

# Chapter 7: The British Context

## Investments from a Home Country Perspective

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### 1. INTRODUCTION

The empirical evidence highlights that British land-consuming OFDI in African countries comprises several sectors, and reflects distinct motivations, as well as a wide range of operations. The evidence also shows a complex actor constellation: in addition to the highly diverse private sector, increasingly, agents of the public sector are involved. A significant share of these investments clearly pre-dates the 2008 crises. The production of food does not seem of primary importance in these investments, while biofuels investments have featured quite prominently—producing largely for international markets. Together with the important role of the financial sector, also the use of land as a strategic asset has been increasing.

This chapter assesses how and why British land-consuming OFDI activities happen against the background of the investor country. In particular, it will discuss these activities in view of the country's OFDI policy (Section 2), the guiding ideology of UK-Africa relations (Section 3), and, finally, against the backdrop of the country's political economy (Section 4) and development trajectory (Section 5). The multiple threads emerging from this discussion will be summarized in the conclusion (Section 6), which will be guided by the question of why these investments occur as they do in and over time. In addition to domestic dynamics and international contexts, this section will also briefly assess the investments' likely welfare implications.

It is argued that the following features of the home country context are significant in explaining British land-consuming OFDI from a home country perspective: (1) The investments are embedded in a long-established OFDI framework; however, this framework has undergone some changes in the past decade, such as the new “official” focus on Africa and the introduction of novel financial instruments. (2) Many investments are part of a foreign policy ideology tailored to domestic development ambitions captured under the acting government's “prosperity agenda,” while some relate to (inter)national climate

policies. (3) The actors and institutions involved reflect the dominance of the financial industry in an era of deregulated capital markets while highlighting the challenge of attracting patient capital for agricultural investments through the stock exchange (AIM) mechanism. At the same time, (4) the detrimental impact of the financialization-led growth model pursued over the last decades has led the acting government to support land-consuming FDI in African countries as a way to reindustrialize and “rebalance the economy”—after the financial crisis hit.

More broadly, four drivers explain why British land-consuming FDI in SSA happens from the home country perspective. Accordingly, British land-consuming FDI projects are part of multiple strategies to profit from the economic reforms and rapidly growing consumer markets in the host countries; to abide by the international climate regulations and use domestic energy and climate policies to encourage investments in ‘clean’ biofuels; and/or to “seek alpha” through alternative investments in the primary sector in African countries at a time of the financial crisis, Eurozone crisis, and economic stagnation back home. Increasingly, land-consuming FDI projects are also part of a (long-term) political strategy to economic recovery and international political power through rising exports and industrial activity.

## 2. HOME COUNTRY MEASURES

Britain has benefited from that global system over a long period of time. But we cannot afford to rely on history or sentiment if we are to earn our living. We cannot take it for granted that markets will remain open to our business, or that our businesses will always be able to take full advantage of the opportunities that exist.

(Department for Business, Innovation and Skills, 2011<sup>1</sup>)

British land-consuming investments in Africa are embedded in a fully developed framework of home country measures that has evolved over time. Some of its elements trace back to the late 19th century, such as the Foreign and Commonwealth Office that emerged out of the Colonial Office (est.1854) and the Dominions Office (est.1925). Historically, the adoption of home country measures underwent several stages, from a pre-WWI *laissez-faire* approach to a more guided course since WWI, and an increasingly promotional stance

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1 | BIS (2011a), 3.

since the mid-1970s.<sup>2</sup> The introduction of explicitly promotional OFDI policies occurred in the UK in 1974.<sup>3</sup>

The shifting OFDI policy stances of the various UK governments reflect specific domestic development concerns and international events in time. For instance, Treasury instructions in 1919 to tighten OFDI regulations reveal the intention to protect foreign exchange and ensure the availability of capital for domestic development, like housing, following WWI. Also, more recently, the promotion of overseas FDI by the UK government seems to be related to the prevailing perception that OFDI is an important component of the UK's ability to "punch above its weight" and maintain "prosperity" at home in a changing world order characterized by the rise of the BRICS, that is, to play an extraordinarily influential role in international political and economic relations given the country's actual size.<sup>4</sup> At the same time, UK OFDI has remained astonishingly stable, at about 2% of GDP, since the end of WWII while the British share in world stock of FDI has mostly ranged between 14% and 15%.<sup>5</sup>

### **OFDI: Development, Context, Objectives**

A closer look at the historical evidence shows the nature and sequence of events and development objectives that made various governments (under their respective political economies and development strategies) reach conclusions about the usefulness (or ineffectiveness) of overseas investments to address internal or external challenges or realize certain development ambitions. As has been mentioned before, the UK moved through several stages in this respect, namely a laissez-faire approach during the 19th century, when it was a significant capital-exporting country; a permissive approach in the late 19th century "when it was rapidly losing its industrial supremacy;"<sup>6</sup> a slightly more regulated phase post-WWII, when the country was focusing on recovering its industry and infrastructure; and an increasingly promotional stance since the mid-1970s, following EU accession and the oil crisis, when OFDI was seen as a way to help the tarnished manufacturing industry to access European markets.

2 | Atkin (1970), 324-335; and De Beule and Van den Bulcke (2010), 296-297.

3 | De Beule and Van den Bulcke (2010), 296-297.

4 | Atkin (1970), 325; M. Harvey (2011).

5 | While OFDI flows briefly spiked to nearly 15% during 1996-2000, due to an increase in mergers and acquisitions of British firms overseas (e.g., Unilever), the percentage of overseas FDI as a portion of GDP had dropped again to 2.5% by 2002. However, the interim spike had the long-term effect of raising "the stock of UK FDI" to 1980s levels of approximately "14.5 per cent of world stock of FDI." See Schenk (2005), 474.

6 | Chang (2004), 695-697.

Over time, government rhetoric suggested that OFDI would facilitate the acquisition of natural resources, technology, and know-how for domestic industry, promote exports, mitigate market failure, and, to a rising degree, create new markets and strengthen UK industry through globalized production processes that allow companies to internalize locational advantages. At the same time, OFDI has increasingly been perceived as an income earner able to moderate the negative post-1947 UK trade accounts. This holds particularly true since the Thatcherite era in the 1980s, when the terms of trade deteriorated as a result of multiple factors, such as structural changes within the economy in the form of deindustrialization, financialization, and deregulation; high commodity prices during the oil crisis in the 1970s; and a changing international context, in which many countries had begun to catch up with regard to industrialization, and British companies were losing their competitive edge.<sup>7</sup>

Through the aforementioned periods, the framing and administration of OFDI changed significantly: while the 19th century was characterized by a political perception of OFDI that reflected mercantilist thought and great power struggles over resources, markets, strategic locations, and spheres of influence, increasingly, an economic-technical framing of OFDI gained influence in public debates and international economic governance. However, more recently, under the trade and investment agenda of the acting government (since 2011), OFDI has been loosely yet explicitly (re)linked to the UK's national interests.

In practice, official documentation shows that in the years after the British Empire's disintegration, particularly during the 1970s, 1980s, and 1990s, the UK focused on resource security and negotiated bilateral investment treaties (BITs). The UK governments were concerned over expropriations in the former dependencies, where the colonial investor legacy, the call for a New International Economic Order (1974), and the popularity of dependencia theories (early 1980s) had led to a hostile attitude among host countries towards British FDI.<sup>8</sup> At that time, OFDI policy was still strongly guided by the UK's foreign policy agency, the Foreign and Commonwealth Office (FCO), which was in charge of the negotiations. Once British officials and business reoriented their focus towards market access as well as investment and export promotion, competencies were transferred to the UK Trade and Investment Department.<sup>9</sup>

As of 2012, proactive OFDI promotion is part of a larger package of industrial policy that focuses primarily on export promotion and IFDI attraction while being embedded in a reindustrialization program designed to "rebalance the

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7 | Carnell (1996).

8 | For information on the history of UK bilateral investment treaties, see Walter (2000), 9-11, 23-26.

9 | Walter (2000), 9-11, 23-26.

economy.”<sup>10</sup> The reindustrialization program aims to promote “the growth of high-tech industry, small firms, and service providers (tertiary sector).”<sup>11</sup> In this context, OFDI promotion is framed as helping British business to “go global,” thereby opening markets for specific industries that the government perceives to be the UK’s comparative advantage (e.g., pharmaceutical, biotech sector, food manufacture), encouraging trade, securing access to resources (oil, minerals), enhancing competitiveness, and profiting from growth markets overseas and from contract work opportunities that might help to secure jobs back home (e.g., construction projects).<sup>12</sup> While the geographical focus rests on Asia, the Gulf, and Latin America, there has been a growing interest in Africa as well. For instance, the Foreign Secretary has established a Commercial Taskforce “to increase the presence of British companies across Africa.”<sup>13</sup> Correlating with the intensified commercial diplomacy, exports to African countries, as well as investments, increased significantly. However, the case of Angola, a major crude oil exporting country with little refining capacity where British companies have managed to significantly increase their exports (of refined oil) since 2012, highlights that in many cases, the established trade and investment legacies of the UK continue to play out as they have done in the past.<sup>14</sup>

### **Jumping on the Corporate Bandwagon and “Rebalancing the Economy”<sup>15</sup>**

As of 2014, the UK is categorized as a country with a low degree of OFDI control and a high degree of OFDI promotion.<sup>16</sup> In comparison, China has been characterized as a country with a high degree of control and promotion of OFDI flows. The UK’s set of home country measures involves multiple policy areas. It is composed of encouragement policies, simplified approval processes, and regularized supervision. While some features were disbanded at a certain point, such as the energy attachés, and/or taken over by diplomatic staff, others persist, such as the net food-importing country’s agricultural attachés, though their locations and numbers have changed, particularly after the UK’s accession to the European Economic Community in 1973.<sup>17</sup> Several agencies were

