

# Chapter 1: Introduction and Overview

## Land Grabbing from a Home Country Perspective

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### 1. THE “LAND GRABBING” DEBATE

To understand the contemporary debate on “international land acquisitions” or “foreign direct investment (FDI),” it is necessary to revisit the years of 2007/2008. This was a period of multiple crises of food, energy, and finance, where rising commercial pressure on land and agriculture gained international attention under the headings of “land grabbing,” “international land acquisitions,” or “land deals.” The term “land grabbing” was first applied by the international non-governmental organization (NGO) GRAIN to describe events of dispossession, privatization, and ownership concentration in the form of FDI in agriculture.<sup>1</sup> 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, suggested that approximately 71 million hectares (ha) of land were under negotiation during the 2000 to 2012 period (confirmed);<sup>2</sup> research by the World Bank (WB, 2011) concluded 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;<sup>3</sup> and as of July 2018, the global land monitoring initiative Land Matrix lists a total of 1,591 concluded “land grab” projects in their observatory database, involving roughly 49,193,878 ha of land.<sup>4</sup>

Importantly, the debate about “land grabbing” has been constantly evolving. While the initial focus by GRAIN (2008) lay on the agricultural sector and

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1 | GRAIN (2008).

2 | ILC (2012), 4.

3 | WB (2011), 51.

4 | See the website of Land Matrix at <https://landmatrix.org/en/> (last accessed: 13 July 2018). Note: Section 5 discusses the data problems associated with the Land Matrix’s global observatory.

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.” Accordingly, the 2012 report by the ILC about international, large-scale investments in land has demonstrated that these occur in multiple sectors, such as tourism, industrial production, forestry, and mineral extraction.<sup>5</sup> At the same time, the ILC report has indicated great differences across regions, both with regards to the share of total land-consuming FDI and to the origin of related FDI flows. The position of Africa is unique, 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).<sup>6</sup> The major share of FDI in Africa has come from outside the continent, while intra-regional capital flows have predominated in “land grabbing” events in Europe, Latin America, and Asia.<sup>7</sup>

Related analyses focus largely on the host country dynamics and oscillate between descriptions of “development opportunity” or “land grab,” depending on the particular framing underpinning the respective study.<sup>8</sup> However, the 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<sup>9</sup> social, economic, or ecological development. Even the World Bank report (2011) concludes that contrary to the (liberal) theoretical promises of job creation, diffusion of technology, capacity building, 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

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**5** | ILC (2012), 4. While FDI flows in agriculture seem to make up the largest share, representing 78% (by value) of total investments during 2000-2012, approximately three quarters of these investments have targeted biofuels rather than food production. These figures are confirmed by data from the Financial Times database (2011). Accordingly, during 2003-2008, an increasing share of global FDI in primary agriculture went into the alternative/renewable energy sector (in 2003: USD 7.9 billion; in 2008: USD 90.7 billion; in 2010: USD 42 billion). During the same time period, only a moderate growth of FDI could be observed in the food and tobacco sector (in 2003: USD 1.4 billion; in 2010: USD 1.6 billion). See Heumesser and Schmid (2012), 13.

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

**7** | 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.

**8** | IIED/FAO/IFAD (2009).

**9** | To ensure terminological clarity, please note that the terms “recipient country” and “host country” are used interchangeably.

worse off than they would have been without the investment.”<sup>10</sup> The findings of this book support this observation, particularly in view of the many instances in which projects failed due to unrealistic business models, financial constraints, or fraudulent behavior. Furthermore, 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.<sup>11</sup>

But why do these land-consuming investments occur in the first place? In contrast to the diverse set of analyses of the impact of land-consuming FDI projects in the target countries, explanations about why these projects happen from a home country and investor perspective—the focus of this book—remain surprisingly homogeneous and superficial.

The general reasoning of standard explanations assumes that the aforementioned crises of food, finance, and energy in 2007/2008<sup>12</sup> triggered the global “land rush.”<sup>13</sup> 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.<sup>14</sup> 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”<sup>15</sup> (see Table 1-1 for more examples).

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**10** | WB (2011), 51.

