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# From “Land Grabbing” To Global Outsourcing: Credibility and Governance of Chinese Land Acquisitions

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# **From “Land Grabbing” to Global Outsourcing: Credibility and Governance of Chinese Land Acquisitions**

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This paper will use the case of China to arrive at an analytical framework with which we might better understand the processes of worldwide land acquisitions – pejoratively termed “land grabbing.” In recent years, China's rapid economic growth has been coupled with a rising demand for natural resources. Great international concern has arisen over China's land acquisitions for agricultural and biofuel production, and the way in which this should be regulated. Contrarily, when looking at China's land acquisitions in a global context, it is not that much different from land acquisitions by other countries and corporate players. In this sense, there are various parallels and differences between the governance of Chinese “land grabbing” versus a “globalization with Chinese characteristics”. Against this backdrop, this paper analyzes the various trends and dynamics of Chinese land acquisitions over space and time, and proposes a reconsideration of land governance in a globalized context.

Keywords: China, land governance, credibility, foreign land acquisitions

## **Introduction**

This paper frames the development of China's agricultural projects and detects the path of the country's adopted ‘going global’ strategy. China's foreign land acquisitions are nowadays found the world over. This broad array of China's global agricultural activities has not been studied yet in an inclusive way, both in a qualitative and in a quantitative sense. While it remains difficult to present a more complete picture than hitherto speculative publications and anecdotal information, this article aims to review the Chinese global activities in agriculture in a more comprehensive manner.

Due to the very recent nature of land investments, and a great lack of reliable data, a deeper understanding of its long-term effects at the grassroots is virtually absent to date. The deficit in data and information about the extent of Chinese private company engagement overseas constrains exact quantification, as well as a reliable qualification of the Chinese projects (cf. Wang, 2007; Kaplinsky and Morris, 2009). While several research has been conducted on China's expansion in resource extractive industries and other sectors (cf. Wang, 2007; Alden, 2005, 2007; Gu, 2009; Humphrey and Schmitz, 2007, Kaplinsky and Morris, 2009, van Dijk, 2009), China's global expansion in general is still poorly understood. For this reason, this paper does not aim to provide definitive answers or conclusions, yet, it aims to scrutinize and conceptualize the concept of ‘land governance’ in the context of today's global foreign land investments.

In particular China's upcoming presence in Africa in the last decade receives considerable attention. Many countries on the continent, among which Angola, Sudan, Algeria, South Africa, are important suppliers for China's oil consumption and raw materials. Most Western

countries and NGOs and international aid organizations are skeptical about the Chinese approach, which would be merely self-interested with a focus on resource extraction in poor countries. Whereas other nations and agribusiness companies are prominent actors in the 'global land grab' as well, the Chinese land acquisitions frequently embark more controversy. Much critique from NGOs and international organizations focuses on the weakness of overarching institutions and state authorities in the provision of territorial integrity and securitization of land and food for the rural populace. Hence, the context of 'land grabbing' illustrates the two sides of the state. For one, the state should be the guard over state sovereignty; while in contrast, state bureaucrats may be a threat to rural livelihoods by giving leeway to external investors to appropriate land.

Regularly media report on the harmful consequences of Chinese investments on local communities and their environment. Most Chinese investments would lack the legitimacy by local inhabitants in host countries. The question therefore is: Is China escaping general systems of governance? If so, what should be done? How we could work towards a more credible way of foreign land investments? Against this backdrop, this article seeks to:

- a) Identify the main actors in Chinese foreign land endeavours, and how they operate;
- b) Observe a general, more coherent pattern in the development path of China's land grabs; and,
- c) discuss the current concepts and shortcomings of the literature on globalised land governance and propose to include the notion of 'credibility' in the vocabulary of the "global land grab".

This article is focused on *China's* foreign agricultural land investments focused on *agriculture* and leaves aside other foreign investors, and related Chinese investments in development and infrastructure projects, as well as land acquisitions for extractive industries such as for mining and other raw materials.

After a brief background section, we will continue with describing the main Chinese actors involved in the country's foreign land investments. Thereafter, we arrive at a discussion of land governance in the context of 'land grabbing', which is further analyzed in a description of Chinese investments in different contexts. This latter selection dives into 'land grabbing with Chinese characteristics' and provides an overview of the 'state-of-the-field'. The concluding part of this article grasps together the main points of thought.

## Background

The past decades China's sustained economic growth has put a rising pressure on its domestic natural resources. The indicative, oft cited numbers portraying the country's dire situation are that 21 percent of the world's population lives in China, while the country possesses only 8.5 per cent of all available cultivable land, and 6.5 per cent of the world's water reserves (UNOHCHR, 2010). Between 1997 and 2010 China lost 8.2 million hectares of arable land, due to its economic development and environmental degradation (ibid.). The country became a net food importer by 2004 (Humphrey and Schmitz, 2007). The scarcity of land and other natural resources is even more pressing since the country's growing middle class pursues more luxurious life styles and consumption patterns<sup>1</sup>.

China increasingly projects its domestic shortages to other countries and regions abroad to maintain its economic development. The country has become a major player in the global land market (Gu, 2009; Alden, 2005; Rutherford et al., 2008). New unexpected agreements have emerged under which the Chinese government seeks to acquire large swaths of land and access foreign natural resources. According to Grain (2008) the Chinese government has concluded around 30 agricultural cooperation deals all over the world in recent years; and it is a major investor considering the total number of 100 identified international land

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<sup>1</sup> Exemplary is the current rush for so-called 'rare earths'; an umbrella term for metals which are essential parts and equipment of particular (mostly) electronic products, such as mobile phones and batteries.

deals concluded by various investors worldwide (ibid.)<sup>2 3</sup>. It should not be forgotten that other governments – mainly from the Middle East – have entered the global arena as well, together with non-state investors such as Multi- and Transnational Corporations (MNCs and TNCs) and private equity funds. Investments most often concern the production of food crops and the production of biofuels, resulting from nations' concerns about food security and energy security, and efforts to reduce carbon dioxide emissions to resist further climate change (UNCTAD, 2009). Private investors are primarily profit-driven. Today's news describes the speculation with agricultural crops as a major cause of the recent soaring food prices (FAO, 2010), which sides and strengthens the worldwide increasing demand for food.

Reports about Chinese investments in 'developing' countries have jumped the headlines in the last years, yet land acquisitions by investors in the 'developed' industrialized world have remained meager to date. This however, is not to say that such investments do not take place, as instances occurring in New Zealand and Australia have shown.

While other foreign actors engaged in foreign land acquisitions may be relatively easy to identify, in the case of Chinese actors there are multiple actors involved, ranging from the national authorities to smaller-scale private enterprises. These Chinese investors may have different interests to expand globally. In the following we therefore provide an overview of these Chinese actors, and the motivations that make them to commence in overseas agricultural activities.

### **China's global expansion in agriculture**

The significant rise in China's global activities in agriculture with particular reference to its alleged 'land grabbing' should not be seen separate from the country's global expansion in other sectors. The activities may intertwine, for interests and preferences align governmental priorities. Chinese companies are involved in infrastructure projects, mining and oil extraction around the world, while smaller-scale private Chinese enterprises increasingly engage in overseas investment and production activities too (Wang, 2007; Gu, 2009; Alden, 2007; Frost, 2004; Frost and Ho, 2005).

