CHAPTER 2

States as Actors in International Agro-Investments

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Abstract

Since the global food crisis of 2008 states have encouraged international agro-investments by their respective private sectors or have undertaken them directly via state-owned companies and sovereign wealth funds. This chapter analyses the crucial role played by national governments with the help of three case studies: the Gulf countries, China, and potential host countries. It thus shows the varying constraints experienced by these three cases and the strategies pursued to overcome them. States in the Gulf are heavily dependent on food imports and are concerned that export restrictions could undermine their food security. For the same reason, China has pursued a strategy of grain self-sufficiency, which is now being modified in the light of recent changes to diet and rises in demand. Governments in potential host countries and regions, like South-East Asia, Russia, and Brazil, on the other hand, have sought to keep their agricultural export industries national, maximise their revenue streams, and leverage them for geopolitical purposes. While much of the literature has focused on ‘land grabbing’ by foreign states in developing countries, this chapter offers a different perspective by placing the interests of states into the context of twenty-first century food politics. It concludes that: the focus of investments has been on value chains downstream rather than on farmland in the upstream sector; that ‘security mercantilism’ is far more complex than the land acquisition processes themselves; and that emerging economies in Asia seek to challenge the Western world in its hegemony over food production and virtual water trade.

1 Introduction

Food and agriculture have been intertwined with national interests historically. Initially these interests focused on food provision for armies; later, local populations were ruthlessly subjugated to serve development agendas, be it during the famines in the colonial tropical belts in the second half of the nineteenth century or during the brutal modernization of communist regimes in the twentieth century (Davis, 2001). The idea that affordable food should
be an inalienable right entered the vocabulary of political legitimacy only in the recent past. It did so in a context of proliferating support for farms and of nutrition programmes in the US in the 1930s that became closely intertwined with a development model of intensive growth. Labour was no longer a mere cost factor, as seen in the extensive growth model of the nineteenth century; it was also an important source of demand in growing consumer markets, such as those for white goods and cars. The Right to Food was enshrined in international treaties, like the Universal Declaration of Human Rights in 1948, and the International Covenant on Economic, Social and Cultural Rights in 1966.

Agricultural overproduction became a permanent feature of the post-war decades, first in North America and then in Western Europe. Countries were eager to dispose of their structural surpluses via subsidised food aid and used the allocation and withdrawal of such aid to further their foreign policy agendas during the Cold War. Governments in the developing world in turn used such subsidised food imports to feed their growing urban populations and as an input factor for their import-substituting industrialisation strategies, which were prevalent at the time.

The global food crisis of 2008, with its price hikes and export restrictions, has raised doubts over whether global agricultural trade flows will remain as readily available as in the past. Food importers in the Middle East and Asia have reacted by announcing agro-investments in developing countries, which have been identified as a ‘new frontier’ of agriculture as they have supposedly unused or underutilised land that could produce more food if yield gaps were closed by introducing modern management and production technologies (Deininger and Byerlee, 2011). These investments have met with a critical reception as they could threaten the land rights of smallholders and pastoralists, especially if such rights are not registered and are only customary in nature. Although there is a large implementation gap and media reports have often been inaccurate, the interests of these governments illustrate a growing concern about global food production and trade. Their role in international foreign direct investment (FDI) flows has increased over the last decade. While sovereign wealth funds predominantly pursue portfolio investments, some of them have a more proactive private equity orientation. The roughly 550 state-owned transnational corporations (TNC) make up only 1 per cent of global TNCs, but a substantial 10 per cent of global FDI (UNCTAD, 2009; UNCTAD, 2014). The relative share of agriculture in these FDI flows is miniscule, but still substantial in absolute terms. Often governments try to provide framework conditions for their respective private sectors, rather than investing themselves. Ownership also does not necessarily mean managerial control, which