**11** | Home (2009), 107.

**12** | For a detailed and orthodox explanation of the interdependency effects of rising food and energy prices, see Headey and Fan (2010), xii-xvii.

**13** | E.g., GRAIN (2008); and Arezki et al. (2013), 1; ILC (2012), 4; and Weingärtner (2010), 13.

**14** | ILC (2012), 4.

**15** | Mc Michael (2012), 683.

*Table 1-1 – Standard Explanations of Foreign Land Acquisitions: Prominent Examples from Academia, NGOs and Development Agencies*

| Source                      | Quotation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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|                             | <b>Quotes from Academia:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Ingwe et al. (2010), 29-30. | <p>“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 other 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.</p> <p>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.         | <p>“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.”</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| White et al. (2012), 627.   | <p>“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.”</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

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| 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.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| McMichael (2012), 681. | “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.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Brown (2013), 1.       | <p>“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. [...]”</p> <p>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.”</p> |
|                        | <b>Quotes from NGOs and Development Agencies:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| GRAIN (2008), 1.       | “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.”                                                                                                                                                                                                                                                                                                                                  |

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| Shepard and Mittal (2009), 3-4.                           | “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.”                                                                                                                                                                                                                                                                   |
| GTZ <sup>16</sup> (2009), 12, 14-15.                      | “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.” |
| UN DESA <sup>17</sup> (2010), 1; and UN DESA (2012), 146. | “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. “                                                                                                              |

**16** | GTZ is the acronym for German Agency for Technical Cooperation (merged into the German Agency for International Cooperation [GIZ] in 2011).

**17** | UN DESA is the acronym for United Nations Department of Economic and Social Affairs.

The quotes (presented in Table 1-1) also highlight that standard explanations tend to further differentiate between two types of economies to elucidate how and why “land grabs” occur from a home country perspective. In the case of the state-capitalist countries, (i.e. countries where the government plays a central role in the economic system), 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.<sup>18</sup> Accordingly, the increase of commodity prices, together with the implementation of export bans by major food exporting countries, brought resource-scarce state-capitalist countries 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 destruction of equity investments during the 2007/2008 financial crisis. This narrative is used to describe overseas investments originating from the UK. Specifically, large-scale land acquisitions are what Hall and Soskice have (in another context) called “equilibrium outcomes of firm behavior”<sup>19</sup> 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.”<sup>20</sup> 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 [...]”<sup>21</sup>

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**18** | Martin (2010), summary; Magdoff (2013), 1.

**19** | P. Hall and Soskice (2001), 8.

**20** | 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 modeling 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 socioeconomic and ecological repercussions of land use change. See, for instance, the models used by the FAO (Bruinsma, J. (2003)).

Odusola (2014), 9.

**21** | Odusola (2014), 9.

The problem is that these typical explanations, which run through major academic publications of otherwise different framing and outlook, deviate from the emerging empirical evidence on the topic. They also diverge from historical explanations of economic expansion, and/or suffer from serious analytical incoherence. The following paragraphs will briefly highlight each of the explanatory shortfalls that sparked this research's interest in assessing "land grabbing" dynamics from a home country perspective.

Most importantly, the growing number of studies that do provide a detailed empirical assessment of investor countries<sup>22</sup> all cast doubt on the stereotypes and presumptions on which this standard 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.<sup>23</sup> 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.<sup>24</sup> Even the case of South Korea, whose failed investment project by Daewoo in Madagascar has become a prominent example of offshore farming in the debate, the dynamics are more complex, the scale exaggerated, and the whole undertaking only marginally related to the 2007/2008 food crisis.<sup>25</sup> The standard explanation 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.<sup>26</sup>

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 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),<sup>27</sup> actor constellations, or incidents of great power competi-

**22** | Please note that the terms "investor country" and "home country" are used interchangeably to refer to the country and the related context from which land-consuming FDI is originating.