The investments by Chinese companies follow the state's "going global" strategy, perceived as crucial for national development by the central authorities (Frost, 2004; Alden, 2005, 2007; Freeman et al., 2008; Gu, 2009; Rutherford et al., 2008). In 2008 the Minister of Agriculture drafted policies to enhance global expansion of domestic companies, with a particular focus upon edible oil producing crops. The central authorities aim to become self-reliant in agricultural supplies (Alden, 2005; Freeman et al., 2008). The Ministry identified investment potential for state-owned enterprises in Central Asia, Russia, Africa, South East Asia and South America, and issued principles on which foreign farm investments should be based, among which stating that farming locations should be set in countries on good terms with China, which are resources- and labour-rich, and politically stable. In order to overcome critical perceptions referring to wordings as 'neo-colonialism', agricultural cooperation agreements would be the best way to expand global activities (Ping, 2008). Companies should combine domestic resources and their experiences in China with the foreign investment environment (ibid.). Nonetheless not necessarily Chinese investments are cooperative of character. Several companies dispatch their own labour force and domestic inputs (Gu, 2009).

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<sup>2</sup> The lack of transparency constrains an exact quantification of China's foreign land investments (see for example Grain, 2008; UNCTAD, 2009).

<sup>3</sup> Within its broader definition, foreign *land* acquisitions include water and other land-related natural resources; these resources should thus be understood as inherent part of foreign land acquisitions in this article. Notably water is increasingly important and may become – or already is – the future source of conflict, from the local to the international arena (UNCTAD, 2009).

According to agricultural experts, entrepreneurs and officials the government should keep oversight in overseas land investments to manage risks concerning trade, diplomacy, security and manufacturing (Ping, 2008). Earlier attempts of companies to expand global activities failed due to absence of state support (ibid.). Evidently the Chinese authorities are an important player in the global expansion of Chinese enterprises.

### ***Chinese actors in the land grab arena***

When analyzing China's developing "going global" strategy on the world map, the picture shows a significant rise of land acquisitions that are found increasingly further overseas. Investments in Southeast Asia have become vested in the last decade, and many Chinese investments in African countries have taken place in the last years. Now the Chinese surge stretches over to South America. This is discussed in the ensuing paragraphs.

Chinese State Owned Enterprises (SOEs) operating overseas are backed by the Chinese state. Apart from national and provincial authorities, local authorities are increasingly involved in cross-border activities. In Africa Chinese companies may use, or are part of the cooperation programs established by the Chinese government and host countries. As such the state programs pave the way for Chinese firms all over the world, and promote their further expansion.

Freeman et al. (2008) distinguish three categories of China's agricultural investment companies:

1. *National companies* with direct linkages to the central government. Their investments have a global outreach; these SOEs operate under formal state-state agreements and are expected to align the state's strategic objectives (Kaplinsky and Morris, 2009). The primary agribusiness company is the China State Farm Agribusiness Corp (CSFAC) which closely collaborates with the Chinese Ministry of Agriculture. Regional branches of the CSFAC, the SFACs, frequently operate in conjunction with the CSFAC (Freeman et al., 2008).  
Non-agricultural enterprises engage in land investments as well, such as the China National Offshore Oil Corporation (CNOOC) and ZTE<sup>4</sup>, one of China's largest companies in telecommunication. Whereas the activities of CNOOC purpose biofuel production (i.e. energy), the investments and activities of ZTE might be motivated out of need to diversify the investment portfolio and profit-making.
2. *Regional companies* backed by either provincial or national authorities. Initially these regional companies operated primarily in the neighbouring countries; today they gradually invest more in projects further a field. Their activities are increasingly commercially oriented (Freeman et al., 2008). Kaplinsky and Morris (2010) state that the regional companies are expected to operate conform their decentralized administration's policies and experience pressure to make profits (Kaplinsky and Morris, 2009).
3. *Private enterprises*, which largely bypass governmental control. According to Freeman et al. (2008) these companies would mainly target adjacent countries, such as Myanmar, the Lao DPR, Cambodia and Russia. A reasonable consequence of the global expansion of SOEs is that private enterprises follow in operating overseas (Kaplinsky and Morris, 2009). The increased foreign endeavors of local and private companies may challenge the government's ability to intervene; their agricultural projects largely stay outside official statistics (Wang, 2007; Freeman et al., 2008; Kaplinsky and Morris, 2009).

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<sup>4</sup> ZTE became 'state-owned, private-run' by 1993. It was the first state-owned telecom manufacturer that went public. In 2003 'Shenzhen ZTE Corporation' was renamed ZTE Corporation to suit the company's strategy of global expansion

([http://www.zte.com.cn/endata/magazine/ztecommunications/2005year/no2/articles/200506/t20050622\\_162340.html](http://www.zte.com.cn/endata/magazine/ztecommunications/2005year/no2/articles/200506/t20050622_162340.html))

Evident is that numerous Chinese companies nowadays operate on a global scale. Of many, the precise association with the Chinese government and the consequent influence of (central) state authorities' policies is not directly noticeable. The Chinese approach is a mix of private and public interests; the unique characteristic of Chinese companies is the fuzziness in terms of 'public' or 'state', versus 'private' (Wang, 2007; Kaplinsky and Morris, 2009).

The biggest challenge for the Chinese authorities may therefore stem from an unnoticed rising global expansion of Chinese private companies, rather than from, for example, political instability in host countries<sup>5</sup> (Gu, 2009). As stated by Wang (2007), today the Chinese private companies are the engines of Africa's economic growth (see also Gu, 2009; Kaplinsky and Morris, 2009). The author states that of 800 Chinese companies investing in Africa, only about 100 are state-owned<sup>6</sup>.

In pursuit of profit, private companies determine their own development path abroad (Gu, 2009; Kaplinsky and Morris, 2009). These smaller enterprises regularly explore new consumer markets in different parts of the world for lower-value Chinese goods, and do not necessarily conform to Chinese development policies. Investments and acquisitions may bypass governmental consciousness. As recently put by Eleisegui (2010) in the Argentinean media, Chinese enterprises work silently. The author reports that Chinese enterprises are operating in 23 Argentinean provinces where they engage in a wide range of industries (Eleisegui, 2010). The challenge may be that these companies, with a principal commercial orientation, do not necessarily engage in local affairs and compromise on social and environmental standards (Gu, 2009; Humphrey and Schmitz, 2007; Kaplinsky and Morris, 2009). Kaplinsky and Morris (2010) and Gu (2009) pose that a number of Chinese private enterprises operating abroad, departed the domestic arena to escape from social and environmental standards. This relocation of Chinese enterprises in lower-standard settings in developing countries may imply a threat to local people and their environment (Gu, 2009). Chinese private companies would have a more significant impact upon the grassroots level than SOEs (Gu, 2009). Nevertheless, although Chinese companies would walk behind in terms of corporate social responsibility (CSR), standards on social and environmental performance may slowly gain ground when companies become more engaged in the international market (Frost and Ho, 2005; Alden, 2007).

### ***China's motives for foreign land acquisitions***

The above brings us to question the main drivers of Chinese companies to invest in land overseas. Aid, trade and Foreign Direct Investment (FDI) of Chinese companies and the government are tightly connected (Kaplinsky and Morris, 2009). Different from 'Western' agencies, donors and MNCs or TNCs that have unbundled these components, Chinese companies may have difficulties to untangle aid and trade (Kaplinsky and Morris, 2009). In the last two years, China surpassed the World Bank in aid and loans to developing countries.

