is best understood as variation rather than opposition. At the same time, it is important to note that not every difference is inevitably
significant in the comparative explanation of how and why land-consuming OFDI occurs – a fact that holds for both the project level and the aggregate one.

Secondly, in view of the causal mechanisms at play in each case, the comparison accentuates that the interrelation of the country-specific conditions and outcomes is characterized by complexity. For the assessment and explanation of how and why Chinese and British land-consuming OFDI occurs, it is impossible to ascribe any of the domestic undercurrents in the form of agency, ideology, structure, and events a precise function as independent or dependent variable, or to give a single (f)actor primary importance in explaining the outcome, namely land-consuming OFDI ventures. Instead, these domestic undercurrents are co-determinant over time. The example of China shows this most clearly. Since the country’s opening up, its socio-economic and ecological dimensions of development have changed fundamentally and, as a result, so have the guiding ideology and actor constellations. China today embraces the type of overseas investments it termed exploitative four decades ago, and it has fundamentally reformed its administration, political system, and aid system in order to foster the newly adopted manufacturing and export-oriented growth strategy that matches the interests and international ambitions of its bureaucratic entrepreneurs.

Finally, thirdly, the comparative study of these two cases reveals institutional and ideological similarities between these rather different countries that highlight the important role of OFDI in contemporary development approaches of home countries. Over the past three decades, China has adopted an elaborate system of home country measures and is in the process of catching up with policy frameworks that are standard in OECD countries. This means that the countries only differ with regard to the degree (high/low) of stimulus
and control exercised in their home country FDI policies. While China applies high stimulus and control, the UK is characterized by high stimulus and low control.

Additionally, both countries have changed the guiding ideology underlying their foreign economic policies and overseas operations; however, the alterations differ in scale. On the one hand, China has fundamentally shifted from an earlier focus on autarky towards embracing open system features and factoring in other countries’ land and resources in its development policy. In this process, a previous set of ideas on development and international relations has been replaced by another. On the other hand, the UK has (slightly) shifted the emphasis of its foreign policy towards Africa, and it has recently stepped up its commercial diplomacy to profit from the new growth region. The former guiding narrative of unilateral humanitarianism is increasingly complemented by a rationale of “mutual benefit” and “delivering prosperity together” that seems strikingly similar to the rhetoric commonly applied in South-South cooperation.

Importantly, the two countries share a similar outlook on foreign economic policy when it comes to the role of OFDI promotion in accessing markets, securing resources, promoting exports, or strengthening the country’s “soft power” and position in the international political and economic landscape (also see concluding discussion in Section 5). However, the detailed explanations of why both countries promote OFDI in Africa are rather different, and they reflect the particular political economies of growth in the two countries at certain points in time. On the project level, both countries’ investment projects pursue a for-profit rationale, and involve a rather diverse range of actors.

\[^{1089}\text{See, for instance, Buckley et al. (2010), 243-277.}\]
4. Chinese and British “Land Grabs” in Historical Perspective

A remaining question is the novelty of contemporary Chinese and British land-consuming investments when compared to large-scale land acquisitions in the late 19th century. I showed in Chapter 3 that the broad references to colonialism made by some in the “land grab” debate often oversimplify the past and/or the present; for instance, such critiques’ narrow focus on resources as the sole determining factor can have this effect. At the same time, the review in Chapter 3 showed that large-scale land acquisitions in the past and present are highly similar in terms of the complexity of their main empirical characteristics. In the late 19th century, and again today, land-consuming investment activities serve(d) a variety of purposes aside from that of securing resources. These purposes include opening markets, acquiring strategic assets, expanding spheres of influence, and searching for profitable business opportunities. Moreover, the 19th-century investments, just like the contemporary ones, involved a diverse range of agents; and, instead of being a total success story, many were confronted with insurmountable problems on the ground – leading to their ultimate failure.

But what does a more detailed historical comparison of large-scale land acquisitions in the South tell us about the similarity of key elements over time? In this section I will look more closely at a selected range of aspects to highlight the co-existence of path-dependent and new aspects of Chinese and British land-consuming OFDI activities in SSA since 2000 – making them both novel and old to a certain degree. To narrow down the historical comparison of differences and similarities to a manageable size, and concentrate on this co-existence argument, the discussion will revolve around three aspects: ideology, uneven development geographies, and institutions. These aspects have been
central to the analysis of land-consuming OFDI from a home country perspective, and they evidence the importance of the events of the 19th century for our contemporary world.\textsuperscript{1090} In fact, the “global transformation” that was the industrial revolution in the 19th century has brought about particular ideologies and structures and a range of significant events that are still visible today.\textsuperscript{1091}

In terms of similarities, firstly, it is striking to see that in both China and the UK, the guiding ideology supporting capital exports uses basically the same narrative that was common during the Scramble for Africa in the 19th century. Together with trade and IFDI, OFDI is said to improve the home country’s economic setting, to secure access to resources, to open export markets, and to sustain or reach a favorable position in the international economic landscape. Overall, the official narrative during the Scramble, as well as today, promotes land-consuming investments as “not a choice, but a necessity.”\textsuperscript{1092}

However, a closer look at this ideological conformity also shows the development of new aspects regarding the official rationalization and implementation of land-consuming investment activities – in the form of an ideological turn. During the Scramble, overseas investments were part of the “doctrinal, quasi-religious (…)” free trade doctrine, but this has changed since WWII.\textsuperscript{1093} While its core principles of multilateralism and non-discrimination persist, trade and investments have come to belong “to the more technical pages of economic theory and the diplomatic fineprint of international rules” under the

\textsuperscript{1090} Buzan and Lawson (2013), 1-17.  
\textsuperscript{1091} Buzan and Lawson (2013), 1-17.  
\textsuperscript{1092} Compare Hobson (1965), 73.  
\textsuperscript{1093} Trentmann (2008), 7.
Accordingly, contemporary land-consuming OFDI is rationalized, legitimized, and promoted using the frames of mainstream economic theory, and it is an ordinary component of both home countries’ industrial and foreign policies. Furthermore, host governments apply this technical frame, too, and are actively involved in many of the Chinese and British OFDI activities, welcoming them as another source of capital that can be used to progressively finance national development plans – a narrative that also greatly resembles the rhetoric of colonial governments during the Scramble.\textsuperscript{1095}

I have argued that this technical framing of international economic exchanges in general, and of OFDI in particular, together with the institutionalization and legalization of the principles of multilateralism and non-discrimination, has enabled China to pursue a “peaceful development” approach. The institutions and strategies that have supported China’s economic expansion since the 1990s, and its globalization since 2000, are fairly similar to those of the OECD countries; indeed, they are catching up with those standard measures even though the Chinese government claims that they are innovative.\textsuperscript{1096} At the same time, we see that the rising Chinese involvement on the African continent has alerted “old” investor countries such as the UK. In fact, an increasing number of OECD countries have started to reengage with OFDI promotion beyond the formal frameworks they have in place. I have already shown that the UK has stepped up its commercial diplomacy via

\textsuperscript{1094} Trentmann (2008), 7.
\textsuperscript{1095} See Cottrell (1975), 28.
\textsuperscript{1096} State Council (2011b).
official visits and bilateral investment fora, but it has also refocused its development programs to Africa (and Asia).