**23** | Ekman (2010); Rosen and Hanemann (2009); and Brautigam (2011a). Also, see Chapters 4 and 5.

**24** | See D. Hall (2012).

**25** | Lee and Riel Müller (2012).

**26** | Boamah (2014); Kragelund (2009); Brautigam and Ekman (2012).

**27** | See extended version of a speech on socialism and colonial policy by Kautsky (1907).

tion.<sup>28</sup> 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.<sup>29</sup>

Finally, this narrative builds on presumptions and dichotomies that stem from mainstream economics<sup>30</sup> (e.g., 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”<sup>31</sup> that these land-consuming capital flows represent for it. Why, for instance, would rational actors prefer to acquire

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**28** | See Chapter 3 for the historical review.

**29** | Explicitly, some authors argue that the “land grabs” in Africa, the 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)). Chapter 3 provides a critical discussion of this narrative against the background of historical evidence on late 19th century colonialism and imperialism.

**30** | This book 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 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).

**31** | P. Hall (1990), 9.

land in countries with weak governance and/or a deteriorating context of political stability, a particular characteristic of international land acquisitions since 2000?<sup>32</sup> 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”<sup>33</sup> within the reasoning of the mainstream economics framing are rare, empirically unsound,<sup>34</sup> and tend to contradict themselves analytically. For instance, the 2011 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.”<sup>35</sup> Interestingly, all of these factors are key indicators of a failure in the liberal 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.<sup>36</sup> 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.<sup>37</sup>

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

**32** | For instance, Africa Confidential (18 October 2013) suggests deteriorating security situations in countries that have been favored by investors during recent years, such as Ethiopia, Rwanda, Nigeria, and the DRC. Also see WB Worldwide Governance Indicators, 1996-2011 ([http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp)); the Ibrahim Index of African Governance (<http://www.moibrahimfoundation.org/iiag/>). Concerning the regional distribution of land-consuming FDI, see ILC (2012), 4.

**33** | P. Hall (1990), 9.

**34** | 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).

**35** | WB (2011), xiii.

**36** | WB (2011).

**37** | De Schutter (11 June 2009), 15.

assessments necessarily fail to fully capture how and explain why these investments take place. More specifically, they cannot explain why the investments take place in some country cases but not in 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 book 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 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.

## 2. THE RESEARCH PROJECT

This research project provides a comparative historical-institutional and politico-economic account of “land grabbing” from a home country perspective. It also explains the specific roles of land-consuming FDI in home country development. Specifically, the project explores the global phenomenon of “land grabbing” from the comparative perspective of two central 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 large-scale, land-consuming investments (see Table 1-2 for an explanation of terminology).<sup>38</sup> Throughout, the research project is guided by the two overarching questions it aims to answer: How do these investments occur? Why do these investments take place? The timeframe of the analysis focuses on Chinese and British land-consuming FDI projects from 2000 to 2015. 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. 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

**38** | ILC (2012), 4. For a discussion and explanation of the term “land-consuming investments,” see Table 1-2.

what extent and in which ways today's land-consuming FDI projects differ from past ones.

*Table 1-2 – A Note on Terminology*

**FDI in Land, Land Grab, or Land Acquisitions?**

The terminological ambiguity that characterizes the “land grab” debate represented a conceptual challenge for this project. Hereafter, the book 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 that are characteristic of the contemporary debate. The term land-consuming FDI highlights a major finding of this research project, namely 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.

Importantly, the use of these terms does not mean that the book subscribes to the assumptions of the particular framework that usually accompanies them. Instead, 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.<sup>39</sup> For reasons of clarity in terms of the direction of FDI flows from a country perspective, the book also uses the terms “outward foreign direct investment” (OFDI) and “inward foreign direct investment” (IFDI) where it is deemed necessary. OFDI refers to capital exports, IFDI refers to capital imports. For a more detailed discussion of the political dimension of “land grabbing” terminology, see Chapter 2 (Section 3).

The timeframe from 2000 onwards has been chosen for two reasons: 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 outward FDI (OFDI); and to account for the circumstance that the debate about “land grabbing” arose in relation to land-consuming FDI projects that occurred at the beginning of the 21st century. In fact, the most

**39** | For a discussion of mainstream economic assumptions about FDI costs and benefits, see, for instance, Sornarajah (2010), 49-53; and Moran (2011), 1-9.

comprehensive database on “land grabs,” the Land Matrix, lists projects from 2000 onwards.