Alden (2005) distinguishes four motivations of Chinese companies to operate and invest abroad: a) resource security, b) new markets and investment opportunities; c) symbolic diplomacy; and d) forging strategic partnerships (Alden, 2005). Although the author refers

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<sup>5</sup> However, a director of China State Farm Agribusiness Corp in Ghana stated that the instability of the political systems in many African countries still is the biggest challenge for Chinese companies, after an investment of CSFAC in Ghana was broken down after a change of government (China.org.cn, 2003).

<sup>6</sup> Although these numbers refer to non-agricultural enterprises, we may assume that this trend – the significant rise of Chinese private enterprises – applies to Chinese private companies investing in *land* as well.

these factors to Chinese companies in non-agricultural sectors, they seem applicable to Chinese agribusinesses as well.

#### *Resource security, or exploring a new market?*

The dominant drive for China's engagement in the global land market coming forth from the media is safeguarding food supplies for the Chinese population. The terming of the 'breadbasket' often comes to the fore in the 'land grab' debate. Resource-rich countries, treasured by large swaths of unused, or under-irrigated lands would have potential to supply the domestic markets of investors, through an alteration in modes of production and modernization of agricultural technology and know-how. All but few investments by Chinese companies purpose to supply Chinese consumers for which they ship in domestic resources, with a primary use of domestic hybrid seed varieties. On experimental farms established by Chinese investors in African countries, among which in Mozambique, Sudan, Senegal and Zambia, research on e.g. their adaptability to the African climate is conducted with primarily Chinese seeds and crops (Shun, 2008; Makoni, 2009; Rubinstein, 2009). These research centres also provide agricultural training for the local populace.

There are however projects initiated by Chinese companies that focus their production on supplying local markets in the recipient countries. Notably the first investments in Africa in the early 1990s, namely that in Zambia and Mauritania, supplied – and may still supply – the local market (China.org.cn, 2003; Marks, 2008). The Friendship Farm in Zambia, established in 1994, is said to supply at least 10% of all eggs consumed in Zambia (China.org.cn, 2003; Marks, 2008). Chinese agricultural experience and know-how is by many governments highly welcome (Farmers Weekly, 2010, Sudan Tribune, 2010). Horta (2009a) for example mentioned that the Ugandan government was eager to attract Chinese investment after the food riots of the last years, and that African nations might benefit from Chinese investments and agricultural projects (Horta, 2009a).

In Asia Times (2009) Carl Rubinstein probed the criticism on China's foreign investment intentions. For instance, Chinese companies invest in rice production in Mozambique whilst rice does not belong to the staple products of the Mozambican diet. Rubinstein argues that the Chinese may not merely be self-interested, opposed to the dominant discourse. The research conducted by Chinese agronomists, on the adaptability and durability of several crops in Mozambique, might improve food security for the Mozambican population (Rubinstein, 2009). The Chinese Academy of Agricultural Sciences (CAAS) was funded by the Gates Foundation for 'Green Super Rice for the Resource Poor in Asia and Africa', aiming to develop a high yield rice variety that may withstand severe droughts, flooding, harsh weather and toxins. The CAAS works with international organizations such as the Africa Rice Center (ibid.). Furthermore Rubinstein refers to the funding of Chinese companies for projects to raise awareness of sustainable fishing practices; crucial for the current fishing practices in Lake Victoria (ibid.).

Whether this is true, should be a point of debate. For instance, Marks (2008) wonders if this approach was only enacted in the early days of China's foreign endeavours, since later investments more often serve to supply the Chinese food market. We might argue that these activities purpose first of all profit-making, since many Chinese Small and Medium Enterprises (SMEs) in Africa started in the last decades with greenfield activities and investments, i.e. exploring and introducing new products on the local market, which previously were imported (Gu, 2009). By establishing agricultural production in a new setting, new locally produced food products could outcompete imported ones and generate profit (ibid.). Against this backdrop, the introduction of new crops could rather be understood as a market-driven undertaking than a purely altruistic gesture.

#### *Strategic partnerships*

The Chinese government is frequently criticized for its support to authoritarian regimes, such as Sudan, Guinea Bissau, Myanmar and Zimbabwe. In recent years the International

Finance Institutions (IFIs) enhanced environmental and social regulations on resource extraction and large development projects, which caused Western companies weary to operate in many countries. It left an investment vacuum where Chinese investors experience much space to operate with less strings attached (Rutherford et al., 2008). Chinese companies are prone to invest where 'others' stay away. As Schenker and Lin (2010) stated: 'China is an appealing partner to states in a region where authoritarianism is rife'. The internationally isolated countries more than welcome Chinese investors, whose support may counterbalance critique and boycotts from Western agencies and former donors. The unconditional aid and investments are an opportunity for regimes better their position without pressures to change the political system (Alden, 2007; Alden, 2005). The Chinese authorities frequently stress the crucial linkage between national economic development and fighting poverty and hunger (Horta, 2007; McCartan, 2008).

Furthermore, not less important, is the strategic influence China exerts globally through establishing partnerships with various countries. In earlier years, partner countries' stance towards China's 'one-China policy' played a prominent role in bilateral partnerships, and partner countries' relationship with the United States may also be of importance. Cuba was one of the first countries with an overseas Chinese investment, in 1994. The country was confronted with evading supplies after the demise of the Soviet Union, alongside the country's distanced stance towards the United States.<sup>7</sup>

For one thing, profound changes may take place when regime changes take place in particular partner countries. One may wonder what changes may take place when regime changes take place in Zimbabwe or Myanmar. Politicians can alter the situation. In a few countries opposition leaders have warned that they strongly opposed Chinese investments, which may expose once elections have taken place or particular political systems are destabilized.

#### BOX 1

##### *Learning by linking*

China's search for food security is not limited to developing countries. Australia and New Zealand are becoming important countries for production of Chinese consumed dairy products. These investments may be explained, in addition to realize food security, by strategic motivations: upgrading and modernizing agricultural know-how and technology. For instance the Chinese dairy sector faced severe scandals in the last years, caused by corrupt businessmen\*. Dairy production in New Zealand and Australia, settings with highly advanced agricultural knowledge and technology, may be a means to upgrade the domestic supplies, but even more production of dairy products in these countries might better the image and restore trust in Chinese dairy products. Investments in Australia and New Zealand therefore may be driven by the search for modernizing and boosting the domestic sector. It is what Mathews (2008, in Kaplinsky and Morris, 2009) distinguishes as a distinct drive of FDI: establishing linkages to learn from overseas operations (Kaplinsky and Morris, 2009).

\* We refer to the Sanlu infant milk incident; a large Chinese dairy producer added melamine to milk products, to surplus the overall content while minimizing the concentration of milk. It caused severe health problems for primarily young children and six babies died. The dairy sector still seemingly struggles with the scandals. Recently Dutch media reported that supermarkets witnessed a rise in demand for early childhood milk products, since it appears that large quantities are purchased by Chinese to supply the home country and in that way overcome any potential risk

The fact is, that only a long-term analysis could provide us understanding of the real motives and outcomes of Chinese investments on the ground. The benefits for recipient countries and communities depend on a number of factors: the investment motives, the time-span of an investment; the extent of linkages of the foreign company to other firms; and, the capacity of local firms to absorb spillovers and face competition (Gu, 2009). Chinese companies

<sup>7</sup> Personal communication, prof. dr. drs. W.G. Panters, January 24<sup>th</sup>, 2011.



abroad are establishing agricultural parks where production and processing of agricultural commodities takes place. Such agricultural parks are constructed from Laos to Zambia (Fullbrook, 2010; Times of Zambia, 2010). It facilitates interaction and cooperation among Chinese firms, and decreases the costs of transport and communication (Gu, 2009). It may however disadvantage local firms, since Chinese enterprises engaged in these parks could work isolated from local ones (ibid.).