**10** | BIS (2011a).

**11** | Nagle (2000), 304.

**12** | BIS (2011b); BIS (2011a), 1-25; and HM Treasury and BIS (2011), 3-4; FCO (2011b).

**13** | Bellingham (2010).

**14** | Soque (30 June 2014); KPMG (2014).

**15** | See HM Treasury and Osborne (9 July 2013); and Cargill (2011), 13.

**16** | De Beule and Van den Bulcke (2010), 299.

**17** | The National Archives (2005), 21-22.

transformed into hybrid organizations that now comprise private and public actors. Take, for example, the FCO/Department of Trade and Industry (DTI) Joint Export Directorate that became the UK Department of Trade and Investment (UKTI), a government agency that works closely with industry partners and associations. In addition, British investors have increasingly profited from the pooled sovereignty of the EU, as well as from multilateral institutions and related political and financial support mechanisms. At the same time, it has to be noted that the OFDI policy framework should not be overestimated in view of effectiveness. In practice, the government budget is tight, and the multi-level home country measures' framework lacks coherence. For instance, the UK's BITs can be in disaccord with EU standards, as many have been negotiated prior to the UK's accession to the European Economic Community (now European Union).<sup>18</sup> Also, the government does not have a long-term vision for its engagement with the African continent.<sup>19</sup>

The home country measures (HCMs) that apply particularly to investment projects in African countries have often been in place for several decades. As mentioned above, the BITs were negotiated in the 1980s and 1990s, and the Export Credits Guarantee Department (ECGD), the UK's export finance and credit agency, has been offering political risk insurance for overseas investments since 1970, in the form of loans to finance purchases, sharing credit risks with banks, and insuring UK overseas investors.<sup>20</sup> However, the case of the UK's political risk insurance also highlights the degree to which the utilization of home country measure services has amplified: investor insurance liability increased by 58% between 1998 and 2001, covering GBP 1 billion.<sup>21</sup> With regard to regional distribution, however, Africa ranks rather low in HCM services. In 2007, only 6% of ECGD services went to projects in Africa.<sup>22</sup>

Key institutional reforms and program re-conceptualizations linked to these long-standing policy frameworks took place under the Labour (1997-2010) and Conservative governments (since 2010). These reforms and re-conceptualizations have proven important for British land-consuming investments in SSA. Already in the late 1990s, UK development assistance began to focus on Africa while embracing the concept of poverty alleviation through private-sector-led growth. In 2010, the Conservative government re-aligned the DFID programs with FCO interests, echoing the credo of the 1980s to "give greater weight in the allocation of our aid to political, industrial, and commercial objectives along-

**18** | Harrison (2010) and (2013).

**19** | Chafer (2010).

**20** | For an assessment of the UK's export promotion agencies, see Hauswirth (2006), 96-102.

**21** | TeVelde (2007), 97.

**22** | Te Velde (2007), 97.

side our basic development objectives” (Neil Marten, Minister for Overseas Development, 1980).<sup>23</sup>

In practice, this has meant that investment-related bilateral aid, which research shows to positively correlate with OFDI flows, has increased from 18% in the 1970s to 30% in 2002 (as a share of total UK aid).<sup>24</sup> Major emphasis lies on improving the investment environments of host countries through programs that focus on infrastructure, human resource development, macroeconomic stability, legal rules, or private sector support.<sup>25</sup> For example, the Investment Climate Facility for Africa finances policy and regulatory work “to improve the investment conditions in Africa,” while providing a platform “for the private sector to work in partnership with governments and donors.”<sup>26</sup>

Moreover, the UK’s development finance institution, the CDC, strengthened its geographical focus on Africa (and South Asia) in 2011, and it has transformed its operational strategy from being a “fund of funds” (i.e., intermediary equity investments) to becoming an investor engaged in direct private equity operations. This move is important as it will result in more equity investment geared towards improving the economic fundamentals of recipient countries—to the benefit of British investors—while reducing the risk potential. By 2011, the CDC had invested in several funds that were engaged in land-consuming investments in SSA: it transferred USD 20 million to the previously-mentioned SilverLandsFund of London-based Silver Street Capital LLP, which concentrates on agribusiness operations in Central and Southern Africa. It also invested in the Global Environmental Fund (GEF), a firm focusing on clean tech operations which currently manages 468,860 ha of forestry land in Ghana, Mozambique, Tanzania, Swaziland, and South Africa (in 2014).<sup>27</sup> It also made a USD 15 million investment (i.e., 15% of the total target of USD 100 million) in Schulze Global Ethiopia Growth and Transformation Fund I, a private equity investment fund involved in agriculture and food production in Ethiopia.<sup>28</sup>

In the words of Andrew Mitchell, former Secretary of State (2010–2012) for DFID, the sole CDC shareholder, these investment activities, particularly the investment in Schulze Ethiopia Growth, are living proof of the marked shift in geographical and strategic focus that the CDC Group has experienced: “For the first time, CDC is directing its much needed capital to help promising entrepreneurs and businesses in Ethiopia to transform agriculture and food

**23** | Barder (2005), 7, 10.

**24** | Te Velde (2006), 24.

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

**26** | Department for International Development (25 March 2013).

**27** | Data calculated from data provided by GEF (<http://www.globalenvironmental-fund.com/>).

**28** | Department for International Development (9 May 2012).

production.”<sup>29</sup> At the same time, the CDC has begun to invest in service industries catering to the interests of these agribusiness investments. For instance, it is involved in the Progression Eastern African Microfinance Equity Fund (2012) that provides microfinance in Kenya Tanzania, Rwanda, Zambia, and Uganda.<sup>30</sup> This is particularly interesting against the background of the out-grower schemes that are applied by many investor companies. These schemes, as described above, rely on farmers who are able to pay for inputs; as a result, microfinance has repeatedly been recommended by industry representatives to support rural development and private-sector-led growth.

In the bilateral political realm, the Cameron government in the UK has begun to step up its commercial diplomacy in the form of high level visits and the launch of bilateral investment forums. These resemble similar Chinese and French platforms, though they are undertaken in a more ad hoc fashion. In this context, the then Minister for Africa, Henry Bellingham (2010-2012), stated in 2010 that he was “on track to visit all 53 states in Africa by our next general election in 2015.”<sup>31</sup> The key actors in this commercial diplomacy spree are the FCO, DFID, and UKTI, which are frequently located in the same offices in African countries due to the previously mentioned budget cuts that have impacted diplomatic infrastructures.<sup>32</sup>

In addition to these domestic home country measures, the previous chapter has highlighted that companies from liberal economies which are well-integrated in the global economy, such as the UK, also have access to regional institutions that belong to the wider set of HCMs. Take, for example, the ACP Investment Facility (IF) under the management of the European Investment Bank (EIB). Set up in 2003 to “[p]rovide long term lending to promote European objectives,”<sup>33</sup> the IF is a “EUR 3.137bn risk-bearing revolving fund [...] [that] was established to support investment in private businesses and commercially-run public sector companies (including revenue-generating infrastructure)” in African, Caribbean, and Pacific countries.<sup>34</sup> The IF provides risk capital through equity participation, quasi capital, and guarantees, as well as ordinary loans (non-concessional and concessional).<sup>35</sup> Moreover, other regional and international institutions are important, such as the EU-Africa strategic

**29** | CDC (9 May 2012).

**30** | Manson (8 March 2012).

**31** | Bellingham (2010).

**32** | Bellingham (2010).

**33** | See, for instance, Sakellaris (4 October 2010).

**34** | European Investment Bank (9 December 2010).

**35** | Analysis for Economic Decisions (2010), 4-10.



partnership and related summits and action plans since 2007;<sup>36</sup> the Lomé and, now, Cotonou agreement between the EU and ACP countries;<sup>37</sup> the UNFCCC's Clean Development Mechanism; and the G8's "New Alliance to improve Food and Nutrition Security."<sup>38</sup>

This means that (inter)national regulatory frameworks and support structures that go beyond the traditional understanding of home country measures play a significant role in British land-consuming investments. They impact investor choices, and match the self-description of the UK as a cosmopolitan economy. The following paragraphs will briefly outline the key features of the frameworks that are most important with respect to British land-consuming FDI in SSA, the setting of incentive structures at different levels of governance, and the creation of new markets: climate finance and biofuels regulations.

Empirical evidence presented in Chapter 6 pointed to the importance of international climate negotiations for overseas biofuel investments. In particular, the Kyoto Protocol (1997), an agreement related to the 1992 United Nations Framework Convention on Climate Change, has been influential because it established legally binding greenhouse gases emissions reductions which feature prominently in biofuel industry statements, particularly with regards to the Clean Development Mechanism (CDM) and the tradable Carbon Emission Reduction (CER) mechanism. For example, Trading Emissions Plc., the investment company that bought a majority share of SBF (2008-2011), stated at the time that it was "paying close regard to the growth and development of these businesses and their market position vis-à-vis domestic and international climate and renewable energy policy."<sup>39</sup>

Related developments on the European level were equally important in the creation of the biofuel market. In 1997, the European Commission (EC) published the first white paper which set the target for renewable energy in Europe's energy mix at 12% by 2010.<sup>40</sup> The white paper was a response to the climate negotiations and related concerns over the potential socioeconomic implications of emissions reductions for European growth. Renewable energy sources were framed as low-carbon energy sources that would allow the European Union Member States to meet the legally binding reduction targets

**36** | See European Union, External Action (2014b); European Union, External Action (2014a); and Rodt (2012), 1-6.

**37** | See Te Velde and Bilal (2003).

**38** | European Commission (18 May 2012). For a critical discussion of the G8 initiative as industrial policy to strengthen UK agribusiness, see Haigh (2014).