The case selection of China and the UK stems from several considerations. Both countries appear among the central “land grabbers” according to the existing databases (measured by the total scale of their companies’ operations overseas), which makes their study significant for a more meaningful understanding of what seems to be happening.<sup>40</sup> Moreover, they are also commonly framed as embodiments of the aforementioned antithetic investor country model (i.e., state vs. market) running through standard explanations, meaning that a comparative study of these contrasting cases enables the research project to 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 is particularly compelling in terms of the research project’s aim to 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 socioeconomic orientation and history. They allow us to 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 (land-consuming) OFDI is interesting because of the country’s newcomer status as a source of capital exports. Such exports have to be understood against the background of the opening up of China in the late 1980s, which turned the country into an increasingly powerful international actor in the group of so-called “emerging economies.” Therefore, any study of Chinese land-consuming investments in Sub-Saharan Africa has to take account 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.”<sup>41</sup> 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.<sup>42</sup> With respect to the benchmark of genuine and sustainable development, this economic success has come at a high price in the form

**40** | See Land Matrix (<http://landmatrix.org/en/get-the-idea/web-transnational-deals/>).

**41** | Jiang (2009), 587.

**42** | US Central Intelligence Agency (20 June 2014).

of low wages and worker welfare, plus contentious issues associated with “the eco-system and political reforms.”<sup>43</sup>

On the other hand, and quite removed from China’s emergence as the “Workshop of the World”<sup>44</sup> 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<sup>45</sup> of the economy, and the adoption of neo-classical development policies that slowed reinvestments by the private sector which would have been needed to modernize the UK’s industrial base.<sup>46</sup> 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.<sup>47</sup> The political economy of UK development since the 1980s, characterized by an “embedded financial orthodoxy”<sup>48</sup> 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, an employment 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

**43** | Jiang (2009), 587.

**44** | See, for instance, Martin and Manole (June 2004).

**45** | Financialization describes the increasing importance and dominance of actors, instruments, and rationalizations of the financial sector in processes of the real economy. Stepping stones towards this shift of power from industry towards financial capitalism were the deregulation and liberalization of financial markets, the increasing marketization of financial relations, the dramatic increase in financial instruments, and the rise of the shareholder value ideology (amongst others). The phenomenon has begun to attract attention following its effects on the real economy of countries, and, in the case of “land grabbing,” due to novel forms of engagement by actors from the financial sector in many land-consuming FDI projects, and related problems of speculation, short-termism, and unrealistically high profit expectations. See, for instance, Heires and Nölke (2014).

**46** | The New Political Economy Network (2010), 14, 11-12.

**47** | US Central Intelligence Agency (20 June 2014).

**48** | Cerny and Evans (2004), 51.

sector crisis, which has led to a prolonged stagnation of the home economy, the Cameron-led government of the period began 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).

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. To deal with the problem of data, this research project used the 2008-2010 project listings of three influential "land grab" 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).<sup>49</sup> In addition, this research project monitored Chinese investment activities and relevant home country developments that occurred thereafter.

The process tracing of over 40 Chinese and British outward foreign direct investments, and the continuous observation of both countries' investment activities until 2014 made it possible to capture and understand the main empirical characteristics of what is happening and why in both country cases. The findings presented are the best estimate of the main trends and periods of Chinese and British land-consuming OFDI from 2000 to 2015.

The approach taken in this book results in three contributions to the debate on "land grabbing,"<sup>50</sup> all of which are effectively alternative interpretations of what happened. Firstly, the study provides an empirically grounded overview and meaningful understanding of Chinese and British land-consuming FDI in Sub-Saharan Africa. 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,

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**49** | IIED/FAO/IFAD (2009); GLP (2010); and IFPRI (2009).

**50** | For a detailed discussion, see Chapter 2.

and it suggests that they are not necessarily significant for the explanation of “land grabbing,” as is often assumed. Thirdly, the comparative study of two contrasting cases contributes to the broader debate about the role that these land-consuming capital exports play in the context of home country development. It also develops a framework that could also be utilized to study other cases.