Secondly, another comparison can be made regarding the uneven economic development geography. Vis-à-vis the international economic context, Chinese and British land-consuming OFDI activities clearly reflect – and most likely sustain – an international division of labor that emerged during the industrial revolution and the European imperial age of the 19th century. Unless African governments proactively engage with and steer capital imports to support economic diversification, their countries will continue to occupy the lowest positions in this order as primary commodity exporters and/or markets for industrialized goods in the world economy.

At the same time, the cases of China and the UK also reveal that these land-consuming investments are part of some relatively novel processes of global economic restructuring that might lead to an alteration of this development geography. In fact, as an emerging economy, China has become a major investor in Africa within the last two decades, and it is currently aiming to strengthen and improve its positional status within this international division of labor through upgrading. At the same time, the UK is trying to hold on to its favorable international position. To that end, it has started promoting land-consuming OFDI as a way to remain visible internationally, as well as rebalance its economy and profit from overseas growth markets.

From the viewpoint of uneven national development geographies, it is worth noting that certain conditions in the home countries are remarkably similar to those of the past. Now, as it did in the late 19th century, rising OFDI takes place in a home country context of high socio-economic and wealth asymmetries. This observation is particularly
interesting when recalling Hobson’s argument that the concentration of wealth might have been one reason why capital was ‘free’ and available in home countries for profitable investment overseas. At the same time, the UK case highlights that, due to the realization of particular social security rights through financial market instruments, the situation is now more complex than in the 19th century. For instance, the rising aspiration of pension funds and public investors to invest in land-consuming overseas investment projects means that a diverse range of actors, including workers, have been implicated as implicit shareholders in this phenomenon since 2000.

Thirdly and finally, a core social institution rooted in the 19th century remains central to land-consuming OFDI today: the corporation. During the era of colonialism, exploration, and free trade, chartered companies operated on the basis of a royal or government charter that outlined the terms and goals of their activities and granted them the right to military engagement and land governance. Importantly, institutions like the chartered company facilitated costly overseas enterprises by bringing together multiple investors and their capital resources through the practice of shareholding. As early as 1855, such companies were granted limited liability, which greatly reduced the risk carried by their shareholders. At the same time, provisions such as the ultra-vires doctrine forbid the companies to act outside the charter rights assigned to them by the government.

While the corporation has remained an important institution regarding trade and capital exports until today, state-market contexts have changed significantly. On the one

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1097 Hobson (1965), 85-92; also see Chapter 3 (Section 2).
1098 Sukdhev (2012), 37-46.
1099 Sukdhev (2012), 37-46.
1100 Mack (1930).
hand, most countries have subscribed to the open system economy and liberal principles. On the other hand, the charter has been replaced by a formal administrative process, and the legal means of protection available to corporations have been strengthened as a result of BITs, domestic reforms, and multilateral institutions. Plus, government provisions, such as the *ultra-vires* doctrine, have been cut, and trade and capital flows deregulated in many countries. In addition, both the relevant infrastructure (communication, transport) and the international economic governance structure have been improved. Overall, corporations’ operational freedom vis-à-vis the state has been augmented as a result of these changes. In fact, the favorable economic context and the reduction of the risk associated with overseas operations also explain the rise of capital exports in the form of OFDI.1101

In view of these altered state-market relations, the case studies have highlighted that the Chinese and British governments try to influence corporate decision making through compulsory, institutional, and productive forms of power in their interactions with economic actors. Accordingly, material, symbolic, and normative resources are applied by state agents in these investment processes through regulations (e.g., energy and climate policies); home country measures ranging from commercial diplomacy to financial incentives; and discursive framings. At the same time, the fact that political and economic elites in both countries are closely interlinked on an individual, as well as intellectual, level helps to exert sway in both directions: from the public to the private sector and the private sector to the public sector. However, compared to the prevalence of government doctrines that companies had to obey in the 19th century, the public sector’s influence on corporate

1101 See the rise of IFDI and OFDI in the World Bank’s country data ([http://data.worldbank.org](http://data.worldbank.org)).
behavior has decreased fundamentally, and corporate operations now tend to be associated with the representation of narrow shareholder (rather than stakeholder) values.\footnote{Sukdhev (2012), 37-46.}

Against this background, it is surprising to note the multiple ways in which the Chinese and British governments promote overseas investments using political and economic narratives similar to those popular in the late 19\textsuperscript{th} century. Importantly, foreign land, in its function as resource, marketplace, productive space, strategic location, and/or financial asset, features prominently in the development policies and foreign economic policies of these two home countries. Moreover, overseas FDI stock in areas deemed to be of the utmost importance to the functioning of the home country’s economy and society is considered to belong to that country’s core infrastructure; it is often referred to as critical infrastructure (that needs protection).\footnote{Wikileaks (2009b).}

Thus, the two governments argue and act on the presumption that their support for corporate overseas activities will be of economic, social, and political advantage to their countries. The involvement of state actors in OFDI activities highlights that OFDI serves to open new markets, access cheap resources, and improve the relative trade and foreign exchange position of the home country, thereby enhancing its competitiveness, creating jobs, improving the terms of trade, and strengthening economic and political spheres of influence. Subsequently, land-consuming OFDI in SSA is said to be an important step in ensuring the stability of the existing political and economic regimes.
It remains to be seen whether the rhetoric and expectations surrounding land-consuming OFDI will materialize, either on the project level or in the aggregate. At a minimum, the limited leeway that governments have to ensure that the accessed resources are sold back home, that profits are repatriated, or that corporate activity contributes to the prosperity and security of the home country in other ways, raises serious doubts about the core presumptions of the two countries’ official rationalizations. In the case of China, I have highlighted some instances in which corporate actors acted in conflict with the central government’s foreign ambitions. In the case of the UK, the prevailing dominance of the financial sector and the focus on shareholder value in overseas operations does not seem to be conducive to strengthening the productive sector. However, it is too early to judge the cumulative impact of OFDI on China and the UK.

Overall, this historical comparison highlighted that broad references to historical events are not meaningful in explaining the quality of contemporary phenomena such as “land grabbing.” Instead, a detailed assessment is necessary to apprehend the changes and continuities over time, and thereby to learn more about what is unique today.

5. “Pushing the Limits:” Land-Consuming OFDI from the Home Country Perspective

The findings of the two case studies show that diverse purposeful agents partake in land-consuming OFDI for very different reasons. Overall, these investments are a function of geopolitical considerations, national development trajectories, political economies, and ideational paradigms, – rather than any single master plan. Consequently, their explanation from a home country perspective goes beyond the orthodox “land grabbing” narratives.
with their focus on resource security and/or the search for profitable investments. In concluding, I will briefly review the findings about the (alternative) role(s) of OFDI from a home country perspective.

From an official line of reasoning, these investments are part of foreign economic and diplomatic strategies to access resources, enter new markets, restructure the economy, and/or expand/sustain the sphere of influence using industrial activities and economic power. At the national level, these investments are supported in both countries by political elites that are closely interlinked with dominant economic actors, on a personal level, by way of “intellectual capture,” or through political institutions, like, for instance, the opening up of China’s CCP to entrepreneurs and/or party finance in the UK.

OFDI, together with trade, is framed and perceived by the managerial and economic elites of the UK and China to advance their macro-level development agenda and address the structural problems they face. On the Chinese policy level, I highlighted that concerns about the rising dependency on external resources and markets, together with the fear of unsustainable levels of pollution, social welfare, and crowding out effects on indigenous industry have led to the adoption of an elaborate OFDI policy framework promoting overseas investment. In the British case, the main issues that yielded the establishment of a promotional and increasingly state-supported OFDI strategy included the EU accession and interests in market access shortly after the oil crisis; concerns about energy security; and, the search for growth markets following the financial crisis and prolonged economic recession.