**39** | Trading Emissions Plc (2010), 9, 32.

**40** | European Commission (1997).

(amongst other measures, such as energy efficiency), without threatening the overall growth strategy regarding trade and transport activities.<sup>41</sup>

Consequently, renewable energy has been deemed to improve energy (supply) security, foster industrial innovation, provide low-carbon energy, and promote rural development—a rhetoric that remains central in European development strategies as of 2014. Subsequent EC directives followed this line of reasoning while advancing the details: Directive 2003/30/EC established a 5.75% share of renewable energy in the transport sector, to be reached by 2010. In 2009, Directive 3009/28/EC raised the renewable energy target to 10% in all Member States by 2020, and it introduced sustainability criteria to counter rising criticism of biofuels, particularly regarding their negative impact on food security.<sup>42</sup> In addition to the introduction of targets and the framing of renewable energy as low-carbon energy, the EU established a European Emissions Trading Scheme.<sup>43</sup> As aviation emissions have been included in the scheme since 2012, the aviation sector has taken great interest in the biofuel industry. In the case of British investments in SSA, Lufthansa had signed offtake

**41** | See, for instance, the guidance note from the Department for Transport (5 November 2012). It discusses the renewable transport fuels obligations (RTFO) and applies this narrative.

**42** | The European Commission introduced sustainability criteria in 2009 (European Directive 2009/28/EC, articles 17, 18 and 19). These relate to greenhouse gas (GHG) reductions, biodiversity, high-carbon stock land, and agro-environmental practices. The sustainability scheme is based on two tools: firstly, voluntary schemes (to be assessed and recognized) and multilateral and bilateral agreements that promote “sustainable production of agricultural raw materials”; and, secondly, a review of “default values” in the context of CO<sub>2</sub> accounting. While these sustainability criteria focus solely on the environmental aspect of biofuel investments, social sustainability criteria (e.g., land rights, wages) were deliberately left unacknowledged, as these conflict with WTO rules on trade barriers (Directive 2009/28/EC, articles 17, 18 and 19). Moreover, they ignore the problem of direct and indirect land use changes as a result of biofuels production, which would significantly change the CO<sub>2</sub> calculation—to the extent that biofuels are more CO<sub>2</sub> intensive than fossil fuels, while their land take creates a wide range of new problems. In the policy world, the view that renewable resources provide low-carbon energy, persists. See, for instance, UK Trade and Investment (2012, 16): “Reducing carbon emissions of the transport sector is vital if the UK is to meet its 2020 targets; the replacement of fossil fuels in vehicles by biofuels has been identified as one of the key mechanisms.” A more detailed analysis of assumptions and critical interrogation of framings in the European biofuels debate is provided by Franco et al. (2010).

**43** | European Directive 2003/87/EC. This cap and trade scheme uses market mechanisms to limit emissions from intensive industry while rewarding companies with low emissions. See Cleveland and Tietenberg (29 August 2009).

agreements with SBF, and it conducted trial flights with biofuels.<sup>44</sup> While the company backed out of that agreement in the face of mounting protest in the home country, it continues to consider *Jatropha* and its resourcing via offtake agreements as a viable option to meet its CO<sub>2</sub> emission reduction requirements in the near future.<sup>45</sup>

The international and European agreements have also had relevant repercussions at the domestic level. While the UK government introduced its first biofuel regulations in 2000 as a response to the Kyoto Protocol obligations, it raised the targets in 2003 to 20% CO<sub>2</sub> savings by 2050 (compared to 1990 levels). The 2003 Energy White Paper stated that the “increased use of biofuels is considered a way to contribute to the achievement of these targets.”<sup>46</sup> In 2007, the Renewable Transport Fuel Obligation (RTFO) was legally enacted by the government. It required major transport fuel suppliers “to ensure that a percentage of their sales were from a renewable source, intended to deliver carbon savings in the transport sector and provide a sound platform for private sector investment in renewable fuels infrastructure and technology.”<sup>47</sup> From 2008 to 2011, the Renewable Fuel Agency, a non-departmental public body, administered the implementation of the RTFO.<sup>48</sup> Moreover, the Climate Change Act was published, establishing a framework to cut between 26% and 32% of the UK’s carbon emissions by 2020, and 80% by 2050 (compared to 1990 levels).<sup>49</sup> With regard to the socioeconomic outlook, the “clean tech” industry has been reframed as a future industrial growth sector under the reindustrialization program, and has also been at the core of the traditional HCM framework (see above). For instance, the 2009 UK Low Carbon Transition Plan foresees the medium-term creation of 1.2 million green jobs.

It is usually difficult to evaluate the effectiveness of such frameworks in achieving their objectives of CO<sub>2</sub> reduction and reindustrialization. However, the empirical assessment of biofuel projects in Chapter 6 has provided valuable insights in this regard, and they will be presented in the remainder of this section. Operators of British land-consuming FDI in the biofuel industry, as well as financial investors in London, constantly refer to these political frameworks, if only to use the related rhetoric in their promotional materials. Biofuel investments appear as a ‘safe bet’ in view of the (predicted) growth in demand

**44** | See UK Trade and Investment (2012), 26-27.

**45** | Personal communication with Lufthansa staff, November 2014.

**46** | MRL Public Sector Consultants (2014); Department of Trade and Industry (2003).

**47** | See MRL Public Sector Consultants (2014).

**48** | The Renewable Transport Fuel Obligation applies to fuel suppliers. These have to prove that a certain percentage of fuel consists of renewable energy sources. See Department for Transport (5 November 2012).

**49** | UK Climate Change Act (2008).

for bioenergy in the future, which is based on the assumption that biofuels will become an alternative to oil. Moreover, the framing of biofuels as an alternative energy source that provides “clean” energy and contributes to “green growth” through multiplier effects in the form of jobs and energy security in the host, as well as the home country, bestowed these investments initially with a positive image.<sup>50</sup> By 2004, so-called “clean tech” companies made up 6% of the AIM London Stock Exchange’s initial public offerings (IPOs).<sup>51</sup>

However, contrary to the extremely ambitious sector goals embedded in the policy framework and/or business plans of companies involved in biofuel projects that aim at becoming a “clean energy leader,” and in spite of the largely positive outlook of companies and sector analysts alike, the empirical data presented in Chapter 6 showed that most biofuel projects experienced dramatic wealth destruction. Aside from operational challenges, alternative energy (i.e. first generation biofuels) has not lived up to its socioeconomic and environmental promises, and the business models rely on minimum social and environmental standards to be economically viable.<sup>52</sup> In the UK context, the Gallagher Review (Renewable Fuels Agency 2008), commissioned by the Secretary of State for Transport to study the “indirect effects of biofuels production,”<sup>53</sup> came to the conclusion that biofuels contributed to rising food prices and deforestation while failing to reduce CO<sub>2</sub> emissions. Subsequently, the report called for a moratorium on biofuel investments until government could ensure that only idle and marginal lands were used for biofuel production—if they do exist.<sup>54</sup>

**50** | This framing and rhetoric is directly taken from the official frameworks, such as European Directive 2009/28/EC, which explicitly argues as follows: “The control of European energy consumption and the increased use of energy from renewable sources, together with energy savings and increased energy efficiency, constitute important parts of the package of measures needed to reduce greenhouse gas emissions and comply with the Kyoto Protocol to the United Nations Framework Convention on Climate Change, and with further Community and international greenhouse gas emission reduction commitments beyond 2012. Those factors also have an important part to play in promoting the security of energy supply, promoting technological development and innovation and providing opportunities for employment and regional development, especially in rural and isolated areas.” For a discussion of the evolving bioenergy directives, see Ismail and Rossi (2010).

**51** | Cleantech Investor (March 2007).

**52** | This finding is not unique to the British case. See Hunsberger et al. (2017) and Goetz et al. (2018).

**53** | Renewable Fuels Agency (2008).

**54** | The UK Renewable Fuels Agency (RFA), the first organization globally with an independent board intended to assist in the implementation of the Renewable Fuel Trans-

In summary, the multi-level regulatory climate regime that biofuels are embedded in and supported by highlights a key problem, namely that such frameworks and measures might have significant undesirable repercussions. It is ironic that it was the growing awareness of the negative feedback loops between food and energy production that led many investors to focus on *Jatropha*-based biofuel projects, assuming that such projects could flourish on marginal land. In practice, however, the empirical evidence presented, such as the SBF trial plots in Ethiopia, has revealed that *Jatropha* is not economically viable under harsh conditions. Moreover, its prevalence on prime land clearly intensifies the negative feedback between food and energy production under conditions of insufficient governance while hardly resulting in economically viable undertakings conducive to rural development.

## Summary

Four observations follow from the interrelation of UK HCMs and British land-consuming investments in SSA. First, OFDI promotion continues to be a by-element of the UK's broader trade and investment strategy, which puts primary emphasis on export promotion, market access, and the attraction of IFDI.<sup>55</sup> This is highlighted by white papers and strategy papers published since 2000.<sup>56</sup> At the same time, the OFDI approach to SSA has become more planned as a consequence of institutional reform, changing strategies, and geographical program adjustment.

Second, from a broader perspective, the proactive government approach and the cooperation of public and private actors in the area of OFDI reflect the newly adopted “grand strategy” of the current UK government.<sup>57</sup> It tries to encourage the close cooperation of government agencies in support of British trade and

port Obligation (RFTO) from 2008-2011. It identified additional problems preventing sustainable biofuels production: First, “under a largely voluntary system, obligated suppliers are able to buy un-certified biofuels on the spot market, avoiding the need to establish supply contracts that are longer term;” second, the lack of a “price premium for feedstock with assured Carbon and Sustainability provenance” discouraged producers; and, third, the sustainability criteria under the European Renewable Energy Directive “focused on avoiding the worst practices rather than promoting the best”—setting only very broad sustainability standards in view of land use, which were related to biodiversity and carbon stocks. See Renewable Fuels Agency (2008), 6-8; and Renewable Fuels Agency (2011), 6.

**55** | See, for instance, BIS (2011a); and HM Treasury and BIS (2011).

**56** | BIS (2011a); UK Trade and Investment (2006); BIS (2011b); UK Trade and Investment (2011).

**57** | E.g., BIS (2011a); or Allen (8 October 2012).

investment activities (e.g., cooperation by UK DTI, DFID, the FCO, and BIS<sup>58</sup>), and reflects the government's decision to revive the economy by jumping on the rising corporate interest in the African continent as a new growth region. In particular, the rise in investment-related aid, a significant part of which is going to SSA, will have a positive impact on British investment flows to the region. For instance, the CDC Group and DFID have expanded their operational activities and shifted their focus (at least part of it) towards SSA.<sup>59</sup> At the same time, aid-funded business opportunities are promoted by the FCO and UK DTI and facilitated by DFID. New trade policy initiatives, such as the Africa Free Trade initiative (AFTi) promoted by UK DTI, are also explicitly geared towards securing market access in SSA. Overall, however, it is important to remember that it was the private sector that led the way and invested in African economies, and that the government largely followed suit, matching public finance programs with private sector interests.

