

Chapter 1

Equitable and Sustainable Development of Foreign Land Acquisitions: Lessons, Policies, and Implications

Simplice A. Asongu

The African Governance and Development Institute (AGDI), Cameroon

Christian L. Nguena

*The Association of African Young Economists (AAYE), Cameroon & University of Yaoundé II,
Cameroon*

ABSTRACT

Large-scale agricultural land acquisitions have been covered substantially in recent literature. Despite the wealth of theoretical and empirical studies on this subject, there is no study that has reviewed existing literature in light of concerns over sustainable and equitable management. This chapter fills the gap by analyzing and synthesizing available literature to put some structure on existing knowledge. The chapter makes a threefold contribution to the literature. First, it takes stock of what we know so far about the determinants of land grab. Second, it presents a picture of sustainable and equitable development of foreign land acquisitions. Third, policy syndromes are examined and policy implications discussed. Based on the accounts, the issues are not about whether agricultural investments are needed but about how they can be sustainably and equitably managed to make positive contributions to food security and domestic development.

INTRODUCTION

Long-run lease and/or purchase of agricultural land in developing countries by private or public foreign investors has been subject to much research focus during the past decade (UN, 2010; Arezki et

al., 2011; Olanya, 2012; Cuervo-Cazurra, 2006; Cotula et al., 2009; Cotula, 2013; Osabuohien, 2014). Countries on target for the most part are those with water and arable resources in Latin America, South & Central Asia and Africa. Australia, Ukraine and Russia are also offering foreign

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investors large tracts of farmland. These foreign investors include: on the one hand, a private sector in Europe consisting of investment banks and hedge funds; and on the other hand, public and private investors from Asia (UN, 2010). While foreign-owned plantations have existed in many parts of the world since the colonial era, the recent rush (after a sharp decline in the 1980s) is a new investment strategy that is strongly motivated by energy, food and water security.

Many reasons have also been documented for the interest of analyzing large-scale land deals as an important development concern. Consistent with Arezki et al. (2011), one of such concerns is the debate over the structure of agricultural production. According to the narrative, economists have emphasized the relevance of a smallholder poverty reduction structure because majority of the poor are still based in local areas (World Bank, 2007; Lipton, 2009). In essence, the rapid poverty mitigation in Asian countries has been accompanied by an exceptionally substantial poverty elasticity of prosperity in agriculture of small scale (Loayza & Raddatz 2010; De Janvry & Sadoulet, 2010). On the other hand, despite the soaring inflation (Asongu, 2013a, 2014a; Nguena, 2013ab; Nguena & Tsafack, 2014ab) with the limited success by smallholders in sub-Saharan Africa to improve productivity (Collier, 2008) and seemingly export competitiveness of large farms in Eastern Europe and/or Latin America during the 2007/2008 world food crisis, many questions have been raised about whether agriculture of large scale can be the blueprint to poverty alleviation and development (Arezki et al., 2011).

Irrespective of the scenario considered above, it remains an economic fact that the polemics and politics surrounding land grab are raising interesting concerns about whether there is enough transparency and competition in foreign land acquisition (FLA). In other words, there are issues on whether, contrary to having their land taken without their consent; land owners are transferring

their land to foreign investors at fair prices. These lines of thought are consistent with development literature suggesting that institutional quality is a necessary condition for resource management (Boyce & Ndikumana, 1998, 2001; Fosu, 2013ab; Asongu, 2012). Essentially, resource booms in developing countries are associated with substantial rent-seeking and corruption (Garoupa & Jellal, 2007; Jellal & Bouzahzah, 2013; Asongu, 2014b) which do not lead to equitable and sustainable management of resources.

Inclusive and sustainable developments have substantially been the focus of a recent stream of development studies in general (Ingwe et al., 2010; Nyarko, 2013; Anyanwu, 2013; Anyanwu & Augustine, 2013) and FLA works in particular (Olanya, 2012; Hathie & Yiyugsah, 2013). Accordingly, issues of equity and sustainability are intrinsically linked to the securities in food, energy and water that are driving this new investment strategy across the globe. The more preoccupying fact is that the current streams of land lease and purchase arrangements consist mainly of shifting water and land uses to long-distance farming from essentially local farming, for food and energy needs. Consistent with the UN (2010), the soaring scale of this phenomenon, combined with growing environmental and economic issues motivating the growth have created a new dynamic of global importance. According to the narrative, in addition to crops, water and land are also being commodified and commercialized in the global market of land and water. The same account holds that the proposed investments for the most part often have little or nothing in common with the country's domestic agricultural development plans. The risk of these developments is that water users, food needs and land owners are displaced.

In light of the above, there have been growing concerns about the sustainable and equitable development of these FLAs (Ingwe et al., 2010). While the former is motivated by increasing deforestation, green house emissions and climate

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