Concurrently, both countries’ political elites pursue geopolitical ambitions in their cooperation with Africa, a continent that in their eyes has much to offer, namely resources,
growth markets, and business opportunities. The intensification of economic networks and cooperation in this new growth region is said to build and/or sustain the home country’s favorable (relative) position in the international political landscape and increase its economic strength at a time of global restructuring.

From a project-level perspective, the diverse interests reflect goals that range from hopes for a better life to ‘seeking alpha,’ mirroring the great variety of actors involved.1104 In fact, Chinese and British investments involve actors that are part of the powerful and of the marginalized groups in the home country’s political economy, and that respond to the occasions open to them – expecting higher returns, livelihood improvements, competitive advantages, and/or growing markets.

In this context, I also identified particular clusters of ideas linked to land-consuming OFDI (referred to throughout as the ‘guiding ideology’). These have proven important in the associated perceptions, as well as policy and decision-making processes of countries and individuals. They shape the expectations and imagined futures of a wide range of diverse actors. Specifically, they reflect, justify, and obscure powerful interest structures, mobilize support, and create the institutions and purposeful agencies at play in OFDI activities in Africa. In line with the nature of ideologies, these clusters of ideas are “intended to be believed in by those affirming them publicly and by all men, because they are “true,” and they thus have universal character.”1105

1104 In this context, it is also important to note that even though a company is unprofitable and accumulates huge losses, the chief executive staff still receives above-average annual salaries. See, for instance, Equatorial Palm Oil (2014).
1105 Gouldner (1976), 33.
In both country cases, firstly, mainstream economic theory is at the core of the guiding ideology that frames these investments as an economic “necessity” and technical management issue. It informs the official language and normative narrative on land-consuming OFDI in Africa, and parts of it are also taken up by private actors, and reflected in the overly optimistic expectations. In addition, secondly, the assessment highlighted that China and the UK reference modern development prescriptions that focus on economic expansion as a way to prosperity, international political status, and domestic security. Propagated in significant whitepapers, as well as official documents and speeches, the framing of development in both cases comes close to President Truman’s 1949 declaration that increases in the productivity and activity of an economy are “key to prosperity and peace” and preconditions of a progressively “higher standard of living.”

This means that both countries share a global “quest for modernity (…) all wrapped in distinctive economic and political structures.” Consequently, contemporary land-consuming OFDI from China and the UK does not mark a turning point away from old development prescriptions or “free market” ideas, as is assumed by some authors who apply a narrow resource-security framing in their analyses. Rather, OFDI from these countries reflects the assertion of existing practices and ideologies, namely the uneven development geographies with regard to the processes of value creation and consumption; and the prevalence of mainstream (managerial) economic theory which promotes capital exports due to their framing as a technical management issue (rather than contentious

1107 Gillespie (2001), 1. Also see Victor (2008), 18-19.
1108 E.g., IISD (2013).
control grabbing issue), and their macro-economic explanation as a rational choice to foster exports, access resources, expand skills and knowhow, create employment, and sustain a country’s economic growth.\textsuperscript{1109}

In sum, the comparison of the two country cases shows that part of what drives Chinese and British OFDI activities is that they allow a diverse range of actors to “push the limits” they are confronted with back home – in the form of limited political influence, ecological boundaries, political interference, low social mobility and welfare, crowding out effects, limited markets, and/or (comparatively) low returns on investments made. In other words: the comparatively low opportunity costs reflected in the related rationalizations and expectations of the different actors explain why these investments occur despite the high risks attached and the mixed record of economic success. In this regard, political economies play out, as do clusters of ideas that promote, explain, and/or legitimize these investments.

\textsuperscript{1109} See, for instance, Lavoie (2014), 1-30; Sornarajah (2010), 49-53; Moran (2011), and 1-9; Denisia (2010).
Appendix A: Chinese Investments in Africa (19 investigated projects).

<table>
<thead>
<tr>
<th>Company/Project/Activity</th>
<th>Recipient Country</th>
<th>Size (ha)</th>
<th>Purpose, Approach, and Goal</th>
<th>Project Development</th>
<th>Project Announced</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sino Cam Iko</td>
<td>Cameroon</td>
<td>10,000 (long-term)</td>
<td>Project Purpose: Food production for local markets.</td>
<td>After bilateral negotiations and an exploratory visit in 2005, the project was announced at the FOCAC 2006 Summit. An investment agreement of over USD 62 million was signed by both countries' governments. Funding took place through the China EXIM Bank, which transferred USD 40 million in 2009. In 2010, the contract for land was awaiting approval from Cameroon's Prime Minister. The project's current status (as of 2014) is unclear. The project was launched as part of China’s technical cooperation framework. The overarching goal was to reduce rice imports to Cameroon by increasing the country’s output from 50,000 to 400,000 tonnes per year. Apart from rice, the project also comprised maize, fruits, vegetables, and cassava production. One location, the Nanga-Eboko Rice Station, was formerly a Taiwanese</td>
<td>2006</td>
<td>Brautigam and Zhang (2013), 1684-1685; Li (2010); Khan and Baye (2008), 7, 15; Wikileaks (2010a); World Bank (1998); Putzel et al. (2011), 31; Afriquinfos (2011, October 4); GLP (2010), 31, 35; Grain (2010, October 22).</td>
</tr>
</tbody>
</table>
According to available information, no consultation with local authority took place, with the exception of one location. The investment faced local opposition as well as organized urban civil society opposition due to fears that the produce would not be sold locally (as there was no such legal guarantee). The operationalization of this MoU began in 2008 on the preliminary 120ha site. However, as of 2011, the investor was still waiting for the concession license to be approved by the Ministry of Agriculture. To gain access to the fertile ground in a moderate climate zone of the preliminary site, the investor cut down trees, which might result in problematic changes to the regional micro-climate, but the local Ministry of the Environment had not been allowed to access the site and conduct the mandatory environmental impact assessment. In addition, local residents complained about the lack of sufficient compensation.

<table>
<thead>
<tr>
<th>Resettlement of Chinese farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>This project has been one of the very few explicit Chinese land lease requests.</td>
</tr>
<tr>
<td>Mozambique</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>China International Fund - MOZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
</tr>
<tr>
<td>By 2011</td>
</tr>
</tbody>
</table>
The company is a joint venture between the China International Fund and SPI. The latter is a holding of the Frelimo Party, whereas China International Fund is a Hong Kong real estate company.

Mozambique, together with Chinese commitments to rebuild infrastructure. (Other Chinese companies also applied for licenses to survey for suitable terrain to mine and produce cement.) The mining concession in Matutuíne (Maputo province) was approved in 2011; it is valid until 2036. The total investment for the cement factory amounts to USD 72 million. Allegedly, the factory construction took place without a prior environmental impact assessment. Moreover, the project commenced without a prior resettlement of the 230 families affected by the construction.

### ZTE Energy

Established in 2007, the company focuses on R&D of bio-energy, R&D of energy saving and system services, and palm cultivation and oil processing trade. It is a subsidiary of the ZTE Corporation (its largest shareholder), a Shenzhen-based corporation with previous links to the China Ministry of Aerospace.