Third, despite the growing interest in SSA-directed OFDI, recent budget cuts and the dramatic indebtedness of the UK government limit the prospects of the ambitious grand strategy approach. This problem is multiplied by the fact that the UK does not have a coherent and long-term vision for its political and economic relations with African countries.<sup>60</sup> However, the access to EU support structures mitigates the budget constraint problem.

Fourth, the importance of UK-Africa relations is highlighted by the impressive quantitative increase in UK OFDI in Africa during the last decade. This is remarkable, considering that it is happening at a time when UK OFDI flows worldwide have been falling dramatically, from USD 233,371 million in 2000 to USD 11,020 million (sic!) in 2010.<sup>61</sup> While the dramatic fall of OFDI flows is related to the financial crash and the Eurozone crisis, the intensified trade and investment with African economies correlates with UK interests of the private (and, more recently, public) sector to participate in and profit from the conti-

**58** | This acronym stands for the UK Department for Business, Innovation & Skills.

**59** | E.g., the CDC shifted from intermediary equity to direct equity and debt investments, and DFID established Challenge Funds to support UK companies overseas.

**60** | Chafer (2010, 1) has argued that "[...] policy relating to Africa is often short-termist and preoccupied with meeting, often annual, targets, with the result that a long-term view of the strategic importance of Africa is not taken and that the resources deployed in support of UK Africa policy by the FCO/Mod/DFID are not deployed in a strategic way (e.g., initiatives launched one year and then abandoned a year or two years later, leading to waste of effort and resources). On Africa policy, both London and Paris are confronted by what one might describe as the „ends vs. means“ dilemma: in other words, both the UK and France wish to remain key players in Africa but increasingly do not have the means (financial and personnel) of their ambitions.”

**61** | See Annex 1 of Allen and Dar (14 March 2013).

ment's growth dynamics. It strongly mirrors an international trend, namely the shifting perception within the capital markets of the African continent.<sup>62</sup> For instance, the British Standard Chartered Bank estimates that the region will grow at a rate of 7% per annum, faster than China.<sup>63</sup> In practice, data from 2001, 2002, and 2003 highlights that UK OFDI has generated "profit rates that are two to three times higher in Africa than worldwide."<sup>64</sup> However, this is a finding that hardly matches the empirical evidence about land-consuming FDI presented in this book.

### 3. GUIDING IDEOLOGY

The rhetoric running through the key documents of the political and financial mechanisms introduced above highlights that British land-consuming investments are embedded in a guiding ideology (in the form of several sets of ideas that perform ideological functions) about national development and international grandeur that has emerged over the last decade from significant government speeches, reports, and white papers across several policy sectors. While some elements of this ideological schema are clearly about framing development challenges and pathways of the UK regarding economic recovery, others serve to legitimate the measures taken, by underlining that they help to mitigate environmental challenges, or that they are tailored to host countries' interests while ensuring domestic security and prosperity back home, creating jobs, ensuring international influence, strengthening energy security, and meeting climate obligations. In summary, the argumentative structure of the guiding ideology flowing through relevant government documents connects growth, prosperity, and security, and takes the form of a hypothetical syllogism along the following lines: when there is private-sector-led growth there is prosperity,<sup>65</sup> and when there is prosperity, there is security (and vice versa);<sup>66</sup> therefore, when there is private-sector-led growth, there will be both prosperity and security.<sup>67</sup>

**62** | See Ernst & Young (2012). Accordingly, between 2003 and 2011, the number of FDI projects increased by 253%, from 339 (2003) to 857 (2011), and—as the diverse sector distribution in the China case indicated—this growth in the number of projects was associated with an increasing share in the non-extractive industry sectors, such as manufacturing or business services.

**63** | Ernst & Young (2012), 18.

**64** | Te Velde and Calì (2006), 12.

**65** | BIS (2011a).

**66** | HM Government (2010).

**67** | HM Treasury and BIS (2011); and BIS (2011a).

In more detail, the discourse surrounding British investments in Africa reflects the fundamental transformations that have taken place in view of domestic and international economic relations. On the one hand, a shift in UK industrial policy is detectable. After decades of an arm's length approach and relative neglect of this sector, the current UK government openly embraces a closer linkage of business and state actors, domestically, as well as with regards to overseas business opportunities;<sup>68</sup> and it favors reindustrialization as a way to promote domestic economic recovery.<sup>69</sup> On the other hand, the tone in bilateral relations has begun to shift from an asymmetric top-down rhetoric that highlighted the challenges of African economies to one that praises the opportunities African economies have to offer. In this context, the public statement by BIS that national economic interests are a key driver behind the intensified relations with African countries constitutes a major change in the UK's more recent development policy.<sup>70</sup> In fact, following the empire's post-WWII disintegration, international development narratives concentrated strongly on topics of humanitarianism and security, and national interests were considered by many (politicians and public) to be a rhetorical taboo in relation to Africa.<sup>71</sup> Additionally, the outlook on international economic relations has changed. Since the failure of the OECD initiative to promote a multilateral investment regime in the 1990s—during which time bilateralism was framed as a step away from multilateralism—the UK now officially embraces bilateralism as a stepping stone towards multilateral economic institutions.<sup>72</sup>

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**68** | This “grand strategy” is envisioned in multiple government white papers and publications, such as the “Trade and Investment” Whitepaper (BIS (2011a)) and the FCO’s Five Year Plan (FCO (2011a)). It is also mentioned in government speeches (Hague 2010). Accordingly, “British Ministers” can be “a valuable asset when it comes to persuading other countries to work with us or adopt our objectives as their own”; and “joint initiatives between businesses” can be influential in “changing attitudes” in different governance forums as well. See Hague (2010); HM Treasury and BIS (2011); BIS (2011a), 55-59.

**69** | Hague (2010).

**70** | BIS (2011a).

**71** | Cargill (2011).

**72** | The Multilateral Agreement on Investment (MAI) was an initiative in the mid-1990s (1995-1997) by the US and other OECD countries to negotiate universal investment rules, similar to those for trade under the WTO. For more information, see the collection of articles at the Global Policy Forum (2014).



## A British Africa Policy?

As mentioned above, British land-consuming overseas investments in SSA are part of development rhetoric about coming to terms with international challenges and changes and about “rebalancing the economy” through trade, investment, and reindustrialization in particular areas, such as “advanced manufacturing, life sciences, creative industries, green energy and non-financial business services.”<sup>73</sup> In this context, OFDI is seen as a way to secure overseas business opportunities and “allow [...] businesses to grow and diversify.”<sup>74</sup> However, the lack of a coherent long-term vision means that there is no visionary ‘Africa policy’ in place.

To counter concerns about the fact that trade and investment has become a topic of British foreign policy, all relevant official documentation (see Table 7-1) applies the rhetoric of mutual benefit, using mainstream economic arguments (“win-win”) while also embracing an image of the UK as a country characterized by “enlightened national interest.”<sup>75</sup> As the “Trade and Investment for Growth” white paper puts it:

[...] as we work to rebuild our economy, we must redouble our efforts to enable developing countries to build their own paths to growth through trade and investment, and to help them develop the capacity to do so, especially in Africa. This is the right thing to do both on moral grounds and for Britain’s national interest.<sup>76</sup>

In the words of the former Minister for Africa, MP Henry Bellingham (2010-2012), the UK pursues “a foreign policy in which the promotion and protection of human rights around the world is indivisible from our efforts to bring security and prosperity to Britain, and, of course, in Africa as well.”<sup>77</sup> On the project level, the mutual benefit rhetoric is taken up by framing many investment projects as impact investments that contribute to the host country’s development while generating above-average returns. Yet, in spite of this mutual benefit rhetoric, the African continent continues to be portrayed largely as a source of primary commodities, i.e. as possessing “relatively abundant reserves” to meet the “global demand for oil, minerals, natural gas, food and agriculture and other natural resources.”<sup>78</sup>

**73** | HM Treasury and BIS (2011), 4.

**74** | BIS (2011a), 4; also BIS/FCO/UK Trade and Investment (2012).

**75** | FCO (2011a), 1-2.

**76** | BIS (2011a), 4.

**77** | Bellingham (2010).

**78** | BIS (2011a), 41.

In his speech “UK and Africa: Delivering Prosperity Together,” Bellingham lists three aspects of how this mutual development agenda is being operationalized. Firstly, cooperation with governments and enterprises has been intensified in order to profit from “the trade and investment opportunities on offer.”<sup>79</sup> Secondly, enhanced intra-African trade has been supported by the UK government. And, thirdly, the “removing of barriers to Africa’s goods in global markets” is being promoted.<sup>80</sup> In practice, the discourse supports several measures that were introduced to operationalize the new interest in African resources and growth markets, such as the Africa Free Trade initiative (AFTi<sup>81</sup>), the proactively pursued commercial diplomacy in the form of high level forums and visits, the channeling of aid funding through the Foreign Office (FCO), the alignment of DFID programs with FCO trade and investment objectives using, for instance, global challenge funds, and the generally close cooperation between the government and private sector.