Finally, it is important to note that due to the emphasis on investors and home countries, their perspectives, and the role of these investments in the context of home country development, 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 throughout the book only insofar as they provide for a better understanding of the nature of these projects. This approach is largely due to time and space constraints, 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, there is ample empirical evidence in the form of reports and case studies which highlights the importance of host country actors, dynamics, and institutions in these investment processes—they often shape what takes place and how.<sup>51</sup> In practice, these analyses do not mutually exclude each other, but call for more research on the linkages, overlaps, differences, and broad structures that together compose the global “land grab.”

### 3. SYNOPSIS OF KEY ARGUMENTS

The book argues that 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, as well as contingency.<sup>52</sup> Both country cases are characterized by a complexity of (f)actors at play, rather than a single masterplan.

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**51** | See, for instance, Sikor (2012); Fairbairn (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).

**52** | Importantly, the book’s central 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 the 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.

In the Chinese case, OFDI, of which “land grab” projects form a part, 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 minerals’ supply, open new export markets, and facilitate the internationalization of Chinese companies’ production chains. At the same time, private actors are involved, hoping for livelihood improvements or business opportunities that are lacking back home. Also, 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 previous 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 historical comparison with late 19th century Scramble for Africa, contemporary land-consuming OFDI has novel and “old” features. On the one hand, core institutions, ideas, and structures that emerged in the 19th century are still part of the fabric of today’s global society and the multiplicity of motives, actors, and sectors at play also strongly resembles that of the past. On the other hand, a detailed assessment of those features reveals that their characteristics have changed with regard to key aspects: 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); and existing institutional structures supporting OFDI have been strengthened domestically and internationally, both at home and in the host countries. Moreover, contemporary capital exports by newcomers such as China reflect processes of global economic restructuring of which these overseas investments form a part.

Ultimately, the book advances the broader comparative argument that these investments are reflective of international developmental regimes, national development trajectories, and transnational development imaginaries. In fact, the rhetoric by governments and investors frames these capital exports as a strategy of national and individual development. On the one hand, they allow a range of diverse actors to “*push the limits*” of profitable business and/or social mobility in an increasingly globalized economy. This includes the observation that land-consuming FDI projects are often about controlling or consuming

“land-based wealth (stemming from different land uses and activities).”<sup>53</sup> On the other hand, they serve as a tool to “*fight the limits*” that different actors face at home in view of advancing their economic, political, and/or ideology-driven interests, as well as national development trajectories that cannot provide sufficient (and good) jobs, erode the national resource base, and are strongly vulnerable in their reliance on export markets. This explains why Chinese and British land-consuming OFDI projects are pursued, even when they are not at all economically successful. A substantial number of projects do not live up to the promise of extraordinary returns, and many projects collapse in the medium term, resulting in “loss-loss” scenarios for the home and host country. 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. At last, this means to revisit the divided perception of investment as land grab or development. Instead, land-consuming FDI projects can be both, in the sense that investments that grab land are the factual expression of a particular ideology of development embedded in institutions, agencies, and practices of (inter-)national organization.

## 4. STRUCTURE OF THE BOOK

The remainder of Chapter 1 describes the research approach in terms of methodological issues and the framework of analysis.

Chapter 2 provides an analytical review of the contemporary body of research on “land grabbing” that has emerged since 2007. It explains gaps in the literature, offers an overview over influential policy paradigms, and concludes by highlighting the key aspects that this project contributes to the debate.

The review of historical literature on international land acquisitions in Chapter 3 complements the introduction of 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 discussion of the central 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.

Following this introduction of contemporary debates about and past experiences of “land grabbing,” Chapters 4 to 7 then present the empirical-ana-

**53** | Goetz (2015), 180-181. Also, see GRAIN (2008); Borras and Franco (2010).

lytical assessment of Chinese and British large-scale land-consuming investments from a home country perspective. Together, Chapters 4 and 5 compose the China case study. Chapter 4 shows 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.

Chapter 5 complements the empirical evidence presented in Chapter 4. It explains these investments' characteristics in light of China's political economy; OFDI policy framework (called "home country measures"); guiding ideology; and development context. The chapter discusses how and why these investments are taking place from a home country perspective; and it explains 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 seems to represent a significant share of the UK investments. Therefore, it is important to clarify misconceptions about these cases.