<table>
<thead>
<tr>
<th>ZTE Energy</th>
<th>Democratic Republic of Congo</th>
<th>3,500</th>
<th>Project Purpose:</th>
<th>Food production for local use.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>10 to 600ha are used as an experimental plot.</td>
<td>Project Approach:</td>
<td>Training farmers in food production techniques and planting high yielding crops.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ZTE Energy started producing food in 2008 on an experimental plot of 10ha near Kinshasa, in cooperation with the DRC Ministry of Agriculture. According to the corporate website, ZTE Energy was also accredited as a supplier of the UN World Food Programme.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>In 2010, the company became involved in the effort to rehabilitate Domaine agropastoral industriel de la N’Sélé (DAIPN), a former Sino-Congolese cooperation project dating back to 1972. The area of 600ha was granted for the new project by the Ministry of Agriculture in 2010. The project – focused on maize, soybean, kidney, cassava, and vegetables – was supposed to involve Chinese</td>
</tr>
</tbody>
</table>
investors as well as other foreign companies and the African Development Bank. This project is one of several agricultural projects in the DRC that is operated by a subsidiary of the ZTE Corporation.

### ZTE Agribusiness Company Ltd.
This company is a subsidiary of the Shenzhen-based ZTE Corporation with previous links to the China Ministry of Aerospace. It invests in agriculture and palm oil projects, and is part of the ZTE Corporation’s decision to diversify its operations.

<table>
<thead>
<tr>
<th>Democratic Republic of Congo</th>
<th>100,000</th>
<th>256</th>
</tr>
</thead>
</table>

**Project Purpose:**
- Palm oil production for local use.

**Project Approach:**
- Plantation.

The ZTE project in the DRC would have consumed up to 100,000ha. It was negotiated in 2007 between the DRC Ministry of Agriculture and the ZTE Corporation. It intended to convert palm oil into biofuels, reportedly in abandoned plantations in Bandundu and Equateur. However, the project did not materialize. Instead, as of 2013, the company operated a 256ha farm that produced maize, soy, meat, chicken, and eggs. Officially, the company has said that high transport costs made the palm oil project unprofitable.

**Negotiations in 2007**

### Malawi Cotton Company
The company is a joint venture of the China-Africa Development Fund and the Qingdao Ruichang Cotton Corporation.

<table>
<thead>
<tr>
<th>Malawi</th>
<th>Access to land through 110,000 rural households.</th>
</tr>
</thead>
</table>

**Project Purpose:**
- Cotton production, including agriculture and processing for export to China.

**Project Approach:**
- Central farming contract scheme (“company + rural household”)

The Malawi Cotton Company involves over 110,000 rural households under a central farming contract scheme. The farmers produce cotton, and the company provides inputs as well as takes the harvest and processes it at a spinning and ginning plant in Balaka for export to China. In 2011, the company harvested close to 40,000 tonnes of cotton. To ensure sufficient cotton supply for domestic ginneries, Malawi put an export ban in place for unprocessed cotton. At the same time, a China Restraint Agreement was negotiated to reduce textile imports.

**2008**
| **SUKALA SA** | Mali | 5,000 | **Project Purpose:** | The China-Mali joint venture owns a sugarcane plantation of approximately 5,000ha. It started in the form of a debt-equity-swap between the Chinese state-owned company CLETC and the Malian government. The arrangement gave the Chinese side control over operations due to its majority stake (70%) in the project. The project dates back to 1996, but it has changed significantly over time. Prior to the joint venture with a Chinese majority stake, it was part of an aid and technical cooperation program under cooperative and transitional management. Also, precursor factories were built and renovated by the Chinese government in the 1960s and 1980s.

**Project Approach:** Sugar cane plantation and processing activities.

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| **N-SUKALA SA** | Mali | 19,142 (long-term vision of leasehold for sugar production) | 857ha titled land for factory premises | **Project Purpose:** The creation of the company, dedicated to growing and processing sugar for food production, was approved by the Malian parliament in 2009. The company has a renewable 50-year land lease for an area of 19,142ha. The China EXIM Bank financed the construction of a processing factory based on a preferential loan which covers less than the overall costs. Main competitors have been complaining about the preferential position of this venture. For example, the US Company Schaeffer has alleged that N-SUKALA SA plans to expand on land originally reserved for Schaeffer in an attempt to preserve its quasi-monopolistic advantage.