Table 7-1 – Key Documents Outlining the UK’s Development in Relation to UK in Africa (selected)<sup>82</sup>

Speeches
2010 – “Britain’s Foreign Policy in a Networked World,” William Hague (FCO)
2010 – “UK and Africa: Delivering Prosperity Together,” Henry Bellingham (Minister for Africa)
2011 – “The UK Prosperity Agenda—growth, open markets and good governance,” Henry Bellingham
Government (White) Papers
1997 – White paper, “Eliminating World Poverty: A Challenge for the 21st Century,” DFID
2000 – White paper, “Eliminating World Poverty: Making Globalisation Work for the Poor,” DFID

**79** | Bellingham (2010).

**80** | Bellingham (2010).

**81** | BIS (2012), 8.

**82** | The references for the documents listed are as follows: Hague (2010); Bellingham (2010); Bellingham (2011); BIS (2011a); FCO (2011b); HM Treasury and BIS (2011); UK Department of Trade and Investment (UKTI) (2011); DTI (2004); UK Department of Energy & Climate Change (DECC) (2007); DFID (2000); DFID (1997); HM Government (2010); FCO (2011a); BIS (2011c); RFA (2008); DECC (2006); Department for Environment, Food and Rural Affairs (DEFRA) (2008); RTFO (2007); Commission for Africa (2005); Commission for Africa (2010).

2004 – White paper, “Making Globalization a Force for Good,” DTI  
 2007 – White paper, “Meeting the Energy Challenge,” DECC  
 2010 – Strategy paper, “A Strong Britain in an age of Uncertainty: The National Security Strategy,” HM Government  
 2011 – White paper “Trade and Investment for Growth,” BIS  
 2011 – Strategy paper, “A Charter for Business,” FCO  
 2011 – Strategy paper, “The Plan for Growth,” HM Treasury and BIS  
 2011 – Strategy paper, “Britain open for business,” UKTI  
 2011 – Strategy paper, “FCO: Business Plan 2011-2015,” FCO

#### *Reports and policy*

2011 – Report, “International Trade & Investment: The Economic Rationale for Government Support,” BIS  
 2008 – Report, “Ensuring the UK’s Food Security in a Changing World,” DEFRA  
 2008 – Policy, “Climate Change Act 2008, Charter 27”  
 2008 – Report, “The Gallagher Review of the indirect effects of biofuels production,” RFA  
 2007 – Legislation, “The Renewable Transport Fuel Obligation Order (RTFO) 2007”  
 2006 – Report, “The Energy Challenge: Energy Review Report 2006,” DECC

#### *International Policy*

1997 – International Agreement, “Kyoto Protocol,” UNFCCC  
 2003, 2007, 2009 – Policy, EU Renewable Energy Directives  
 2005 – Report, “Our Common Interest,” Commission for Africa  
 2010 – Report, “Still Our Common Interest,” Commission for Africa

## Summary

The UK’s changing development rhetoric, which has moved from humanitarianism to mutual development, as well as its renewed interest in the African continent, correlates with the contemporary challenges that the country is facing. These include prolonged economic recession, the financial crisis, and the failure of the financialization-led growth model—embraced by British governments since the Thatcher era—to generate sufficient jobs, growth, and revenues (for more details, see also Section 4 on political economy). Most striking is the similarity of the Chinese and British guiding ideologies—the mutual development rhetoric applied in British policy documents might have been influenced by the rise of the BRICS and the popular discourse characteristic of South-South Cooperation.<sup>83</sup>

**83** | Goetz (2018) (forthcoming).

At the same time, the empirical evidence on the timelines of British land-consuming FDI projects emphasizes that the framing of UK-Africa relations as mutual development opportunity and national security measure is the result of the government jumping on the corporate trend of investing in African economies, a trend that has been gaining momentum since 2000. Therefore, the relatively recent promotion of British land-consuming FDI in SSA by the UK government has to be seen in the broader effort to address the economic recession that the country has been suffering from since 2007/2008. Many investors who saw Africa as a new growth region where novel markets could be won, and extraordinary profits and returns on investments earned, moved their business focus towards African economies long before the 2008 crisis became an additional driver to look for profitable options overseas. However, the crisis does seem to have instigated actors from the public sector to redirect development finance, expand commercial diplomacy, and introduce a range of mechanisms to support this trend as part of a national recovery approach.

Importantly, the change in UK-Africa relations that is reflected in the application of a “grand strategy” of business-government cooperation for economic development and the strengthening of explicitly identified British stronghold industries (in the form of advanced manufacturing, life sciences, creative industries, green energy, and non-financial business services) does not only apply to international economic relations.<sup>84</sup> Instead, the core characteristic of the close cooperation and coordination between public and private actors is a reflection of the fundamental domestic reforms that have been occurring over the past two decades. These are characterized by the ongoing privatization of public services, which has led to the state funded operation of public services by private actors—under the assumption that this will promote private sector growth while enhancing efficiency.

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**84** | HM Treasury and BIS (2011), 4.

## 4. POLITICAL ECONOMY

As a country that has a proud and successful history of trading and benefiting from investment and that sees these factors vital to our prospects for growth, the UK offers a good case for how, in practice, trade and investment drive growth.

(Department for Business, Innovation and Skills 2011<sup>85</sup>)

While the UK continues to be portrayed as having the ideal type of liberal economy,<sup>86</sup> particularly against the European background of so-called coordinated continental economies, this simplified typology ignores the changes that have taken place since the 1980s, such as the increase in public regulation during the New Public Management era in the 1990s,<sup>87</sup> the adoption of a “grand strategy” approach towards trade and investment under Conservative rule (since 2011), and the changing quality of (foreign) economic policy and state-market relations.

This section will focus on two aspects of British political economy, namely state-market relations in the context of financialization<sup>88</sup> and the transformation of the political economic paradigm. It will show that both are relevant for a meaningful understanding of what is occurring with regard to land-consuming FDI. The major arguments emerging from the findings are as follows: firstly, even though the financial sector (aka “the City”) features prominently in overseas investments, it would be wrong to argue that these investments are primarily driven by it. Instead, there is an overlap of interests and “intellectual capture” across different actor groups in the public and private sectors. Secondly, these investments are embedded in broader economic restructuring endeavors, such as reforms that aim at the delivery of public services by private actors and foreign economic policies that focus on strengthening the capacity of British producers to retain influence in international political and economic governance while rebalancing the economy. However, in the meantime, thirdly, the economy remains highly dysfunctional in view of industry finance, as has been highlighted by biofuel investments in SSA.

**85** | BIS (2011a), 17.

**86** | Hall and Soskice (2001).

**87** | Hood et al. (1999).

**88** | This term refers to a shift of power from industry capitalism to finance capitalism.

## **The City, Once Again?—State-Market Relations in the Context of Financialization**

The empirical evidence on industrial finance (presented in the previous chapter), together with the rising number of investment funds “seeking alpha,” has highlighted the prominent role of the financial sector in British land-consuming investments in SSA. Based on this evidence and the liberal characterization of the UK economy, it would be rather easy to conclude that, similar to claims about the British Empire and ‘gentlemanly’ capitalism in the 19th century, the financial sector in London is once again—under “free market” conditions—the primary driver of these investments. However, state-market relations in general, and issues pertaining to finance and industrial development in particular, are far more complex than the liberal characterization would suggest—even under conditions of financialization. Also, the national context continues to influence the perceptions of and options available to financial investors, as in those cases where the capital that is exported via London to Sub-Saharan countries has its origins outside of the UK.

In fact, the empirical evidence about British investments in SSA has emphasized that there are multiple actors and mechanisms at play, extending beyond stock markets and private enterprises, such as public policy-induced markets in the renewables sector, public finance through the CDC Group, and/or investment-related aid programs. Moreover, the old narrative, according to which the financial sector (alias “the City”) was the sole driver behind the colonial expansion, has long been undermined by subsequent historical research.<sup>89</sup> Next, I will highlight relevant developments that have occurred in the financial and state sectors since the 1980s, both with regard to actor constitution and economic orientation, and in view of related changes in state-market relations.

While the financial sector plays a key role in the British economy, it is important to note that the City’s actor composition and business culture has been altered significantly since the “Big Bang” stock exchange reforms in the mid-1980s—in the sense that it has been globalized. These reforms have opened the investment banking sector to foreign competitors, resulting in the

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**89** | Great Britain’s political economy of decision making was fairly complex at the end of the 19th century, when “fractions between free marketers and interventionists ran across business and political actors,” and the bias towards financial interests in public policy was the outcome of many factors, such as personal ties, profit seeking, and/or regime stability. In the medium term, overseas expansion facilitated the continuation of elite strata and the maintenance of a high degree of social inequality (characterized by low domestic demand), in spite of the profound changes in the economic and political systems that emerged as a consequence of the first Industrial Revolution. Cain and Hopkins (1987), 199-200; and Halperin (2005).

dramatic decline of investment banks under British ownership and the related “death of gentlemanly capitalism.”<sup>90</sup> The latter has been described by Augar as the demise of a business culture characterized by strong relational ties and aristocratic cultural traits.<sup>91</sup> In its place, a global financial business elite has emerged.<sup>92</sup> The corresponding internationalization of London’s financial sector is well reflected in the British biofuel investments in SSA, where lead actors have personal linkages with US investment banks, sometimes being former high level employees. For example, Susan Payne and David Murrin, who launched the Emergent Asset Fund in 1997, had worked as traders at JP Morgan and Goldman Sachs.<sup>93</sup> Also, Bim Hundal, founder of Lion’s Head Global Partners, a London-based investment banking group which took over the operations of Sun Biofuels in Tanzania in 2011, previously worked for over 17 years at Goldman Sachs, running the capital markets business for Central Europe, Russia, the Middle East, and Africa.<sup>94</sup>

At the same time, the state and its political economy paradigm have transformed considerably, moving from “embedded liberalism” to an “embedded financial orthodoxy”<sup>95</sup> and “free market” ideology during the Thatcher era in the 1980s. This shift has been characterized by deregulation, a hands-off approach, and an arm’s length industrial policy. In practice, this paradigm modification has had far-reaching consequences for the state’s relations with the financial sector and the society, as well as with regard to industry development. Since these developments partially explain how British land-consuming FDI occurs, the following paragraphs will introduce them by focusing on three aspects, namely transformations of the state, industrial development, and societal implications.