Chapter 7 explains these investments and their characteristics in view of the UK's political economy; OFDI policy framework ("home country measures"); guiding ideology; and development context. The chapter addresses how and why these investments are taking place from a home country perspective and explains what makes them British.

Chapter 8 compares the key findings of both country cases, and contrasts them with both historical evidence on international land acquisitions and the standard explanations in the contemporary "land grab" debate. It concludes with a discussion of what these findings tell us with regard to the linkage of OFDI and home country development.

## **5. A NOTE ON METHODOLOGICAL ISSUES AND THE FRAMEWORK OF ANALYSIS**

The empirical characteristics of land-consuming FDI projects by Chinese and British actors in various countries in Sub-Saharan Africa were explored by using the method of process tracing and triangulation. Consequently, and building on these empirical findings, alternative analytical explanations of why particular actors have been involved in these activities were investigated, largely

by evaluating 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 dissimilar cases also challenged standard typologies of investor countries previously outlined and explored the role of land-consuming OFDI from a home country perspective.<sup>54</sup>

The next section will discuss the database constraints that this project was confronted with; explain the project's heuristic framework of analysis; and introduce relevant literature that has guided the study of political economy, as well as OFDI, in the context of home country development.

## Database and Data Collection

This project's assessment and analysis of land-consuming FDI has drawn on a wide range of data accessible via desk review, including official documentation, corporate reports, speeches, field reports, semi-scholarly literature, statistical accounts, academic publications, and interviews. The following paragraphs recapitulate the particular nature of database constraints that this research on "land grabbing" was confronted with, and that shaped its research approach and design.

A central challenge has been the unreliable nature of the data available on the topic, together with its high degree of politicization.<sup>55</sup> 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.<sup>56</sup> Against this background, Oya's methodological critique of the

**54** | For a methodological discussion, see, for instance, Falleti (2006). Goldstone (2008); George and Bennett (2005), 27, 19; Khan and Van Wynsberghe (2008), 5.

**55** | 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); Scoones et al. (2013a).

**56** | The WB report primarily relies on the collection of data available on the blog hosted by the international NGO GRAIN ([www.farmlandgrab.org](http://www.farmlandgrab.org)). Contrary to the WB Managing Director Ngozi Okonjo-Iweala's promise that the report would help to lift "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 underlying data are actually riddled with uncertainties,” and where selection biases and/or prevailing assumptions go unchallenged.<sup>57</sup>

The assessment process of this research project has 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, changes in categorization, and new listings, see Table 1-3).

*Table 1-3 – Evolving Listings: May 2012, September 2012, and April 2014 (Land Matrix)<sup>58</sup>*

| Country | May 2012<br>(Land Matrix)   | Sept 2012<br>(Land Matrix)  | April 2014<br>(Land Matrix) |
|---------|-----------------------------|-----------------------------|-----------------------------|
| UK      | 46 projects,<br>3,008,472ha | 41 projects,<br>2,736,104ha | 98 projects,<br>2,232,547ha |
| China   | 51 projects,<br>3,482,616ha | 46 projects,<br>2,068,796ha | 90 projects,<br>1,342,034ha |

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.

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).

**57** | Oya (2013b), 503-504.

**58** | These listings are taken from the Land Matrix at different points in time, namely May and September 2012, and April 2014.

Altogether these were using “35 million hectares of land in 66 countries.”<sup>59</sup> 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.<sup>60</sup> Lastly, the “grassroots environmental network”<sup>61</sup> 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.”<sup>62</sup>

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 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.<sup>63</sup> Yet, none of these projects or hectares existed in the aforementioned 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 Organization for Economic Cooperation 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.

**59** | GRAIN (23 February 2012).

**60** | Land Matrix (<http://www.landmatrix.org/en/>, accessed 21 November 2012).

**61** | Friends of the Earth website (<http://www.foei.org/>).

**62** | Biron (23 April 2012).

**63** | Based on information from IDE-JETRO (n.d.); Mwega and Ngugi (2006), 119, 138-140; Kariuki (1999); British American Tobacco (BAT) (<http://www.bat.com/>); Williamson (<https://www.williamsontea.com/>); and Wei and Balasubramanyam (2004).