Chinese agricultural investments are often brought on the merits of production increases, generation of employment, and shares of benefits with local inhabitants (Furuya, 2010; Vermeulen and Cotula, 2010; Zoomers, 2010; IRIN, 2009). Yet these pledges are often mistrusted, or at least perceived as ambiguous, by local inhabitants. Several media report that initial guarantees have not become reality, resulting in insufficient payments, loss of lands, and marginalization of people's sustenance base.

Hence, land governance in this globalized context is highly complex, and it does *not necessarily* result in democratic decision-making processes, as many scholars and media illustrate (cf. Cotula et al., 2009; Grain, 2008; Borras and Franco, 2010b; Zoomers, 2010; Dauvergne and Neville, 2010). How to create, or better asked: what kind of institution could provide – at least – a level playing field for local inhabitants, investors, and governments?

### **Land grabbing, global governance and democratic credibility**

Continuing on the previous question, we should ask ourselves: Why is the governance of foreign land acquisitions such a difficulty? How could we actually overcome power imbalances and arrive at a more legitimized, 'credible' land investment? Or, is a 'win-win' investment in essence a utopia?

The scale and composition of actors involved in foreign land acquisitions create a substantial dilemma to regulate foreign investments (Borras and Franco, 2010a, 2010b<sup>8</sup>, Dauvergne and Neville, 2010; Meinzen-Dick and Markelova, 2009; see also FAO, 2010). In other words, who is eligible to decide (Berry, 2007)? No overarching institution has the legitimacy to intervene in global land deals when voluntary standards appear powerless. Among others, Dauvergne and Neville (2010) question the ability of voluntary standards to stand in for a lack of regulatory oversight from national authorities, in particular in weak or fragmented states (Dauvergne and Neville, 2010, see also Borras and Franco, 2010a).

With the global nature of China's land acquisitions we face the intrinsic complexity of land governance. Today's global inter-dependencies challenges notions of territorial integrity, the sovereignty of natural resources and moreover notions of property and citizenship (von Benda-Beckmann, 2002; Gu et al., 2008). Globalization causes the waning of the nation-state's power which coincides with an increasing importance of (international) economic and other non-state actors. Transnational forces and newly emerging alliances increasingly interact and engage with domestic institutions (Gilardi, 2002; Dauvergne and Neville, 2010). Hence, globalization is a tussle for land governance. Foreign interests in land may enhance states to commodify land resources in places where land was previously held under customary tenure arrangements. Everywhere on the globe, people experience rising uncertainty in their once protective formal and informal institutions, that primarily governed local affairs. The political economy of the current global land grab is significantly altering the rural countryside (Dauvergne and Neville, 2010).

Foreign land acquisitions then challenges the state in its two opposing roles (Miller, 2000; Frye, 2004; see also Vermeulen and Cotula, 2010). On the one hand, the state should act as principal agent to uphold territorial integrity and secure land for its people, in

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<sup>8</sup> Borras and Franco (2010a) oppose the intentions for a Code of Conduct as long as it is not human-rights or social-justice driven. They argue that the mainstream view upon which such regulations are based, hold that foreign land investments are beneficial or even crucial impulses needed to develop the rural South.

particular protecting the rights of the weak and poor (Freye, 2004; Spoor and Ho, 2005; Ho, 2005). On the other hand, however, the state also has the authority to seize land from its population, to stimulate the emergence of a land market, and so endorse the reallocation of resources for private gains, or to provide land to (foreign land) investors (Spoor and Ho, 2005; Freye, 2004). The short-term interests of politicians then may be prioritized over longer-term well being of people (Gilardi, 2002; Freye, 2004; Grabel, 2000). The commercialization of land, and along with that the entrance of foreign investors, may imply a threat to rural communities in the competition over and actual use rights of their land. Newly emerging alliances put pressure on historical state-society land tenure relations, as 'government agencies tend to align with the interests of large-scale investors when tested in real negotiations' (Vermeulen and Cotula, 2010, p. 899; Dauvergne and Neville, 2010). Hence, state agents may, contrarily to their responsibility to safeguard access and use of land, appear a threat to property, i.e. land use rights (Freye, 2004), when they prove unable to find a legitimate middle ground between state intervention and market forces (Spoor and Ho, 2005). The arbitrary and discretionary use of state power, and the lack of credible commitment thereof, may harm the rural populace in access to and use of land (ibid.). The oft-described harmful impacts of foreign land investments upon rural livelihoods signal inadequate land governance and the incapacity of the role of the state herein. These impacts indicate the absence of a credible institution that should counterbalance politicians' economic and social considerations and preferences.

While governance – that is, shortly stated, 'the governing without government' – is frequently considered to be a more democratic means of policy- and decision-making, this is not necessarily true. A frequently mentioned issue by critics is that the socio-political processes through which the land use changes are implemented are undemocratic and a testimony of "bad land governance" (Borras and Franco, 2010b; Dauvergne and Neville, 2010).

The power imbalance between state agents and rural inhabitants contests the label of 'democracy' that is regularly assumed to be part and parcel of governance. This democratic label is once more questioned when one notices the governance of foreign land acquisitions, where capital-rich investors are highly welcomed by authorities in resource-rich countries, which is the regularly the case with investments in 'developing' countries. It illustrates the ambiguity of the state, and the vulnerability of its rural populace. Governance is essentially power-laden (Knio, 2010); governance takes place in an arena where actors multiple actors struggle over land, and over their economic, political and social interests.

The intricateness of the governance of foreign land acquisitions lies furthermore in the fact that foreign land acquisitions are perceived differently *within* countries and *across* social strata (Fullbrook, 2010; Dauvergne and Neville, 2010). Among others, Borras and Franco (2010b) argue that the much used concept of 'the local community' is a misused reference to represent people living in the rural area. Their social and political capital and power, their resources and their interests do not necessarily align (Borras and Franco, 2010b; Vermeulen and Cotula, 2010). The actors involved in Chinese land investments differ from one country to another and within countries, which we will show in later parts. Most frequently, local communities seem to be excluded from negotiation procedures; by their authorities as well as by the investing party (Cotula et al., 2009; Grain, 2008). Rural inhabitants may become engaged only in phases of implementation, for instance through contract farming arrangements (Diana, 2008), and may have only few bargaining endowments (Vermeulen and Cotula, 2010). However, in China's bordering countries, rural inhabitants themselves initiate arrangements with Chinese investors and establish trade channels (McCartan, 2008; Fullbrook, 2010). The preferential differences at the local level may further social differentiation and social stratification within local communities, along with social conflicts (Dauvergne and Neville, 2010). Exacerbating social inequalities may squeeze communities' social cohesion and social capital, when only the mighty few benefit (Ho, 2005; Vermeulen and Cotula, 2010).