Firstly, the state has grown ever more dependent on the City’s overseas earnings as a result of this paradigmatic shift.<sup>96</sup> In fact, financial sector OFDI

**90** | See Augar (2001) for a description of the demise of the *British* banking system since the late 1980s.

**91** | Augar (2001), 6.

**92** | Augar (2001), 6-7. Accordingly, the reasons for this failure were multiple: British banks did not have the level of experience and scale of their US counterparts; the hands-off approach under Thatcher led to “the existence of a vacuum where the authorities should have been;” and the business culture itself that had largely remained unchanged since the 1950s and revealed traits of new aristocracy that “inhibited good management.” Augar (2001), 320.

**93** | Oakland Institute (2011a).

**94** | Lion’s Head Global Partners (n.d.).

**95** | Cerny and Evans (2004), 53.

**96** | Augar (2006), 181.

earnings “kept the trade account in reasonable balance.”<sup>97</sup> While the trade in the goods account had deteriorated over time, its last net surplus being recorded in 1980-1982, the UK’s trade in (financial) services has largely been in surplus since the mid-1960s.<sup>98</sup> Contributing factors for this growing dependency of the state on the financial sector are structural and personal, comprising, for instance, rising public debt due to the tax cuts during the Thatcher era; personal ties and “intellectual capture”;<sup>99</sup> the need for electoral funding of political parties and the fact that the financial sector has made significant contributions to the acting government’s Conservative party; and the phenomenon of revolving doors.<sup>100</sup>

Secondly, the financialization of the British political economy since the 1980s has impacted the country’s industrial development, especially by aggravating the negative deindustrialization path<sup>101</sup> that had set in post-WWII.<sup>102</sup> While the collapse of the manufacturing sector during the late 1970s was strongly related to the oil crisis, the financialization of the economy and the adoption of the “free-market ideal based on neo-classical political economy” slowed reinvestments by the private sector necessary to modernize the UK’s industrial base.<sup>103</sup> Specifically, four aspects contributed to this effect, which is best described by the rise of market control over organizational control. On the one hand, British companies had hardly established organizational control models at the time of liberalization. On the other hand, the accounting practices and corporate law made it more unlikely for organizational reforms to occur, as they treated investments in labor, as well as returns on labor, as expenses, making it—from a market control perspective—undesirable to invest in these factors of production and thereby enhance productivity and foster innovation. In addition, the framing of market control as “shareholder value” prevented

**97** | BIS (2010), 15.

**98** | BIS (2010), 15.

**99** | The degree to which governments embraced the financial sector as source of prosperity is reflected by a speech made by (then) chancellor Gordon Brown at the annual Mansion House Dinner in 2004, in which he praised the City’s innovative capacity to adopt to changes in the international economy (e.g., derivatives), and referred to it as a role model for British industry at a time of globalization. See Brown (2004).

**100** | See Augar (2006), 180-186.

**101** | Negative deindustrialization means that the decline in industry production was not the result of upgrading of economic production or economic re-orientation, but primarily the result of companies going into administration.

**102** | Specifically, the traditional separation of finance and industry in the UK accelerated the decline of the industrial sector. See Lazonick and O’Sullivan (1997). Also see HM Treasury and BIS (2011) for a critical assessment of this development path.

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



changes towards greater organizational control within the company structures, as these would negatively impact the “principal.”<sup>104</sup> Finally, the generous (financial) rewards received by the top managers of industrial companies applying market control strategies advanced the adoption of market control strategies.<sup>105</sup> In view of British land-consuming FDI in SSA, biofuel projects, such as the SBF, highlight a key difficulty presented by this political economy, namely the absence of patient capital and lagging reinvestment.

Thirdly, the process of financialization has also produced multiple long-term effects with regard to state-society relations, both domestically and internationally. As a result of an ongoing domestic reform process, public services under the new public management approach became increasingly commodified and framed as commercial contracts.<sup>106</sup> This process led to a high degree of interconnectedness between private and public actors in the provision of public services that is characteristic of the UK’s political economy today. In the context of British land-consuming FDI, this trend is highlighted by the shift of public development finance and diplomacy to match corporate interest in the African continent.

At the same time, this process of publicly-funded privatization also led to the gradual integration of citizens into financial markets with their volatile pressures, increasingly linking the realization of British workers’ social security rights with the livelihoods of people in other countries. In fact, the history of pension funds depicts the ensuing connection of workers and people through financial markets, where the prosperity of some might be founded on the impoverishment of others through land-consuming investments that result in forced disappropriation and/or low workers’ welfare. Pension funds and other institutional investors began to divest from fixed-interest securities, searching instead for more profitable investments. Some have started to explore investments in commodities and farmland, though not necessarily in SSA. For

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**104** | Lazonick and O’Sullivan (1997, 29) have highlighted the importance of this “shareholder” ideology in preventing change: “The ideology that the ‘shareholder’ is the ‘principal’ of the industrial corporation helps to ensure that such organizational transformations will not take place. This ideology places a premium on economic performance that reaps the benefits of prior investments in productive capabilities while ignoring the new investments in organizational learning that can potentially generate greater returns for more people in the future.”

**105** | Lazonick and O’Sullivan (1997), 27.

**106** | The New Political Economy Network (2010), 13-14. Accordingly, “[p]ublic services were turned into quasi-markets governed by cost efficiency and targets. Commercial values all but supplanted the ethos of public service. [...] A new kind of consumer compact between individual and the market began to replace the old social welfare contract.”

instance, BT Pension Scheme, a large UK pension fund, stated its intent in 2012 to replace its commodity future investments with farmland investments in the near future.<sup>107</sup> These actors have prominent supporters, such as Sir Bob Geldof, who allegedly “warn[s] UK pension funds they are missing out on the ‘last great investment opportunity left’ by not placing money in Africa.”<sup>108</sup>

## The Transformation of the Political Economy Paradigm

The resulting dominance of the financial sector within the UK economy is highlighted by the sectoral distribution of British OFDI in SSA (see introduction).<sup>109</sup> At the height of the “embedded financial orthodoxy,” Gordon Brown praised the achievements of the financial sector as an extraordinary contribution to the UK’s prosperity and economic position in the globalized world. Accordingly, the fact that over 40% of the world’s foreign equities are transacted in London was perceived as proof of the rise of “an era that history will record as the beginning of a new golden age for the City of London” and that will benefit the UK at large.<sup>110</sup>

However, these hopes for a financialization- and service-led solution to the economic development challenges posed to the UK by deindustrialization and a globalized economy were unrealistic—and soon to be shattered. Instead, the financial crisis and the ensuing Eurozone crisis aggravated problems that had been accumulating. Key examples are the rising unemployment (over 8% till 2009),<sup>111</sup> unsustainable and rising wealth inequality,<sup>112</sup> and mounting private sector debt.<sup>113</sup> Regarding the latter, it is important to note that part of the rising private sector debt was escalating personal debt whose share of disposable income increased from 45 per cent to 160 per cent between the 1980s and 2007.<sup>114</sup> While other European countries managed to recover from the financial crash, at least partially, Britain, with its reliance on the financial sector experienced a prolonged economic recession up until 2014. At the same time, growing public debt and fear over international marginalization made the development approach seem unsustainable.

**107** | Bow (13 March 2012). It remains unclear whether this actually happened—according to the latest BT Pension Scheme report (2013), it did not.

**108** | Silver Street Capital (20 June 2010), quoting an article in the *Financial Times*.

**109** | US Central Intelligence Agency (2014).

**110** | See Brown (2002).

**111** | TradingEconomics.com (2014)

**112** | See Hills et al. (2010); and The Equality Trust (2012).

**113** | The New Political Economy Network (2010), 10.

**114** | The New Political Economy Network (2010), 25.

Consequently, the detrimental impact of the financialization-led growth model pursued over the last decades has been identified in the then acting government's Plan for Growth (2011-2015):

This Plan for Growth is an urgent call for action.

Britain has lost ground in the world's economy, and needs to catch up.

If we do not act now, jobs will be lost, our country will become poorer and we will find it difficult to afford the public services we all want. If we do not wake up to the world around us, our standard of living will fall, not rise. In the last decade other nations have worked hard to make their economies more competitive. They have reduced their business tax rates, removed barriers to enterprise, invested in their infrastructure, improved their education systems, reformed welfare and increased their exports.

Sadly the reverse has happened in Britain over the last ten years. The UK economy stopped saving, investing and exporting and instead turned to a model of growth that failed. It resulted in rising levels of debt, over-leveraged banks, an unsustainable property boom, and a budget deficit that was forecast to be the largest of any of the world's twenty leading economies. Continuously rising but unaffordable government spending disguised the fact that it was an unsustainable economic boom, with the economy becoming steadily more unbalanced, less competitive and less prepared to meet the challenges of the future.<sup>115</sup>

The ongoing transition towards a new political economy paradigm has been promoted under the heading of "rebalancing the economy"<sup>116</sup> and guided by the FCO. The current Conservative government aims to address the legacy of deindustrialization through reindustrialization in the form of advanced manufacturing projects:

We want to remain the world's leading centre for financial services, yes; but we should determine to become a world-leader in, for example, advanced manufacturing, life sciences, creative industries, green energy and non-financial business services.<sup>117</sup>

Aside from financial services, telecommunications technology, clean tech and low-carbon goods and services, business to business services (excluding finance), biotech and pharma, energy and utilities, retail, oil, and gas are among the key sectors that have been identified as contributors to UK economic

**115** | HM Treasury and BIS (2011), 3.

**116** | BIS, FCO, UK Trade and Investment (2012).

**117** | HM Treasury and BIS (2011), 3.

growth.<sup>118</sup> In practice, this new development approach, implemented under the current government's "Plan for Growth" (2011-2015), focuses on private sector growth through export promotion, access to growth markets, high-quality IFDI attraction, and OFDI advancement. For its operationalization, the FCO and UK TI have begun to cooperate across government agencies and work closely with industry, the government has stepped up its commercial diplomacy in Africa, and new aid programs have been created that call for public-private partnerships in their realization, thereby opening up publicly-funded business opportunities for British companies overseas.