## Heuristic Framework

The process of data collection and analysis is guided by several categories (see Table 1-4).<sup>64</sup> Accordingly, each land-consuming 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; the *role of land* in the investments; the *purpose* of the investments; and the role of the projects in the *recipient country context*. 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 this research project 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*<sup>65</sup> 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 1-4). In order to enhance comparability of empirical findings over time, the historical review of international land acquisitions at the turn of the 20th century was also structured according to these categories. To complement the very detailed information obtained during process tracing, the study incorporated an extensive literature review about the history of the OFDI regimes, foreign economic policies, development trajectories, and the political economies of the home countries. To the degree necessary, it accounted for the political economy in host countries.

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**64** | Collier (2011), 824.

Collier (2011), 824.

**65** | Home country measures refer to the policy frameworks of the investor country that support OFDI activities of the domestic industry. See, for instance, Sauvart et al. (2010).

*Table 1-4 – Categories and Sub-Questions Guiding the Assessment of Land-Consuming FDI*

| <b>Empirical Characteristics of FDI in SSA</b>                                                                                                                                                           | <b>Home Country Context</b>                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Actors</b> <ul style="list-style-type: none"> <li>• Who is involved?</li> <li>• At which stage of the project?</li> <li>• To which end?</li> </ul>                                                    | <b>Development context</b> <ul style="list-style-type: none"> <li>• What is the social, economic, and ecological state of home country development?</li> </ul>                                              |
| <b>Institutions</b> <ul style="list-style-type: none"> <li>• What institutions play a role in these projects?</li> </ul>                                                                                 | <b>Home country measures</b> <ul style="list-style-type: none"> <li>• What is the institutional framework that OFDI is embedded in?</li> <li>• Do these institutions play a role in OFDI in SSA?</li> </ul> |
| <b>Sectors</b> <ul style="list-style-type: none"> <li>• What sectors do these projects go to?</li> <li>• What are core characteristics of this sector in the host country?</li> </ul>                    | <b>Guiding ideologies</b> <ul style="list-style-type: none"> <li>• How are capital exports rationalized by actors involved?</li> </ul>                                                                      |
| <b>Timelines</b> <ul style="list-style-type: none"> <li>• What does the project life-cycle look like?</li> <li>• When did the project start?</li> <li>• How does the project develop?</li> </ul>         | <b>Investor (country) legacy</b> <ul style="list-style-type: none"> <li>• Does the investor legacy play a role in how these investments occur?</li> </ul>                                                   |
| <b>Purpose</b> <ul style="list-style-type: none"> <li>• Is the project producing for export markets?</li> </ul>                                                                                          | <b>Political economy</b> <ul style="list-style-type: none"> <li>• What are relevant features of state-market relations?</li> </ul>                                                                          |
| <b>Role of land</b> <ul style="list-style-type: none"> <li>• How is land used?</li> <li>• How is land governed?</li> <li>• How is land accessed?</li> </ul>                                              |                                                                                                                                                                                                             |
| <b>Recipient country context</b> <ul style="list-style-type: none"> <li>• What is the official position towards inward FDI?</li> <li>• Is the project embedded in national development plans?</li> </ul> | <b>Events</b> <ul style="list-style-type: none"> <li>• Which events were significant in the context of OFDI?</li> <li>• In which ways were these events significant?</li> </ul>                             |

Consequently, this research project's analysis of land-consuming FDI is the result of a trying decision-making process in respect of which information to include and which to exclude. Throughout, the research has been determined to depict the diversity of factors at play, and to weigh them according to their importance. Therefore, it 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.

## **Political Economy, Outward Foreign Direct Investment, and Development**

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 influenced by the work of key historical institutionalists. Drawing on the theoretical work of C/IPE<sup>66</sup> scholars such as Katzenstein, Hall, and Rueschemeyer and Mahoney, the project has not assumed that the interests of involved actors are exogenous, fixed, or necessarily material. Instead, it 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.<sup>67</sup>

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."<sup>68</sup> Conventionally, IPE scholars accentuate the role of international factors in the form of international regimes, trade, FDI, epistemic communities, and civil society, while comparative political economists 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<sup>69</sup> 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

**66** | C/IPE refers to scholars that combine comparative political economy (CPE) and international political economy (IPE) research.