The deficiency of 'governance' in enhancing democratic decision-making necessitates us to reexamine the concept. We propose to add 'credibility' to the discourse on the global land grab (see also Diermeier et al., 1997, Ho, 2005). The notion of 'credibility' appeared in academia through neo-institutionalism and economics, but now gains ground in the development studies and social sciences too (see also Diermeier et al., 1997; Ho, 2005; Frye, 2004). The credibility of institutions is a newly identified determinant of secure property rights and policy success (ibid.; Gilardi, 2002). For instance Freye (2004) identified credibility as an important factor of secure property rights. The credible commitment of state agents enhances the security of property rights. The notion of 'credible commitment' is therefore a valuable concept to assess the role of both formal and informal institutions in the provision and securitization of land use rights, as well as the establishment of 'credible governance' of foreign land acquisitions. A credible institution is backed by ample social and political support, and may therefore have the legitimate authority for policy-making (Ho, 2005; Freye, 2004). 'Instead of institutional trust, which focuses on the trust between social actors, credibility puts more emphasis on the institution itself, and the role of the government in its successful creation or failure' (Ho, 2005, p. 588).

Importantly credibility is as empty as governance when it lacks a power-sensitive approach (Knio, 2010; Grabel, 2000). Grabel (2000) poses that the credibility of a policy is inadequately assessed when neglecting the power of particular actors to steer policies and influence the 'credibility' of decisions. 'Under different social structures, different critical actors are better or less able to veto or otherwise influence policy success through their behaviour' (Grabel, 2000, p. 15; see also Vermeulen and Cotula, 2010). Grabel (2000) argues that we should use the 'principle of democratic credibility' (Grabel, 2000). 'Only those policies that are not apt to be vetoed by the least advantaged, were they have the power to do so, would be deemed credible' (Grabel, 2000, p. 15).

A clear point in case is that the concluded agreements in certain states prove to be detrimental to local livelihoods and the environment (we will illustrate that more in detail in a later part). Several cases of foreign land investments clearly indicate that the current governance of Chinese land acquisitions is not credible. In many countries, domestic institutions appear unable to uphold land as a social safety net for the rural poor, although the impacts on the grassroots level widely differ (Vermeulen and Cotula, 2010; Dauvergne and Neville, 2010). Yet weak and poor groups in society regularly lack access to justice and the ability to draw on the rule of law. Particular countries are characterized by weak formal institutions, that are not credible *per se*. On the other hand, we note that weak institutions may be credible, when they 'strike the right balance between social actors' expectations with the given socio-economic parameters' (Ho, 2009, p. 11). Hence, ambiguous institutions, which respond to specific local conditions, may carry more credibility than rigorous rights and regulations. It entails the notion of credibility goes beyond the dichotomies of *formal* and *informal*, *secure* or *insecure*, *privatized* or *communal* (Ho, 2009).

At the outset: What makes or breaks the credibility of governance (Ho, 2005)? How could we arrive at a more credible governance of foreign land investments? What kind of institution should take up this role? Is it needed to create a new, overarching institution, that remains outside of states' influence, but even more remains untouched by investors' lobbying? Or should we leave the floor for local institutions, that are grounded in customary practices (Ho, 2009)? That is the dilemma that dominates the current debate on "land grabbing"; in all but few instances, both formal and informal institutions show to lack capacity to arrive at credible land governance (Meinzen-Dick and Markelova, 2009; Borras and Franco, 2010a; Dauvergne and Neville, 2010).

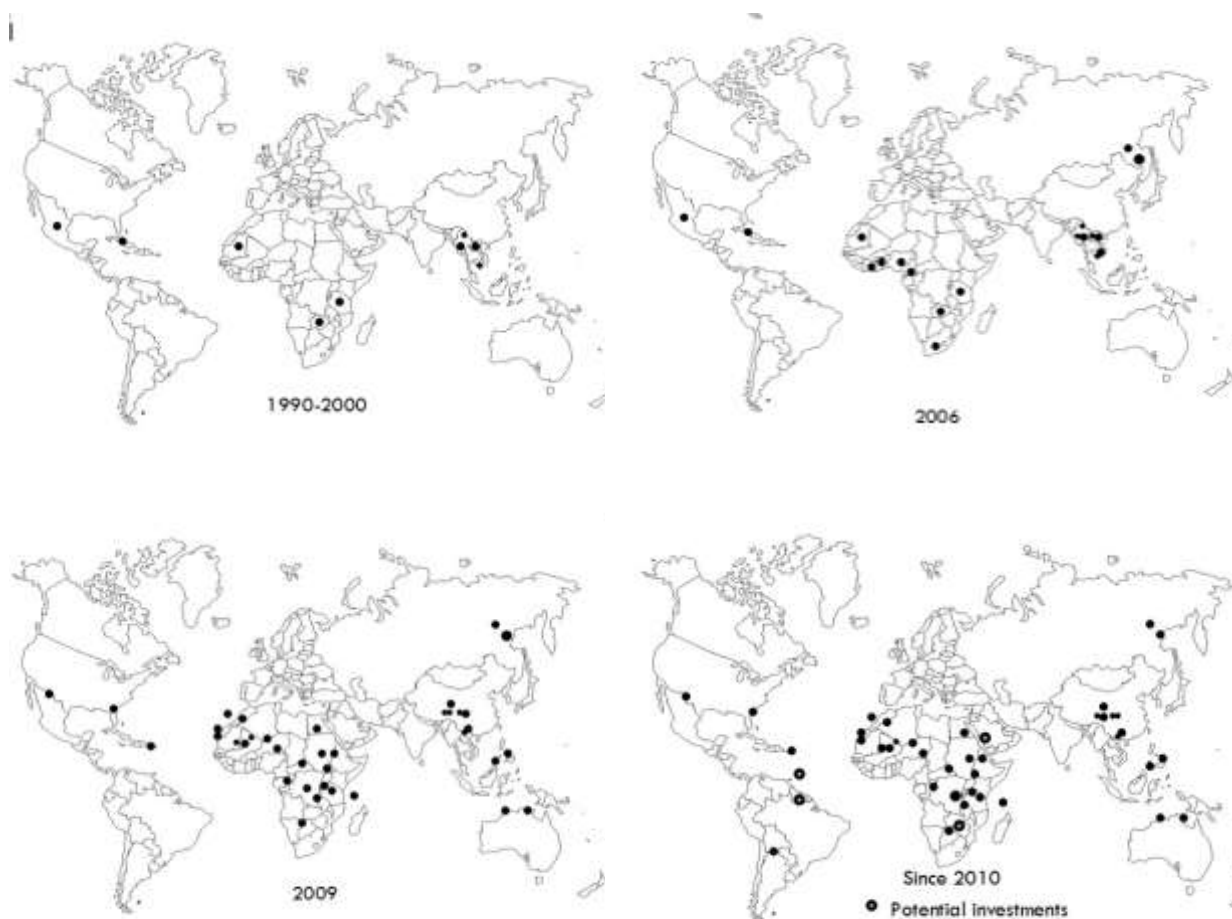
Importantly, credible governance does not imply that foreign land investments may not take place at all. The outcome of credible governance is highly context-specific. An overall requirement should be, that credible governance balances nations' needs for capital and resources with local needs. Foreign land investments should uphold the sustenance base of rural livelihoods, in an acceptable manner.

Measuring credibility is a hurdle. Indicators could be, for example, the extent to which decisions are legitimated by the majority of actors, and the public consent of eventual decisions. Credible governance should provide a level playing ground for all actors involved, ranging from the local to the national, and even international level. It implies that power imbalances are determining the outcome of negotiations.

However, in order to make any suggestions we first need to know what is taking place. It brings us to examine the unfolding of China's "going global" approach. The following section characterizes and describes the state-of-the-field of China's foreign endeavours, and may point at the institutions at work, or the lack thereof. We aim to illustrate how the above described Chinese actors and their motivations play out 'on the ground'; hence, we examine the governance of Chinese land acquisitions in different contexts.