The relatively open economy, with a deregulated capital market and a great dependency on foreign inputs, leaves the government with only limited options at its disposal to moderate the negative side effects of its economy's global exposure and financialization. In this regard, reindustrialization as an approach to rebuilding the economy seems to be among the few measures remaining that would not prompt fears of retaliatory action from countries and actors that the UK has come to rely on.

## Summary

The assessment of state-market relations highlights that simply pointing to the financial sector to explain why land-consuming investments occur does not tell the whole story. One must also take into account the "embedded financial orthodoxy" that has informed British economic policies and trajectories since the 1980s; the intellectual capture of the public sector agents who have prepared the ground for the dominance of "the City" and the neglect of the industrial sector; the increasing dependence of public and private sector actors on financial markets in their operations; and, more recently, the adoption of a strategy to strengthen industry through better coordination of government agencies and their cooperation with the private sector.

Core traits of the British political economy explain certain characteristics of land-consuming OFDI in SSA. Firstly, the great number of financial investors involved in these investments has been highlighted. The material presented above shows that this situation has developed for multiple reasons. Clearly, some investors have begun investing in African economies and agricultural projects as part of their strategy to "seek alpha" at a time of financial crisis back home. Others, however, are involved primarily as providers of industry finance. In fact, most of the early-stage companies that invested in biofuel projects had to turn to the AIM stock exchange for funding. In this context, the short-term focus of the financial investors who are financing such operations reflects the dysfunctional nature of the existing structures for industry finance, specifically

the lack of patient capital. For example, the case of the SBF highlights that financial investors withdraw their investments after a period of time that does not match the long maturation time of *Jatropha* plantations, contributing to the failure of the project.

Secondly, following the financial crisis, British land-consuming OFDI has taken place in the context of a rise in commercial diplomacy and a reorientation of existing UK development finance programs. Take, for example, the strategic modification that occurred in the CDC Group's investment strategy. The increasing presence of public actors and institutions in private British OFDI projects in SSA is related to the government's renewed interest in industrial policy and the rebalancing of the UK's economy.

## 5. DEVELOPMENT CONTEXT

The current government promotes OFDI as a way to “rebalance the economy”<sup>119</sup> and maintain the UK's influential international status as a major investor and trading country. At the same time, the UK has a long investor legacy, and a promotional OFDI policy stance has been evident since the 1970s. Therefore, it is not surprising that in the case of British land-consuming FDI projects in African countries, national and foreign factors have played crucial roles in the interest formation of investors, such as the IFDI attraction programs of recipient countries; the international and European climate regime and the related creation of a market for biofuels; and the Eurozone crisis that led to a search for new growth markets. Importantly, though, it was the private sector that pioneered the UK's reorientation towards the African continent. Due to the liberal economic context of the home country, global markets and overseas developments are key parameters shaping corporate portfolios. In the context of British OFDI in Africa, it is the perception of the continent as a new growth region that has been influential.

From the perspective of the home country's development context, the empirical evidence that emerges from official documentation, policies, and speeches suggests that overseas investments in SSA are explicitly linked to particular national interests and development ambitions of individual or collective actors. In addition to concerns about the home country's energy security and CO<sub>2</sub> emission targets, as well as related policy regimes that explain the high number of biofuel investments by early-stage companies, these investments are also part of the search for (more) profitable investment outlets by the financial sector. More recently, these investments have become part of the proactive trade and investment agenda of the current UK government (since 2011)—a

**119** | See, for instance, BIS/FCO/UK Trade and Investment (2012).

development that contrasts starkly with the “embedded financial orthodoxy,” “free market” ideology, and related development strategies pursued since the 1980s. It seems remarkable that OFDI in Africa today is part of a larger development ambition to both rehabilitate the country’s crisis-stricken state budget and economy through reindustrialization and secure its international position by promoting investment in productive assets and related operations, such as export promotion and overseas expansion. Yet, the financial sector clearly remains an important component of the British economy, and the focus on reindustrialization is seen as a necessary complement to address the development challenges yielded by the financialization-led growth model over time.

In fact, the development model that has been pursued since the 1980s, with its focus on the financial sector and “free market” ideology, has come at a high cost in view of economic and social development, and since the financial crisis in 2008, the volatility of state revenues and incidents of social unrest have provided an additional incentive to modify the emphasis of the existing development model.<sup>120</sup> Among the most pressing problems of the service-oriented development trajectory is the neglect of productive industry. For decades, the productive sector only contributed a small share of the country’s GDP, and the UK’s share in the international trade of manufactured goods has been declining. Since 2000, the rise of, and heightened competition from, emerging countries has aggravated the problems confronting the British manufacturing industry and the government.

On a national level, this non-productive development trajectory has resulted in a vicious cycle of lagging investment in the industrial base at home, declining exports and increasing imports (machinery and transport equipment), deteriorating terms of trade, and a growing dependence on the financial sector for jobs, growth, and revenues.<sup>121</sup> This situation is further aggravated by the country’s increasing dependence on external resources (energy and food), which is unsustainable, especially during times of high and/or very volatile commodity prices.<sup>122</sup> Socially, the country has recently faced rising unemployment—repeatedly over 8% between 2009 and 2012;<sup>123</sup> rising wealth and economic opportu-

**120** | For a discussion of the UK’s financialization-driven development trajectory, also see Lapavitsas (2014).

**121** | Te Velde and Cali (2006), 8.

**122** | In 2005, the UK, the EU’s largest energy producer and exporter (e.g., natural gas and oil), became a net importer of energy due to its declining oil and natural gas reserves. See US Energy Information Administration (2013) and Kuzemko (2010). The UK is also a net food-importing country, raising concerns during the food price crisis in 2007/2008. In 2008, the UK imported 40% of its food needs. See Cabinet Office (2008), i-x.

**123** | TradingEconomics.com (2014).

nity inequality, which was identified as a core driver of the 2011 London riots;<sup>124</sup> and mounting private sector debt, partly due to a personal debt load whose share of the disposable income rose to 160% in 2007 (compared to 45% in 1980).<sup>125</sup> The global economic slowdown also aggravated the mounting public debt. Since the financial recession began, the national debt has risen to 76.6% of GDP (January 2014), without accounting for the financial sector interventions.<sup>126</sup>

## Summary

British land-consuming FDI has become part of the transformation of industrial policy towards reindustrialization. This is an official strategy to moderate unemployment; provide decent wages; ease social tensions; and increase state revenue while improving international accounts through the increased export of advanced manufacturing goods, thereby retaining the country's international economic standing. In the context of the financial crisis, the strengthening of high-tech manufacturing in particular sectors is supposed to provide the UK with the competitive advantage needed to successfully participate and compete in international markets.

However, tight government budgets and a dysfunctional industry finance system pose serious hurdles to operationalizing the then acting (Cameron) government's attempt to strengthen the secondary sector.<sup>127</sup> Moreover, it would be unrealistic to assume that the core traits of the country's political economy have changed since the crisis. Although the government has begun to promote reindustrialization, the key characteristics that run across all of the UK government parties, such as the credo of marketization and privatization, continue to prevail. Instead, the "grand strategy" approach towards OFDI promotion and reindustrialization shall mitigate the high costs of the "cosmopolitan economy," which include unemployment, private debt, rising wealth inequality and increasing import dependency, and declining state revenues. Also, the strategy is said to ensure the favorable position of the UK in world politics—allowing the country to "punch above its weight" despite changes in the international political and economic landscape.<sup>128</sup>

**124** | The Equality Trust (2012). In 2010, a national survey on inequality revealed that the UK suffers from high levels of systematic inequality (within and across social groups) of income and opportunity. See Hills et al. (2010), 386.

**125** | The New Political Economy Network (2010), 25, 10.

**126** | Watt (7 June 2010).

**127** | Theodora.com (31 January 2014).

**128** | For a detailed discussion of the UK's attempts to position itself in a changing world, see M. Harvey (2011).

At the same time, international incentives have played a strong role in spurring contemporary land-consuming FDI. It is important to recall that the current government jumped on the corporate bandwagon rather late. In fact, British-African trade and investment relations have increased since 2000, when Africa was increasingly framed as a new growth region by the British private sector. Only after the financial crisis in 2007/2008 did the government adopt this perception as a way to address the country's prolonged economic recession. Significant events that influenced private decision making regarding the utility of land-consuming OFDI in SSA include economic reforms in the host countries (e.g., divestiture programs) and the emergence of a climate regime after Kyoto (1997).

Whether the foreign economic policy approach will be successful remains to be seen. However, at this point in time (2016), there is reason for doubt. On the one hand, a quote by the former Minister for Africa, Henry Bellingham, reflects the assumption that British relations with African economies will continue to be characterized by their asymmetry, sustaining prosperity on the one side while mitigating "abject poverty" on the other: "[o]pen markets offer the only realistic hope of pulling billions of people in developing countries out of abject poverty, while sustaining prosperity in the industrialized world."<sup>129</sup> This would be disadvantageous for the host countries.

At the same time, the empirical evidence reveals the reality that many projects, particularly in the 'clean' energy sector, witnessed dramatic wealth destruction over time and never actually realized their business goals. Even putting these operational challenges aside, alternative energy (i.e. first-generation biofuels) did not live up to its socioeconomic and environmental promises.<sup>130</sup> Moreover, the short-term focus on value creation by financial investors collided with the long-term maturation timelines of the projects "on the ground." Further investigation would be needed to identify the extent to which capital exports made during the Eurozone and financial crises are, in effect, manifestations of capital flight. According to one interview from a British corporate actor, the case of Cyprus, where savings above Euro 100.000 were taxed by a compulsory capital levy to moderate state debts, has led to capital owners deliberating on relocating their savings out of fear that something similar might take place in other European countries in the medium term. In this case, then, capital exports would aggravate the UK's domestic problems, such as lagging investments, rather than addressing them. Finally, historical evidence on the implications of OFDI for home country development underlines the high cost that such a capital export strategy might entail due to the

**129** | Bellingham (2010).

**130** | Renewable Fuels Agency (2008), 8.



often-inverse relationship of capital exports and domestic job creation; and/or lagging reinvestment in industry back home.