**Company Goal:** Producing 103,680 tonnes of sugar and 9,6 million liters of ethanol per year.

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<p>| <strong>ChongQing Seed Corporation</strong> | Tanzania | 62-300 | <strong>Project Purpose:</strong> Food production, mostly for domestic markets; training local farmers. <strong>Project Approach:</strong> Centralized out-grower scheme with local farmers. | The company grows and processes hybrid rice (its own intellectual property). The company’s seeds are said to double the usual output. Some of the rice might be sold to China. The project is expected to profit from the Chinese experience and boost the Tanzanian agricultural development. | 2006 | ChinaDaily.com.cn (2008, May 17); Tanzanian Affairs (n.d.); Moshi and Mutui (2008), 5-7. |
| <strong>Intergovernmental Agreement</strong> | Senegal | 100,000 | <strong>Project Purpose:</strong> Food production. | It has been reported that the farmers’ association of Senegal organizes the production of peanuts on 100,000ha, with 30% of the yield to be shipped to China and the rest processed at local factories. It should be noted that while China imports significant amounts of peanuts from Senegal, the details of this particular case has not been confirmed. | 2008 | Smaller et al. (2012), 16; China DSIC International Trade Co. Ltd. (2014); The Japan Times (2013, March 26). |
| <strong>Datong Enterprises</strong> | Senegal | 35,000 | <strong>Project Purpose:</strong> Food (sesame) production for export to China, Latin America, and Europe. <strong>Project Approach:</strong> Out-grower scheme eventually involving up to 200,000 people. | The Chinese private company announced plans to invest USD 5 million and produce 150,000 tonnes of sesame per year. It is not clear whether those plans came to fruition. It has been reported that the company received credit from Caisse Nationale and subsidies from the Senegalese state, and that the project is part of the Senegalese Growth Plan (“GOANA”). This plan resulted from the food crisis, and it includes the promotion of foreign investments in agriculture. | 2008 | Smaller et al. (2012), 17; Lewis (2009, February 11); Aiddata.org (n.d.a); People’s Daily (2009, February 20). |</p>
<table>
<thead>
<tr>
<th>Project Name</th>
<th>Country</th>
<th>Number of Contract Farmers</th>
<th>Project Purpose</th>
<th>Approach</th>
<th>Project Dates</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonken Farm</td>
<td>Zambia</td>
<td>3,500</td>
<td>Food production (crops, husbandry, animal breeding) for local markets.</td>
<td></td>
<td>1994/2003</td>
<td>Mwanawina (2008); Freeman et al. (2008), 17; Liu (n.d.), 1-2, 12-14; China National Agricultural Development Group Corporation (n.d.).</td>
</tr>
<tr>
<td>Chipata Cotton Company</td>
<td>Zambia</td>
<td>2,500 contract farmers, with a vision of 20,000 contract farmers</td>
<td>Cotton production.</td>
<td>Intermediate contract farming, which involves three actor groups, i.e. the company, the agent, and the farmer.</td>
<td>2008</td>
<td>China Development Bank (2012, May 31); Chinese Embassy in the Republic of Zambia (2013, September 10); Phiri (2013, September 11); Schoneveld et al. (2014), 25-27; Times of Zambia (2004, June 14); Tschirley and Kabwe (2009); Wang (2014, June 30); Pedersen (2009).</td>
</tr>
<tr>
<td>SUCOCOMA</td>
<td>Madagascar</td>
<td>unclear</td>
<td>It has been reported that</td>
<td></td>
<td></td>
<td>Ullenberg (2009);</td>
</tr>
<tr>
<td>The Chinese state-owned company Complant, a wholly-owned subsidiary of the state-owned State Investment and Development Corporation (SDIC). SDIC relies on Complant to implement Chinese foreign cooperation programs, particularly in the area of construction.</td>
<td>r</td>
<td>Land restoration, and construction of a sugar refinery</td>
<td>SUCOCOMA's project revolved around restoring irrigated land formerly used by a state-owned sugar company for sugar cane production. The current status of the project is unclear. However, a cable from the U.S. Embassy in Antananarivo as well as corporate information suggests that the Chinese SOE Complant manages two sugar refineries in Ambilobe and Namakia since 2008 under a twenty-year management contract. Complant also built a sugar refinery in Morondava, financed by the Chinese government. While this was turned over to the government of Madagascar in 2008, Complant continued to manage operations in 2012.</td>
<td>Wikileaks (2010b); Complant (n.d.); SDIC (n.d.); SDIC (n.d.a); Tossa (2012, August 25).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| Viscount Energy | Nigeria | Project Purpose: Biofuel factory construction. | In 2006, the Ebonyi State Government and the Chinese company signed a MoU about building a factory for producing biofuel. The factory was built as a turnkey project by Tianjin Energy Resources Ltd., a Chinese construction company. The project by Viscount Energy is intended to improve domestic energy security. However, while it matches Nigeria’s National Biofuel Development Policy, the project is problematic in terms of food security and (the lacking) land use rationale. The ethanol plant intends to produce 20,000 gallons of ethanol per year, based on the input of 150,000 tonnes of a mix of cassava and sugar cane. | Biopact (2006, August 14); Isiguzo (2006, August 28); Rothkopf (2007), 336; Oyeranti et al. (2010); McDowell (2012). |</p>
<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Project Size</th>
<th>Project Purpose</th>
<th>Project Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hebei Hanhe Investment Company</td>
<td>Uganda</td>
<td>17,000</td>
<td>Food (maize, rice, vegetables) production for local and international markets.</td>
<td>The Hebei Company's 10-year target is to develop around 17,000ha. In 2010, it was growing maize, vegetables, and trees on the total area of only 173ha. Hebei Hanhe Investment Company has started in Uganda in 2009.</td>
</tr>
<tr>
<td>China International Water and Electric Corporation</td>
<td>Zimbabwe</td>
<td>100,000</td>
<td>Irrigation system construction.</td>
<td>The company’s cooperation with the government of Zimbabwe was not successful, and the project never got off the ground. Initially, the company had been approached by the Zimbabwean government to build an irrigation system and boost agricultural production. In the process of implementing the project, the company discontinued its operations due to political difficulties.</td>
</tr>
<tr>
<td>SUCOBE</td>
<td>Benin</td>
<td>4,800</td>
<td>Biofuel production (ethanol) for export to Europe.</td>
<td>Since 2003, SUCOBE runs the Savé Factory, which was established in 1973 by Benin and Nigeria. After a period of mismanagement and economic crisis, the factory had undergone several management changes. The factory produces and processes sugar cane into sugar and alcohol. It employs approx. 5,000 workers, of which 4,637 are casual and seasonal workers, mostly women. The company relies on external harvests to complement its own agricultural output. In addition to the sugar cane produced on 4,800ha of land, which the company is leasing for 99 years (renewable), the company uses cassava bought from local farmers for its plant operation. As a result, there has been a</td>
</tr>
<tr>
<td>Special Economic Zone (SEZ)</td>
<td>Mauritius</td>
<td>200-500</td>
<td>Project Purpose: Build a manufacture hub in the form of a Special Economic Zone, including light industrial products, medicines, textiles, and electronics. Negotiations began in 2007, development in 2009, and completion is expected in 2016. Comprising an area of 200-500ha, this SEZ is headed by Chinese companies. It is intended to become a major manufacturing hub for Chinese light industrial products, medicines, textiles, and electronics. It is expected to accommodate 40 Chinese companies and create 34,000 jobs, of which 8,000 will be given to Chinese contractors. The SEZ is expected to generate USD 220 million through exports and to attract investments worth USD 750 million. On a global scale, China plans to build 50 Special Economic Zones.</td>
<td>By 2009</td>
</tr>
</tbody>
</table>
Appendix B: British Investments in Africa (22 investigated projects)

<table>
<thead>
<tr>
<th>Company</th>
<th>Recipient Country</th>
<th>Size (ha)</th>
<th>Purpose, Approach, and Goal</th>
<th>Project Development</th>
<th>Timelines</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>SunBiofuels (SBF)</td>
<td>Ethiopia</td>
<td>80,000</td>
<td>Project Purpose: Production of biodiesel, using Jatropha (originally on marginal land, later on prime land).</td>
<td>In 2005, SBF signed a lease with Benshangul Gumuz Regional State Government for 80,000ha and purchased 80% of National Biofuel Corporation (Ethiopia) to strengthen presence in Ethiopia. SBF was also involved in the drafting of the Ethiopian Biofuels Strategy. SBF Ethiopia was not economically viable due to poor soil conditions, limited seed input, and the lack of third party finance (in addition to TE). The company used seed input from DIOils (UK) and Diligent Tanzania Ltd. (the Dutch subsidiary uses 3,500ha through outgrower scheme to produce seeds for planting). SBF went into administration in 2011, when TE, its majority shareholder, denied it additional funds. It is unclear what happened to the Ethiopian operation of SBF.</td>
<td>2005</td>
<td>Bergius (September 2012); Trading Emissions Plc. (2008); Trading Emissions Plc (2011), 7; Hawkins and Chen (2011), 29-30; Sosovele (2010), 120; Trading Emissions Plc (2009).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,000</td>
<td>Under Production</td>
<td></td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,000</td>
<td>Project Approach: Plantation and outgrower scheme.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Company Goal: SBF: to become the largest provider of biofuel, first for export markets, later for the African market.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>TE: to profit from climate change mitigation policy by producing &quot;clean&quot; and renewable energy.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBF Tanzania</td>
<td>Tanzania</td>
<td>8-9,000</td>
<td>SBF Tanzania negotiated a 99-year government-backed lease in 2006. The 8-9,000ha were spread over 11 villages with 11,200 people. This land was formerly used by charcoal makers and also included a swamp area important for local water security. The affected</td>
<td>2006</td>
<td>Bergius (September 2012), 3; Hawkins and Chen (2011), 29-30, 88, 96, 196.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,000</td>
<td>Land Transfer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Harvest</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
population was promised a compensation of USD 250 per household. After SBF went into administration, the Tanzanian subsidiary was sold to Lion’s Head Global Partners (in 2011). There have been allegations that this company only employs 50 of the previous 700 workers, and that it has abstained from addressing the problem of the incomplete process of compensating the affected population.