### Development of China's land acquisitions in space and over time

When painting China's development path of overseas land investments on the world map, a development emerges which shows Chinese land acquisitions increasingly on distance from the home country (figure 1).



*Figure 1.*  
*World maps of respectively 1990-2000; 2006; 2009 and 2010 showing Chinese land acquisitions all over the world*  
*(maps are based on extensive literature research, among others on databases [farmlandgrab.org](http://farmlandgrab.org); [landcoalition.org](http://landcoalition.org)).*

The list of particular operations of Chinese enterprises in different countries is extensive and impressive, and far too broad to include them in detail here. Hence, we select a few exemplary cases and seek to illustrate how Chinese land acquisitions take place in different contexts in different parts of the world. Through this characterization, we may show how the governance of Chinese investments differ or converge in different contexts.

The Chinese investment cases we highlight below differ from different points of view:

1. Chinese investments in China's bordering countries, where predominantly private investments take place. We zoom in on the characteristics of Chinese investments in Cambodia, Myanmar and Laos;
2. Chinese investments further a field, which are featured by an intertwined approach between the Chinese government and its companies, specifically taking place in Africa and South America; and,
3. Chinese overseas investments, undertaken by seemingly private companies, which for example take place in Australia and New Zealand.

With a selection of these different Chinese investments we aim to examine the governance of the investments. We have asked ourselves: Which actors are involved? Why, or why not, would investments trigger protests from civil society? How are these protests expressed, what do they affect? In sum, this should provide understanding in the governance of Chinese land acquisitions the world over.

### ***Private initiatives in neighbouring countries***

China's influence in adjacent countries mainly takes shape in trade and development of large infrastructure. In many instances these activities could be understood as strategic operations to strengthen political and economic influence, to facilitate trade and benefit Chinese industries<sup>9</sup> (Humphrey and Schmitz, 2007; Frost and Ho, 2005). Cross border trade in this region, in particular in the Greater Mekong Subregion<sup>10</sup> (GMS) but in Russia and Kazakhstan as well, exists already for centuries, but since the last decade more significant investments in *land* are reported (Rutherford et al., 2008; Frost and Ho, 2005; Vaughn and Morrison, 2006; McCartan, 2008). While in academia scholars have researched and documented the considerable influence of China in the border region, both in economic and political terms (cf. Frost and Ho, 2005; Frost, 2004; Humphrey and Schmitz, 2007), to date it have been primarily international NGOs and international agencies which have given notice of Chinese land acquisitions in Southeast Asia and beyond (cf. Rutherford et al., 2008; Fullbrook, 2010; UNOHCHR, 2007).

The majority of Chinese investments in bordering countries are enacted by private companies and individual entrepreneurs living in Chinese border provinces (Rutherford et al., 2008; UNCTAD, 2009). Chinese authorities are however involved in agriculture through an opium cultivation replacement program in the border region (McCartan, 2008; Diana, 2008). In most instances Chinese seed varieties are purposed for cultivation (McCartan, 2008).

Many companies operating in Myanmar, Laos and Cambodia originate from Chinese border provinces, such as Yunnan province<sup>11</sup>. These investors may be driven over the border

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<sup>9</sup> In January 2010 a free trade zone has been established between China and ten Southeast Asian countries, aiming to facilitate trade from both sides. China would benefit in terms of facilitated export of its 'light manufacturing' industries, while for the South East Asian countries the free zone may smooth export to China in agricultural commodities and natural resources (Moore, 2009).

<sup>10</sup> Vietnam, Thailand, Yunnan province and Guangxi Zhuang Autonomous Region are also part of the Greater Mekong Subregion (GMS) (see Humphrey and Schmitz, 2009). Since there are no Chinese foreign investments reported in Vietnam and Thailand, this article uses the acronym GMS to refer to Cambodia, the Lao DPR (Laos) and Myanmar.

<sup>11</sup> Investments in Russia are among others established by investors from Heilongjiang, a Chinese province bordering Russia in the north (Xinhua, 2010).

to overcome a scarcity in natural resources in their province of origin. Their operations are initiated relatively independent from the Chinese government; their private nature hampers the Chinese authorities to intervene in their operations (Rutherford et al., 2008; Diana, 2008). A substantial part of the intraregional trade between China and Myanmar, Cambodia and Laos is informal and thus is unnoticed; illegal trade acquires a substantial part<sup>12</sup>. (Frost, 2004; Frost and Ho, 2005; Steinberg and YoungSmith 2006; Humphrey and Schmitz, 2007).

For the authorities in these GMS countries, economic development is perceived as crucial, being the cure for poverty and hunger facing their population (Fullbrook, 2010; Herre, 2010). Hence, exploitation of the potential of natural resources is of high priority for economic development (Fullbrook, 2010; Herre, 2010), which suits China's increasing demand for raw materials and agricultural commodities (Rutherford et al., 2008; Fullbrook, 2010; Herre, 2010; Humphrey and Schmitz, 2007; UNCTAD, 2009). However, the consequent economic growth seemingly does not benefit local people in these countries. Several NGOs and international agencies have detected large-scale plantations where rubber, cassava, food crops and (indigenous) trees are cultivated while smaller scale investments are less reported (UNOHCHR, 2007; Fullbrook, 2010; Rutherford et al., 2008). Fullbrook (2010) describes the situation in Laos as the 'food security paradox', where the natural potential of the region is just leading to the converse situation in which large scale projects threaten food security for Laotian people. Herre (2010) refers to the Cambodian governmental policy lead by an investment paradigm: 'land grabbing in the name of development'. The majority of NGO reports on foreign land concessions in the GMS clearly poses that the land concessions and capital flows of investors merely enrich elites and regimes (cf. Rutherford et al., 2008; Fullbrook, 2010). Farmers are deprived of their lands and may be compelled to work for investors, moreover the introduction of monocultures ruins natural conservation areas and forests (UNOHCHR, 2007; Rutherford et al., 2009).

In Myanmar Chinese companies operate in areas of the junta and ethnic militants (McCartan, 2008; Steinberg and YoungSmith, 2006), where the Chinese hybrid rice varieties play a primary role in the rice-for-opium program managed by the authorities. McCartan (2008) reports that the rice disappoints in its expectations, and Chinese investors take over the abandoned lands of bankrupt, evicted farmers.

The United Nations Cambodia Office of the High Commissioner for Human Rights (UNOHCHR, 2007) has listed several Chinese agribusinesses operating in Cambodia. Some of these circumvent Cambodian law which prescribes maxima sizes of Economic Land Concessions (ELCs) of 10,000 hectares. Chinese companies acquire land concessions under different names, which enables these companies to attain larger amounts of land in total (UNOHCHR, 2007; Rutherford et al., 2009). Concessions under 1,000 hectares do not require approval from the central authorities (ibid.).