## 6. CONCLUSION

Overall, this case study has highlighted a great variety of factors at play in British land-consuming OFDI (from 2000 until 2015). The key argument that has been put forward is that these investments are part of multiple strategies to profit from the economic reforms and rapidly growing consumer markets in the host countries, to advance biofuels investments in the context of international and domestic energy and climate policies, and/or to “seek alpha” through alternative investments in the primary sector in Africa at a time of the financial crisis and economic stagnation back home. Increasingly, land-consuming OFDI to Sub-Saharan Africa is also part of a (long-term) political strategy to economic recovery and international political power through rising exports and industrial activity. Importantly, the private sector perceived Africa as a new growth region as early as 2000. Only later did the government jump on the corporate trend in an attempt to revive the economy.

Specifically, British OFDI in SSA is reflective both of the country’s long investor legacy and the government’s promotional policy stance towards OFDI since the 1970s; as well as the domestic challenges the country has been facing recently, such as the rising energy insecurity and the socioeconomic costs of the non-productive development model. British companies are experienced at factoring international incentive structures into their business operations; in contrast, Chinese companies are just beginning to globalize their operations. This is clearly reflected by the fact that host country and international reforms played an important role in corporate decision making, in addition to home country developments. More recently, the Conservative government (under David Cameron) in the UK explicitly (re)aligned OFDI in Africa with its foreign policy interests, namely by sustaining the country’s favorable international economic and political presence at a time of domestic crises and global re-ordering. As a result, OFDI in Africa has become part of ODA-funded business opportunities; has been backed by commercial diplomacy; and has been promoted by a rhetoric that no longer frames the continent as a place ridden by humanitarian crises, but as a region of great opportunity and hope.

Consequently, these investments happen in the context of multiple country-specific developments that can be divided between pre-crisis and post-crisis dynamics. Pre-crisis dynamics include, for instance, economic liberalization in host and investor countries since the 1980s, as well as the introduction of domestic targets for biofuels to meet CO<sub>2</sub> emission targets and strengthen energy security. Post-crisis dynamics include the increasing severity of socio-

economic problems in the financial-sector-dependent domestic economy; the changing landscape at the international level, where the rise of new economic powers has led to increasing competition over political influence, economic opportunities, and access to resources; and the development of a fear among the British political elite which recognizes that the UK has an exceptional position in world politics relative to its actual geographical size, and that, accordingly, the country might lose its status as a great power in the future. At the same time, financial actors in the UK's deregulated capital markets have been drawn to African growth economies and the "real asset" sector at a time of economic crisis, when private equity investments are no longer profitable and growth at home is stagnant. In addition, the growing availability of multilateral finance mechanisms and development programs—particularly in the area of renewable energy, food security, and carbon credits—seems to have impacted investor choices.

These findings on how British land-consuming FDI occurs underline the broader argument that as in the case of liberal economies, these investments are not the outcome of so-called "free markets," but that the country's legacy, development trajectory and ambitions, political economy, guiding ideology, and international context matter. The investments around the year 2000 were related to host country reforms, largely conducted by investors with long histories in the host economies, often dating back to the late 19th century. Another cluster of investments reflects the emerging climate regulations and has involved a high number of early stage companies trying to profit from the newly created markets. Once the financial crisis hit, financial investors in search of extraordinary returns at a time of economic recession became involved in the investment projects. At the same time, the then acting government in the UK adopted a proactive approach, intensifying commercial diplomacy with African countries and introducing bilateral investment forums in the French and Chinese model, though on an ad hoc basis. Still, ODA programs have been aligned with foreign policy goals, and they place special emphasis on supporting private companies investing overseas. In this context, the official rhetoric with regards to African countries has changed significantly—they are now described as markets of opportunity rather than areas in need of humanitarian intervention.

Moreover, it has become clear that the importance of financial actors and the AIM stock exchange in these operations does not verify the assumption that these investments are largely driven by the financial sector. Instead, it reflects the intellectual capture and overlap of public and private-sector actors characteristic of the UK's political economy, and refers back to the financialization-led development trajectory pursued since the 1980s. Consequently, and promoted by public policy, financial actors play a major role in the British economy and land-consuming OFDI, both as direct investors as well as the main source of

industry finance. The problems associated with this constellation have been visible in British OFDI projects, namely in the difficulty of identifying who is actually involved in a project due to the constant changes in shareholding and the lack of patient capital. The latter is something that institutional development finance (the CDC) and DFID-directed aid programs are intended to address. Similarly, the sectoral composition of British land-consuming OFDI reflects the country's investor legacy. The investments are directed to a few countries, and they primarily head towards the resources and services sectors. Perhaps unsurprisingly, this sectoral composition resembles the economic constitution of the home country, which is characterized by high external resource dependency and a strong services sector.

Finally, this case study has shown that British OFDI involves a wide range of interests from the very diverse private sector. Many of these actors share the perception of Africa as a new growth region. Consequently, we see investment funds from the public and private sector that try to profit from this growth dynamic at a time of economic recession back home. Others respond to public policy-induced markets. Early-stage companies, for instance, invest in the production of biofuels in African countries, which continue to be framed as "land-abundant," in spite of the ongoing land crisis. At the same time, related industries support these investments, such as actors from the aviation sector that seek access to cheap fossil fuel alternatives, and try to cooperate with biofuels companies through offtake agreements. What is surprising is the large numbers of inexperienced investors that engage in land-consuming OFDI, often with very unrealistic expectations and/or business models in place – a fact that also explains the high number of failed projects. From an official perspective, these investments are promoted as a way to strengthen economic recovery through increases in exports and sustained access to cheap resources. Moreover, geopolitical considerations have entered the debate, reflecting realist assumptions. Accordingly, an intensified economic presence is useful to sustain the country's influence at the international level at a time of global restructuring.

Similar to the Chinese case, and against the background of the diverse range of actors and interests at play, this book's description of British OFDI shows that what makes these investments *British* is the specific combination of industrial set-up, development trajectory, contingent events, ideology, and political economy in and over time.

More broadly, reflecting on the role of land-consuming OFDI from a home country perspective, the previous assessment stresses that these investments are part of a trend among private sector actors that has gained speed in the context of financial crises in the UK and the Eurozone, namely to profit from overseas growth markets and/or to respond to incentives provided by host country reforms or the domestic/international climate regime. More recently,

the investments have become part of the government's attempt to support these corporate interests. The deeper context is the failure of the UK's financialization-led development path to deliver sufficient jobs, revenue, and other aspects of economic development. Against this background, the renewed expansion of the productive industry at home and abroad is part of a broader strategy and "prosperity agenda" that promises to deliver security while advancing domestic prosperity and growth:

The National Security Strategy of the United Kingdom is: to use all our national capabilities to build Britain's prosperity, extend our nation's influence in the world and strengthen our security. The networks we use to build our prosperity we will also use to build our security.<sup>131</sup>

The success of British land-consuming investment projects and the new foreign policy they are part of is not at all clear, however. The high project failure rate, regular involvement of fraudulent actors, and danger of capital flight all point at the challenges confronting these investments. Moreover, government efforts have so far not addressed the dysfunctional features of the home country political economy, such as the lack of patient capital or the effects of financialization on the state and society (as of 2016).

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**131** | HM Government (2010), 9.

Table 7-2 – Brief Review of the Home Country Context and British OFDI in SSA

Category	Home country Context	UK OFDI in SSA
Development context	Since the 1980s, the country has pursued a financialization-led development trajectory and neglected its productive sector, resulting in deteriorating terms of trade, a decline in British manufacturing, and high social and economic costs, particularly at a time of financial crisis, and in the context of heightened international competition (e.g., BRICS). Also, the country is a net importer of food and energy and confronted with the challenge of meeting its CO2 emission targets under the climate regime.	The unsustainable development trajectory has resulted in attempts to address related problems and reindustrialize. As a consequence, the British government has been proactively involved in land-consuming OFDI in SSA since 2010/2011. The outcomes of this involvement have to be seen yet. Moreover, the development trajectory, with its neglect of the industrial sector, and the investor legacy, with its focus on resources, explain the predominance of investments in resources and (financial) services (and fewer investments in manufacturing) characteristic of UK OFDI in SSA. At the same time, new actors (e.g., funds, early-stage companies) are investing in land for agricultural production.
Home Country Measures	The UK as a long-term liberal economy has had a promotional policy stance towards OFDI since its accession to the EU in the 1970s, as well as an elaborate HCM framework. Recently, OFDI has become a part of the country's foreign policy.	OFDI and trade to Africa as a new growth region is proactively promoted by newly introduced instruments, such as aid-funded business opportunities facilitated by DFID; new trade policy initiatives; and commercial diplomacy.
Guiding Ideologies	OFDI is embedded in a rhetoric which argues that related private sector-led growth is important for prosperity and national security and necessary for "rebalancing the economy."	In the particular case of Africa, the guiding ideology has shifted. It now links OFDI in Africa with national economic interests, formerly a taboo (after decolonization); rhetoric of mutual benefit has been adopted.

Investor Legacy	As a former empire and long-term investor in African economies, the UK is still a dominant investor country today.	This investor legacy is also highlighted by the uneven investment structure in terms of sectors (e.g., resources, financial services) and countries.
Political Economy	Since the 1980s, the political economy has been characterized by an “embedded financial orthodoxy” that only now is being challenged. Core traits are the overlap of public sector and financial sector interests through intellectual capture and personal affinity and the financialization of society.	The dominance of the financial sector in the British political economy is reflected in the prominent role of financial actors in the investments (in the form of finance provision and direct investments). More recently, public actors have become involved (e.g., the CDC), jumping on the corporate bandwagon. Most remarkable is the high number of early-stage companies responding to energy and climate policies.
Events	Several incentives have influenced investor choices: host country reforms; climate regime and energy policies; and the financial crisis.	These events explain different actors involved in land-consuming OFDI, namely old companies exploiting opportunities in host countries; new companies trying to profit from the novel climate and energy regime; and financial actors in a post-crisis search for “alpha.”