| Mozambique | 4,854 plus two farms of 607ha and additional 3,000ha under negotiation | 2,310 | SBF Mozambique secured land under a 50-year DUAT lease that was backed by the host government. The land is considered to be of prime quality regarding the combination of climate, location, soil quality, and infrastructure. The company also signed a MoU to supply the state-owned enterprise Petróleos de Moçambique S.A with Jatropha crude oil, and it planned to export biofuel to Europe and India. In 2010, crude oil was sold to UOP Houston for experiments in the aviation sector; and in 2011, a lot of 30 tons of biofuel was sold to Lufthansa for trials. After SBF went into administration in 2011, the Mozambique subsidiary was sold to Highbury Finance. This is a project development and investment advisory firm, founded in 2004, that focuses on “alternative investment opportunities.” The new investor claims to have 2,310ha (of the total area of

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Area (ha)</th>
<th>Project Purpose</th>
<th>Company Goal</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vepower Ltd.</td>
<td>Ghana</td>
<td>50,000</td>
<td>Provision of bioenergy through the planting of Jatropha and the production of fuel.</td>
<td>To provide renewable energy sources, whilst working in partnership with rural African communities to support economic development.</td>
<td>The company has leased a 50,000ha plantation to grow Jatropha. It is in the process of securing finance. It signed a feedstock acquisition agreement with Jatropha Africa in 2010. The current status (as of 2014) of operations is unclear. The company’s major partner, Jatropha Africa, allegedly went into administration in 2013 (see below).</td>
</tr>
<tr>
<td>Unilever (UK-Netherlands)</td>
<td>Ghana</td>
<td>7,200</td>
<td>Production of palm oil.</td>
<td></td>
<td>Unilever Ghana operated plantations in Ghana that it acquired in 1999 through the host government’s divestiture program. In 2010, Unilever sold its majority share in the 7,200ha Benso Oil Plantation Ltd. (which is listed on the Ghana Stock Exchange, and on which more than 9,000 people’s livelihoods depend) to Wilmar Africa.</td>
</tr>
<tr>
<td>Jatropha Africa</td>
<td>Ghana</td>
<td>50,000</td>
<td>To grow Jatropha seedlings in the nurseries, and produce Jatropha crude oil for biodiesel refining companies.</td>
<td>To provide renewable energy sources, whilst working in partnership with rural African communities to support economic development.</td>
<td>Jatropha Africa was invited to support the development of the Renewable Energy Policy for the Ghanaian Ministry of Energy in 2010. The bioenergy project started out with a pilot farm of 100ha with 100,000 trees and aimed to expand to 50,000ha in partnership with three villages in Ghana (no timeline). The latest project status is unclear. A report by Antwi-Bediako (31 October 2013) mentions that Jatropha Africa went into administration, due to the lack of funding and difficult policy environment. Personal communication with the</td>
</tr>
</tbody>
</table>
unclear.

Ghanaian farm manager in 2012 indicated that the company had come under Ghanaian ownership and was listed as a company with limited liability in Ghana.

D1 Oils
The UK-based share company was founded in 2005. In March 2012, it changed the name to NEOS Resources Plc. As of 2014, it is in the process of developing a new business strategy.

D1 Oils abandoned its plan to sell Jatropha crude oil internationally, after its partner Beyond Petroleum (BP, formerly British Petroleum) withdrew from a joint venture project on Jatropha production in 2009. Since then the oil has only been sold domestically.

From 2007 to 2012, the company’s share value drastically decreased; by 2012, operational losses amounted to more than GBP 1 million. To indicate a fresh beginning, the

| D1 Oils | Zambia (subsidiaries also in Malawi, Ghana, South Africa, Swaziland, and Asia) | 220,000 (total for India, Indonesia, Malawi and Zambia) | 155,000-174,000 in Zambia (including outgrower schemes) | 2,411 planted and 20,760 used through contract farming (in Zambia in 2007) | Project Purpose: Biofuel production for export and domestic use. Project Approach: Selling Jatropha oil for direct use in diesel engines or to companies producing biodiesel. | D1 Oils, founded in 2005, used to be the biggest Jatropha producer worldwide, with several subsidiaries in Africa and Asia. However, the company has been struggling with economic viability of its operations throughout its existence, and has never paid any dividends to its shareholders. | 2005 | 2005 | StockMarketWire.com (2012, March 13); Hawkins and Chen (2011), 21-23; Mitchell (2010), 118-125; NEOS Resources Plc. (2012, October 12); NEOS Resources Plc. (2012, November 15); NEOS Resources Plc. (2012, March 15); Investigate.co.uk (2014, January 30). Data on total hectares secured or operated remains unclear. See also GEXSI LLP (2008), 50, 55; Investigate.co.uk (2006, June 14); Reuk.co.uk (2007, January 15). |
company changed its name to NEOS Resources in 2012, shifted its focus to India, and announced a diversification beyond Jatropha production in African countries. However, severe financial difficulties have continued. As of 2014, the company is in the process of selling off its assets, while negotiating its future business outlook with major shareholders.

| **Cru Investment Management** | Malawi | 6,000 | **Project Purpose:** Investment in agricultural land for food and land management, with a focus on paprika and chilies grown for export. | Cru Investment Management managed the Africa Investment Fund from 2006 to 2008. The fund operated five to seven farms covering 6,000 acres in Malawi. It had a commercial farm workforce of more than 1,450 workers, and it cooperated with more than 5,000 outgrower farms. In 2010, the auditor Pricewaterhouse Coopers found that it was unlikely for Cru Investment Management to recuperate the money it had received as loans, due to the overvalued asset base. The Cru trustee Capital froze the money of the six funds managed by Cru. The operations managed by Africa Invest Fund in Malawi were sold in 2010 for GBP 175,000. The money was used for fees and liabilities while investors hardly recovered their investments. Moreover, a fraud investigation took place, due to the alleged misappropriation of funds. Money from Arch funds managed by Cru had been lent to Africa Invest without | BBC (2010, February 6); Grote (2009, March 24); Grote (2009, April 14); Grote (2010, March 16); Merian Research and CRBM (2010), 28; Merrett (2013, November 29); Miller (2011, July 7); Ntsiful (2010), 129-137; Paler (2010, July 14). |
shareholder notification, and Africa Invest and Cru chairman Maguire had allegedly withdrawn money without following proper procedure. Cru’s case even resulted in a Briefing of the UK Parliament.

| CAMS Agri-Energy Tanzania | Tanzania | 45,000 | Project Purpose: Sweet-sorghum-based ethanol production that does not undermine food security. **Project Approach:** Food and Fuel: farmers already grow sweet sorghum; tall stalk can be used for ethanol production, without using food grain. Project will be profitable due to rising fuel prices and CO2 reduction finance schemes. | The project in Tanzania was set up in 2008, using 45,000ha of land in two county districts. The aim is to develop ethanol and power production from sweet sorghum stalks, with distribution centers in rural Tanzania. Funds have been raised through equity financing and from a commercial bank in London. To produce ethanol, the project intends to use Chinese technology of fermentation and distillation in each village. The company cooperates with the Tanzanian seed authority and with an Indian NGO to reach out to farmers. | 2008 |
| Lonrho | Angola | 2 | **Project Purpose:** Construction of a John Deere equipment dealership. **Company Goal:** Profiting from African growth markets. | Lonrho, a formerly UK-listed company with an ambiguous reputation, was taken over by a Swiss investor in 2013. Two years before that takeover Lonrho described the attractiveness of investments in land and agriculture in Africa as a composite of the following factors: Africa hosts a large share of the world’s arable land and agriculture. | Bloomberg News (2011, July 20); Lonrho (2012), 1-5. |
in SSA dating back to 1909 – was taken over by two Swiss investors in 2013, and it has restored its status as a Private Company.