In Laos comparable investment cases and inadequate governmental oversight are reported (Diana, 2008; McCartan, 2008, Rutherford et al., 2008). In a research on contract farming arrangements by foreign companies in Laos, Diana (2008) identified that Laotian governmental officials rather represent the voice and interests of foreign (entailing many Chinese) companies than the needs of local farmers (Diana, 2008). Nevertheless the author concludes that the exchange between Chinese investors and domestic actors is highly multifaceted. Notwithstanding many concerns, objections and arguments associated with contract farming arrangements, Laotian farmers do have agency and manoeuvring space to steer arrangements (Diana, 2008). If employed and implemented in a proper way, contract farming may so be a means to provide farmers a secure, stable income, while the farmer remains the owner of the land. Furthermore, engagement with foreign companies may

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<sup>12</sup> The lack of data makes that much land investment may be underreported and stays out of sight. It complicates to provide a coherent overview and a reliable quantification of Chinese investment (see also Frost, 2004 and Frost and Ho, 2005).

provide farmers with useful knowledge on farming and marketing (Diana, 2008, see also Fullbrook, 2010). These notions are supported by McCartan (2008), who states that Laotian (small-scale) farmers who reap – at least – some benefits, may stand relatively more positive towards trade with Chinese investors, compared to farmers in Myanmar and Cambodia. The author describes the different ways in which Chinese companies engage in trade with Laos:

1. local Laotian farmers who individually trade through relatives across the Chinese border;
2. village-based farmers' associations who share costs of inputs and labour, and divide benefits in their trade with Chinese companies; and
3. Chinese agribusiness companies which contract local farmers. Large concessions are obtained through the Lao government or army (McCartan, 2008).

Although these last examples may show a relatively positive side of the Chinese investments, the cases described above show the absence of an essential institution that balances economic and social priorities. The weak institutional lay-out of the countries in the GMS provides leeway for Chinese entrepreneurs to acquire lands (Rutherford et al., 2008; Diana, 2008). Governmental institutions in these three countries inadequately protect the social safety net of their rural populace, since economic preferences dominate governments' agendas. The way Chinese land acquisitions are governed by these institutions are not legitimized by the people; there is ample evidence that a credible governance system is absent to date. Protests from farmers and other rural inhabitants stay largely out of sight. A civil society in Cambodia, Myanmar and Laos is hardly visible. The countries' regimes harass protests groups and NGOs. There are however few signs of protests, where Cambodian people have stood up against bulldozers (McCartan, 2008). The manipulation of contract farming arrangements by Laotian farmers, described by Diana (2008) signals covert protest, showing people's agency, which may enable farmers to cope with their situation. Nevertheless, the fact is that Chinese investors and their projects are perceived differently *within* and *across* social strata, as posed in the above (Rutherford et al., 2008; Diana, 2008; McCartan, 2008). This may however have further-reaching impacts, since it may trigger, or strengthen, social differentiation.

Hence, alongside large-scale land concessions to Chinese companies and individual entrepreneurs in the border countries might stand numerous smaller-scale Chinese investments which appear difficult to gauge (McCartan, 2008; Fullbrook, 2010; see also UNCTAD, 2009). Ostensibly the more distanced Chinese investments have a relatively larger size compared to the investments in China's bordering countries. Investments further a field might require more effort and preparation, since investment returns period may be longer (Weingärtner, 2011). Yet, more importantly we may see a development in which the Chinese authorities are a more prominent actor.

### ***Governmental involvement in Chinese investments***

Most negotiations on land investments in African countries involve primarily the Chinese investor and governmental authorities of recipient countries; local, regional or national governmental officials or institutions. The momentum of Chinese expansion in African agriculture was the Forum on China-Africa in Beijing in 2006. Whilst trade with African countries takes place since decades, investments in agriculture on this continent became more substantial in the last decade (see for example Wang, 2007; Alden, 2005). According to the China.org.cn (2003) the China State Farm Agribusiness Corp (CSFAC) operates in Guinea Bissau, South Africa, Tanzania and Zambia since the year 2000. In previous years however, farms were established in Mauritania and Zambia, by regional State Farm Agribusiness Corps.

The China-Africa Development Fund was announced in 2006 and set up in 2007 (Wang, 2007; Freeman et al., 2008). In the past years, a number of bilateral conferences and

exchanges between the particular countries have taken place. As part of the Chinese government's offense to expand agricultural activities in Africa, from 2006 onwards 14 agricultural training centers should be established all over the continent. Among these countries are Senegal, Mozambique, Sudan, and Cameroon. Private Chinese enterprises are engaged in these centers, where their staff educate local farmers and conduct research on crop varieties. Baudet and Clavreul (2009) cite a Brazilian economist and agricultural consultant, Jean-Yves Carfantan, who states that 'between now and 2010 a million Chinese peasants could be installed' on lands attached to these centers (Baudet and Clavreul, 2009). Eligible peasants should be selected among the Chinese rural population affected by the domestic competition over land (ibid.). Chinese investors commonly commit to provide tangible results for the host population in terms of employment and enhancement of agricultural production.

ZTE, a Chinese MNC increasingly engaged in agriculture in African countries acquired 2,8 million hectares of forest in Congo, with the intention to convert it into the world's largest oil palm plantation (Biopact, 2007). The company would build a fodder factory in Sudan where the Sudanese government granted ZTE 10,000 hectares to 'boost' wheat and maize production in the country. The land is allocated in the framework of the joint cooperation between Sudan and China. Furthermore ZTE has pledged to remove mesquite trees and invest in agricultural extension in the country (Sudan Tribune, 2010).

In Mozambique, the Chinese government announced in 2008 that it would investment US\$800 million to modernize Mozambique's agricultural sector, with a focus on increasing rice production (Horta, 2009b). China's state-owned ExImBank (Export Import Bank) granted soft loans to the Mozambique government to build a mega dam on the Zambezi stretch, after which Chinese companies requested large land leases to establish farms and pasture areas for cattle raising (Horta, 2009b). Already in 2005 Hubei SFAC started farming in the country. With Chinese funding it established the Advance Crop Research Institute, and several small agricultural schools throughout the country (Horta, 2009b). About 100 Chinese experts would be stationed in Mozambique, including teams from the Hunan Hybrid Rice Institute, China's top institute in the field of hybrid rice research (Urquhart, 2009). Despite the intentions of the Chinese investments, Mozambican people resisted the settlement of Chinese workers on leased land (IRIN, 2009).

A third example is the investment of the Chinese Reclamation General Corporation in Cameroon, which operates through its local subsidiary IKO Ltd., also known as Shaanxi State Farm. The investment of IKO Ltd. in Cameroon involves a rice station in Nanga-Eboko, and leasehold of 10,000 ha. for a duration of 99 years. The company would aim to develop and reform the agricultural sector in Cameroon and experimented with several crops on different lands, of which harvest has been sold on the local market. In its research the Chinese cooperate with Cameroonian national agricultural research centre (IRAD) (Grain, 2010). This case of IKO Ltd. is exemplary for the Chinese approach in Africa, where research and production are strongly intertwined. However, the intentions and commitments of IKO Ltd., but more specifically the way the investment was pursued, did not trigger support from rural inhabitants. Media reported that local inhabitants feel neglected; they have not been consulted in the negotiation procedure, and compensation for the loss of their land has not been part of the discussion. IKO Ltd. would have made commitments to supply the local market against affordable prices, but prices remained high (Arte Reportage, 2009). People shun the Chinese supplies to express their disapproval (Grain, 2010). These anxieties illustrate that local people are surpassed in the concession of land; the investor's and the host government's preferences have been pursued. The governance of this investment has not enabled local inhabitants to voice their needs and concerns. It seemingly has yet enabled powerful actors to steer the decisions.