**67** | See, for instance, Katzenstein (1977a; 1978); P. Hall (1990); and Rueschemeyer and Mahoney (2003). Other disciplines have acknowledged the multiplicity of factors in decision making. See DeRouen and Mintz (2010).

**68** | Katzenstein (1977b), 606.

**69** | See Chapter 2.

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.”<sup>70</sup>

This research project’s assessment and analysis of land-consuming FDI has 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.<sup>71</sup> 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, 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.”<sup>72</sup>

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, 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 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. Also, private actors within the same field might pursue very different interests and experience highly dissimilar outcomes. Furthermore, 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

**70** | Katzenstein (1977b), 587, 591.

**71** | Also see, for instance, Dore (2000).

**72** | Katzenstein (1977b), 588.

in influencing public preference and choice, it can also work the other way around, with public policy influencing private preferences.<sup>73</sup>

More broadly, the analysis of land-consuming OFDI from an investor perspective treats agencies, clusters of ideas that perform ideological functions<sup>74</sup> (hereafter: guiding ideologies), structures, and events as co-determinant, and it does not assume variable independence. Consequently, the emphasis has been on studying in-depth “these interactive effects of the interdependence of multiple causal variables”<sup>75</sup> in the Chinese and British cases. The study has accepted 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.”<sup>76</sup>

Concerning the aspect of power in the study of the two home countries’ political economy, the assessment was influenced by the theoretical work of Barnett and Duvall. The authors developed a heuristic model of power as a social relation.<sup>77</sup> 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”).<sup>78</sup> Therefore, the book has taken note of the home countries’ development trajectories and political economies, as well as the existence and application of a particular discourse or cluster of ideas and refer-

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**73** | Katzenstein (1977b). Also see Levy and Prakash (2003) on transnational corporations in global governance or Chandler and Mazlish (2005).

**74** | Ideological functions refer to the fact that ideologies tend to justify and reflect powerful interest structures. The assessment of Chinese and British OFDI from a home country perspective takes 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, then, 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.

**75** | Steinmo (2008), 166.

**76** | Steinmo (2008), 178.

**77** | Barnett and Duvall (2005).

**78** | Barnett and Duvall (2005), 48. Clearly, this distinction should only be understood as a heuristic tool, because in practice, both power dimensions are intertwined.

ence systems that determine the subjectivities of actors, their capacity, and that shape preferences and perceptions.<sup>79</sup>

### FDI Research

Secondly, the study has drawn on FDI research in its consideration of potential links between OFDI flows, domestic development, and foreign economic policy. OFDI research largely comprises economic-historical and legal-institutional studies on OFDI in and over time, and it bridges the analytical divide between micro-level OFDI activities and macro-level economic development by documenting the empirical correlations between them. Accordingly, “OFDI is one part of the country’s overall strategy of economic development,” i.e. “a means to an end, not the goal itself.”<sup>80</sup>

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 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.<sup>81</sup> 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.<sup>82</sup>

Also, the comparative study on OFDI by emerging economies, edited by Sauvaut et al., was useful. 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. From its 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.<sup>83</sup>

**79** | Gouldner (1976), 33.

**80** | Broadman (2010), 331; Sauvaut et al. (2010); Te Velde (2007); Hyam (2010); Nunnenkamp (2006); and Dumett 1999.

**81** | Lall (1996), 324-325.

**82** | Te Velde (2006), 24-25; and Te Velde (2007), 96.

**83** | Sauvaut et al. (2010).

At the same time, these works indicate that any implicit or explicit claims about the benefits of OFDI for domestic development need to be critically probed against 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,<sup>84</sup> the export of jobs, or cases of wealth destruction through project failure.<sup>85</sup> 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.

### Home Country Development

Thirdly, this project has studied Chinese and British land-consuming investments in view of home country development through the lens of four dimensions: 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, dynamics, potentials, and challenges of development approaches since the late 19th century.<sup>86</sup>

**84** | Also see Moran (2011), 124.

**85** | See Lall (1996); Moran (2011); Snyder (1991); and Cottrell (1975).

**86** | 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.