<table>
<thead>
<tr>
<th>25,000</th>
<th>Project Purpose: Food production (rice) for domestic consumption.</th>
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</table>

In 2009, Lonrho Agriculture announced it had signed a deal with the Angolan government to carry out agricultural projects on 25,000ha of land in the provinces of Uíge, Zaire and Bengo. The company secured a 50-year lease. The project was to be implemented within the scope of government initiatives to promote agricultural reconstruction and development. The agreement, signed on the Angolan side by the Agriculture and Rural Development Minister, Afonso Pedro Canga, and by the director of Gesterra, Gestão de Terras Aráveis, Carlos Alberto Jaime, anticipated rice production. This deal would have used up the bulk of the planned spending on agricultural projects in 2009 (USD 6 million), and would have been leveraged with Angolan financing. As of 2014, it is unclear what has become of this particular investment. The website of the now Swiss company, however, suggests that the company is still active in the farming sector, stating that it has “60% of [agricultural, A.G.] production coming from our own farming operations, and 40% from out

The 2007 bioenergy project of Procana, a subsidiary company of the British-based firm Bioenergy Africa, did not get off the ground.

Procana
Mozambique
30,000
30,000
--
Project Purpose:
Production of biofuel from sugar-cane ethanol.
In 2007, after negotiations and a signed contract with the Mozambican government, the British-based company Bioenergy Africa decided not to follow through with its biofuel investment in southern Mozambique. Consequently, the government cancelled the contract, assigning 30,000 ha in Gaza province for the development of a sugar cane plantation for the production of ethanol. Earlier in 2007, Procana had also announced its plans to invest an additional USD 510 million in the construction of a new plant for the production of ethanol, sugar, electricity and fertilizers.

Central African
Mozambique
300,00
Project Purpose:
During 2002-2009, CAMEC
2005
Mining and Exploration Company Plc (CAMEC)

CAMEC was listed at the AIM Stock Exchange during 2002-2009. Its Mozambican operations started in 2005. The company delisted from AIM once it was bought by a Kazakh firm in 2009.

<table>
<thead>
<tr>
<th>Mining and Exploration Company Plc (CAMEC)</th>
<th>0 in 2005; plus 67,620 in 2007</th>
<th>Mining (coking and thermal coal).</th>
<th>was active in mining projects in DRC, South Africa, Zimbabwe and Mozambique. In 2005, the company acquired ten licenses, covering 300,000ha, to explore for coal in Mozambique’s northern Tete Province. In 2007, CAMEC acquired the majority share of Belde Empreendimentos Mineiros Limitada (Belde) of South Africa. Through the joint venture, CAMEC attained three additional mining licenses (coal), covering 67,620ha altogether. CAMEC also held approximately 54.84% of Agriterra Ltd., a British agribusiness active in Mozambique (see below) and had common directors with this company (as of 2009). In 2009, CAMEC was sold to Eurasian Natural Resources Corporation, a Kazakh firm. Thereafter the company changed its management and withdrew from the London-based AIM Stock Exchange.</th>
<th>January 12); Creamer Media (2009, November 11); Marima (2012, August 20); Refractories Window (n.d.); Webb (2009, September 18); Macauhub (2009, April 22).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food production, namely livestock (beef ranch) and feedlot; intended for domestic consumption and export.</td>
<td>Agriterra Ltd. ’s subsidiary, Mozbife Ltd., runs the Mavonde Stud Ranch and the Dombe Ranch that altogether comprise 16,000ha. The 1000ha Mavonde Stud Ranch is envisioned to expand both with regard to land and herd size; the company is in negotiations about additional 3,000ha. The 15,000ha Dombe Ranch has a lease (DUAT) until 2061 that was granted by the Mozambican government. In addition, as of 2012, the</td>
<td>Agriterra Ltd. (2012, February 29); Agriterra Ltd. (n.d.b); Verdin (2009, March 26).</td>
<td></td>
<td></td>
</tr>
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Agriterra Ltd

Since 2009, Agriterra has been an AIM-listed agricultural business active in the production, processing and trading of multiple commodities in Africa. It has been aiming to "build itself into a multi-
commodity
African focused agricultural business.” Until 2008, the company was active in the oil exploration business and named White Nile.

| Sierra Leone | Access to 3,500 farmers, and 45,000 ha | Project Purpose: Cocoa production and trading; palm oil production. Project Approach: Buying a trading company with a buying register of 3,500 farmers to access cocoa; securing a lease on brownfield agricultural land suitable for palm oil plantations. | Agriterra operates multiple businesses in Sierra Leone. It bought a Sierra Leone-based trading and agricultural company to expand its operations in cocoa production and trading, including storage, a buying register of 3,500 farmers, and a 3,200ha cocoa plantation. There are also plans to include coffee and palm oil production. As of 2014, negotiations are in place to acquire an additional 1,600ha of land adjacent to this plantation. The project management aims to plant a total of 4,000ha by 2017, with the ultimate aim of producing a minimum of 8,000 tonnes of cocoa per annum by 2020/2021. Agriterra also bought control over a lease of 45,000ha brownfield agricultural land that is suitable for palm oil production with highest levels of rainfall (as of 2012).

According to the Sierra Leone Investment and Export Promotion Agency (SLIEPA), Agriterra Ltd. (2012, February 29); Agriterra Ltd. (n.d.a); Carrere (2013). |
the “President and Cabinet have identified oil palm as a priority growth sector and are prepared to provide support at the highest levels to accelerate investment.” In this context, SLIEPA is “earmarking and preparing a number of suitable sites for 10,000ha+ palm plantations.” Companies are able to lease land up to 71 years, for USD 20-30 per ha per year, with basic labor costs of USD 2-3 per day, flexible labor regulation, and 0% taxes for some investors.

<table>
<thead>
<tr>
<th>Country</th>
<th>Land Area (ha)</th>
<th>Project Purpose</th>
<th>Project Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberia</td>
<td>89,000 (concession), plus 80,000 ha (Memorandum of Understanding)</td>
<td>Palm oil production for export.</td>
<td>Large-scale oil palm plantation.</td>
</tr>
</tbody>
</table>

In 2009, Agriterra signed a memorandum of understanding to acquire Equatorial Biofuels (Guernsey) Limited, a palm oil producer based in Liberia. Equatorial Biofuels Ltd. (now named Equatorial Palm Oil Company, see next project) has a total land holding of 169,000ha granted by the Liberian government in the form of concessions. However, the deal did not materialize and Agriterra decided to withdraw from it (see below).

Equatorial Palm Oil Company

The company was founded in 2005 as Equatorial Biofuels, and changed its name to Equatorial Palm Oil Plc in 2008. It has been a publicly listed (AIM) crude oil producer since 2010.