Similar instances of Chinese investments are found nowadays in Latin America countries. Here too, Chinese investments are pursued without public consultation. A significant increase in Chinese agricultural investments in particular countries on the continent is looming, among which in Suriname and Argentina. According to the Chinese



ambassador in Argentina, Argentina's fresh water resources and 'fallow' lands are perfectly suited for rice production. In exchange Chinese investors may construct bridges and harbours. As mentioned, Chinese companies may run operations in already 23 provinces all over Argentina, in various industries (Eleisegui, 2010). An Argentinean provincial governor recently visited China and signed an agreement with Beida Yuang, one of China's largest food producers from Heilongjiang (Grain, 2011). The governor would be convinced that the agreement would secure long term supply of commodities against affordable prices, and argued that the lands concerned are currently left fallow and only occasionally in use as grazing area (La Nacion, 2010). While rural inhabitants are concerned: the supposed 'fallow' lands are their grazing areas, and there are more social and environmental concerns about the intentions to establish large-scale agriculture in their region. The agreement was only made public after it was signed, and rural inhabitants' protests have not effected an alteration in the investment (Grain, 2011). Concerns from small-scale farmers are not merely about the appropriation of land by Chinese investors; their anxiousness concerns the indirect impacts of China's rising food demands as well, since Argentinean soy farmers increasingly expand their production to supply the Chinese market (Laski, 2010). Profit-making is prioritized over social and environmental concerns.

While the above described investments were seemingly not touched by local protests, points in case are the suspended Chinese investments in the Philippines and Kazakhstan, where Chinese authorities had an evident stake. In both countries the investments have been cancelled after substantial public protests. In the case of the Philippines, Wen Jianbao was personally involved in the conclusion of 18 contracts on agriculture and fisheries. The Philippine Agricultural Department would have identified and already certified 127,000 hectares of 'idle land' for agricultural purposes, arguing that Chinese intervention would improve agricultural productivity and incomes. The lands would be part of the Comprehensive Agrarian Reform Program (Padilla, 2007).

### ***Chinese private investments in industrialized countries***

While in these latter cases there is an apparent involvement of Chinese authorities, in among others New Zealand and Australia Chinese investments develop without much governmental involvement. The Chinese intentions and investments in both countries receive only little attention from international NGOs.

The countries' agricultural sectors are known for their dairy farming, which is particularly interesting since China's dairy consumption is significantly rising in the last decade, and has been confronted with scandals in the last years, as has been mentioned in previous sections. Production of milk containing products abroad may improve or rehabilitate the trust in the Chinese dairy sector.

Interestingly, Australia and New Zealand are equipped with well-established governmental institutions, which are responsible to review foreign direct investments. Nonetheless, specifically the case of Australia shows, that this is no guarantee that Chinese investments develop in a more transparent way. Chinese investments in large-scale cattle farming in Australia would have increased 10-fold in the first half of 2010 (Daley, 2010). Civil society groups are concerned about these developments and call upon their government to tighten the rules on foreign ownership of land. To date investments below \$320 million do not require approval of Australia's Foreign Investment Review Board (Farr, 2010), and therefore much investment may remain underreported. Despite an apparent domestic institution which is responsible to regulate foreign investments, investments pass governmental and civic notion.

In New Zealand campaigns have been set up by civil society, including farmers, rural and urban inhabitants to prevent a Chinese company to buy up farms. A group of independent New Zealanders set up the campaign 'Save our Farms', calling for a moratorium on foreign land investments. The prominent case that featured the media was the intended

Chinese investment of the 'Crafar Farms'. This large scale family farm enterprise recently went bankrupt, and is a notorious holding; it has been prosecuted for violation of environmental and animal-welfare standards in recent years (NZHerald, 2010). The Chinese investor was the Hong-Kong based Natural Dairy (NZ) Holding Ltd. A counterbid on Crafar Farms that was pursued by a domestic corporation raised concerns, as it could be understood as indicative of political interference (TVNZ, 2010). It urged New Zealand's politicians to state that the grievances had nothing to do with the Chinese nationality as such; other investors would be approached likewise. The bid of the Chinese company has eventually been rejected by the New Zealand Overseas Investment Office, since it did not comply with particular requirements. Nevertheless other Chinese investors have shown their interests now (Sedgman, 2011).

Although one may argue that agricultural land in these contexts is less a social safety net for the rural populace than in 'developing' countries, the fact is that foreign land acquisitions intrudes a nation's land sovereignty. Specifically that is, what campaigning citizens in both Australia and New Zealand refer to. The fact that these investments are furthered too, show that there may not be that much differences with investments in Africa, Southeast Asia or South America, in the ways these are pursued.

### **Towards credible land governance: local driven, 'context-conditioned' foreign land investments?**

We do not have to reiterate how China's land acquisitions may impact the grassroots level. As mentioned, impacts may widely differ, let alone that perceptions of 'the' rural populace. Although NGOs frequently report on local discontent and some signs of local contestation against Chinese land investments, the impact of these protests appears difficult to visualize. China's intended land investments in the Philippines, Kazakhstan and Australia raised more open protest and debate, than for example Chinese projects in Africa.

How to explain these developments, and how effective are protests? Is it that some are proactive, whilst others reactive? While the proactive uprisings in the Philippines and Kazakhstan resulted in suspended deals, the investment of IKO Ltd. was only followed by what could be called 'everyday forms of peasant resistance' (Scott, 1985). We see all but few only covert signs of protest in for example African countries and Myanmar, Cambodia and Laos. Seemingly civil society in a few countries have more capacity to mobilize larger protests, and as such have more bargaining endowments (Vermeulen and Cotula, 2010). Some civic groups have acted in a proactive way, and called upon their authorities to intervene in or stop the negotiations. Nevertheless as described in the above, in Australia Chinese investments 'escape' from official governmental and public notion too.

For one thing, the current governance of Chinese foreign land investments is unable to balance priorities and rights of all actors involved; notably the voices and concerns of less powerful groups are not heard. Although we cannot base our conclusions on profound case study analyses, we pose that there is an evident absence of a credible institution that regulates foreign land acquisitions. In most cases, local inhabitants are not consulted, not informed prior negotiations, and experience alterations in their livelihoods once investments are implemented. Although eventual impacts of investments on grassroots levels are, to reiterate, not one-sided and difficult to determine at hand, fears and disapproval of the rural populace prove most often powerless to alter land deals. Overt or covert protests; both frequently lack significant power to call upon a government or Chinese investor to cancel an investment. It is the particular setting which seemingly is decisive for protests to have an effect; at first sight it is not the Chinese investor that is touched by any protest or boycott.

Local contestations signal that the current governance of Chinese land acquisitions is undemocratic and not credible. Are Chinese investors than escaping general systems of

governance? We reach the conclusion that governance as it stands fails. We should move towards new systems of global governance.

What should be the answer? The voluntary guidelines recently created by the FAO (2010) appear powerless to date – importantly not only in regulating Chinese investments – and are as such an ‘empty institution’ which lack the capacity to regulate foreign land concessions. They are not created by and with the people who are in the midst of these land concessions, but more importantly, they are not adhered to by governments and private companies. In those cases where local societies are more actively involved, might there be a more legitimized outcome?

As mentioned, we do not argue that by virtue of credible governance, foreign land investments would not take place at all. The outcome of credible governance is highly context-specific. Optimal outcomes might be unachievable, and are not universal. We need to look at the local context to determine if and how foreign investors may enter the grassroots level (Ho, 2009).

This may tell us how Chinese land investments could suit local conditions.

Credible governance should provide a level playing ground in which all actors involved have an equal chance to express their needs, preferences and concerns, and therefore may result in a more sustainable outcome on the ground.

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