Liberia

The Equatorial Palm Oil Company has been granted concessions for three palm oil plantations in Liberia, all of which are located in a favorable climatic zone, close to cities, and in proximity to ports with facilities that can accommodate export operations. In 2009, Agriterra Ltd. was interested in acquiring the Equatorial Palm Oil Company, however, decided against it. As of September 2014, the UK-incorporated company is a 2005

Equatorial Palm Oil (2015); Investigate.co.uk (2009, August 18); Public Ledger (2009, September 22); Equatorial Palm Oil 2011; Equatorial Palm Oil (2013); Global Witness (2013, December 20); Equatorial Palm Oil (2011); Equatorial Palm Oil (2013); The Rights and Resources
subsidiary of the parent company and ultimate controlling company Kuala Lumpur Kepong Berhad ("KLK"), a company incorporated in Malaysia. KLK owns and controls 62.86% of the Equatorial’s share capital. Both, Equatorial Palm Oil and KLK have made significant losses in their operation in 2013 and 2014.

The Equatorial Palm Oil Company’s 169,000ha holding, of which 89,000ha are concessions granted by the government and 80,000ha are part of an MoU with the county district and tribal communities, is embedded in a plan by the Liberian government to re-establish export-oriented plantations as a growth sector and foreign exchange earner.

GEM Biofuels

Founded in 2005, Green Energy Madagascar (GEM) has been active in establishing Jatropha plantations. Since 2007, it has been listed at the AIM London Stock Exchange. In 2013, the company changed its name (to Hunter Resources Plc) and operational focus.

- **Project Purpose:** Jatropha crude oil production for export to the EU, North America, and Australasia.
- **Project Approach:** Plantation and outgrower scheme.
- **Company Goal:** Focus on Jatropha because it meets European criteria as a non-edible oil seed (since food based biofuel industry faces

<table>
<thead>
<tr>
<th>Country</th>
<th>Land Area (ha)</th>
<th>Employment (4,500)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madagascar</td>
<td>495,000</td>
<td>55,700</td>
</tr>
</tbody>
</table>

The company was founded in 2004, and it has been AIM-listed since 2007. Focusing on Jatropha production, GEM managed to secure over 495,000ha in Madagascar. According to its reports, the company secured this land—which included over 40,000ha natural forest—in the period from 2005 to 2011 through a 50-year lease, with parcel size ranging from 2,500ha to 50,000ha. Moreover, the company concluded 18 agreements with local communes for exclusive plantation rights as well as informal agreements about wild seed delivery. In 2007/2008, GEM was employing 4,500 employees.
| sustainability challenges) become the largest producer of biofuels in Madagascar and the region. | local farmers in nine locations. The original plan was to plant 200,000ha by 2010. Yet, planting operations came to a halt in 2009, when tied-up capital markets and bad plantation management forced the company to focus on maintaining existing plantations rather than (re)investing in their planned expansion. In 2010, first revenues of GBP 18,000 from Jatropha oil were made, with shipments to Germany and Australia. These came largely from the harvest of a 40,000ha forest with many Jatropha trees, allowing the company to start harvesting earlier. During 2011, GEM concentrated on letting the plantations mature, and it did not engage in any further planting. It also reduced the number of staff. By the end of 2011, it had planted Jatropha on a total of 55,737ha. Still, the share value did not recover, nor did the company manage to attract additional funding. Unable to profit from its land bank, the company changed its name to Hunter Resources PLC in January 2013 to indicate its new investing policy and board changes. A corporate notice from December 2013 stated that share trading had been suspended as the company did not become an investment company in time to meet AIM London Stock Exchange requirements. The same notice announced that the |
management was in negotiations to become active in Peruvian mining projects 563km from the city of Lima, in an area where eight exploration concessions (a total of 3,500ha) are located. What has happened to the Jatropha production is unclear.

<table>
<thead>
<tr>
<th>Madabeef</th>
<th>Madagascar</th>
<th>200,000</th>
<th>Project Purpose: Livestock (cattle) for export.</th>
<th>No details available.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madabeef appears to be a UK company which intends to raise beef cattle on 200,000ha for the export market. Unclear status.</td>
<td></td>
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<td></td>
</tr>
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<table>
<thead>
<tr>
<th>Avana Resources</th>
<th>Madagascar</th>
<th>30,000 (mining), plus plans to establish a 10,000 ha plantation</th>
<th>Projects Purpose: Minerals exploration and exploitation (uranium), as well as biofuels production.</th>
<th>Company Goal: “Investment in energy sources that improve supply security and diversity while reducing carbon emissions per unit of energy used,” namely, uranium (nuclear power) and biofuels.</th>
</tr>
</thead>
<tbody>
<tr>
<td>This Malagasy subsidiary of the UK-based Avana Group was set up in 2008 to hold and manage Avana’s assets in Madagascar. Avana Group was founded in 2007 to develop uranium opportunities. For some time it was also active in the production of biofuels, but those activities seem to have been terminated.</td>
<td></td>
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<table>
<thead>
<tr>
<th>G4 Industries Ltd (UK)</th>
<th>Kenya</th>
<th>28,000</th>
<th>Project purpose: Biofuel production based on sweet</th>
<th>G4 Industries Ltd., a British-based company active in power, fuel and equipment projects, participated in the 2008 license agreement.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company</td>
<td></td>
<td></td>
<td></td>
<td>2009 and 2010 exploration of uranium</td>
</tr>
</tbody>
</table>

Avana Group in Madagascar exploits minerals. Temporarily it was also involved in biofuel production. It seems that Avana has dropped its biofuel activities and is now focusing only on mining. The company acquired mining licenses in Beronono over an area of 18,000ha, and in Starokala and Irina over a total area of 12,000ha. No information is available regarding the former plans to plant Jatropha on 10,000ha by 2015.

Cernansky (2011, October 26); Business and Human Rights Resource Centre; Douguet (2013, September 5); Hamelinck (2013), 87; International Land Coalition (n.d.); Üllenberg (2008); Van Der Werf (2012), 95, 179.
withdrew from the biofuel project in 2011 due to environmental concerns.

**Project Approach:**
Field to fuel and field to power model.

The company used to have two subsidiaries. The only one still active is G4 International (Denmark). This subsidiary benefits from Danish logistics and industry, and it works with the Danish government to provide farming solutions in Africa that are approved by the UN. The second subsidiary used to be G4 International Kenya, but G4 Industries Ltd. abandoned its 28,000ha biofuel project in Kenya before operations begun. This decision was taken in response to pressure from NGOs over the potential negative impact on wildlife in the wetlands of the Tana River Delta.

<table>
<thead>
<tr>
<th>Equatoria Teak Company (ETC)</th>
<th>Sudan</th>
<th>18,649</th>
<th>Project Purpose: Timber (for export).</th>
<th>In 2006, a concession agreement between the Sudanese government and the ETC was signed over a 18,640ha forest reserve. Thus, ETC and its sister company gained control over the total area of 20,450ha forest reserves that were granted as concessions by the government for 32 years. The agreement stipulates royalty payment of USD 100 per cubic meter of exported sawn board; 80% of this amount goes to Western Equatoria State Ministry of Agriculture and 20% to Yambo County local Government. ETC sold some consignments between 2007 and 2010, while its sister company never harvested timber. From 2007 to 2010, the...</th>
</tr>
</thead>
</table>
company was represented by the CDC, after the CDC and Finnfund – two governmental development funds associated with the British and Finnish governments – had obtained a majority interest. In 2010, Finnfund and CDC sold the two companies. This followed controversies due to protest by local communities and the impossibility to make the forest plantation economically viable in an environmentally and socially sustainable way.
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489


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(Note: Unless indicated otherwise, all internet sources were accessed 1 September 2014)