

The Diverse Facets of Land Grabbing with Special Reference to the Middle East

Nasim Barham

For decades, rural areas in the developing countries have been marginalized and subject to rural migration, poverty, unemployment and instability. Land has been neglected due to lack of investment capital and insufficient markets in terms of low return on capital and tough competition. However, recently, agricultural land in the less developed countries has witnessed an unprecedented transition. This article discusses this transition and the related phenomenon known as “land grabbing”.

The food crisis of 2007 / 2008 and its lingering effects, such as the collapse of the international cereal markets and unexpected increase in food prices, were the trigger behind the emergence of “land grabbing” as a new phenomenon in many developing countries. Land grabbing refers to large foreign investments in agricultural production, mainly in Sub-Saharan Africa and South East Asia. The investments include, *inter alia*, large scale land acquisition.

This phenomenon caused a barrage of reactions and disputed views. Much needed investments, know-how, the generation of new jobs and secure food supplies for the poor are some of the benefits concerning land sales. In contrast, arguments opposing the phenomenon are that rural inhabitant risk marginalization just as they risk losing their basic livelihood, in addition to the risk of severe environmental damages.

In 2007 and 2008 many countries in the Middle East with limited arable land and water or with a large population witnessed food shortages causing high cereal prices. The food price spike led to the so-called “Bread Revolutions” resulting in a number of casualties.

In the following article, “land grabbing” will not be considered a uniform type of foreign investment. Rather, it will be discussed as diverse foreign investments with multiple effects and consequences.

Land grabbing as a new phenomenon to secure food and energy

The immense increase of the world population, particularly in the developing countries including the Middle East, has increased the need for basic food staples. Due to restrictions put on food export by some producing countries like Russia, Argentina and Vietnam as a result of bad weather, the cereal markets collapsed in the years 2007/2008 which induced many countries to find new ways to secure their sustenance (Suedhoff, 2009). The former food security methods such as self sufficiency, the virtual water approach, food aid and food import became altogether insufficient.

“Go abroad to produce” has been considered a last resort for countries suffering from food shortage. China and India, for instance, have already utilized almost all their arable land for agricultural production. The Arabian Gulf States are the least well endowed countries in terms of water and land (Allan, 2002: 41). Both regions found the available lands in Africa, and elsewhere, a good option to secure food for their peoples.

Furthermore, excessive fossil oil demand caused unaffordable price increase as well as severe environmental damage. The shift to bio-fuel becomes reasonable in terms of cost and environment. New corporations seeking lucrative profits allocated their investment in agricultural lands in the developing countries to speculate and to gain high profits by rising food and energy prices (Bickle et al, 2010).

Therefore, motives behind foreign agricultural investments vary regarding to the needs of the involved countries. But during the world finance crisis, there has been a tendency to present the needs as *sin qua non*.

Target countries have some features in common: lack of capital and/or technology. The African continent and especially the area south of Sahara, have received most for-

eign investment in the shape of land grabbing due to their unused arable land and water availability. However, East Europe and South Asia are in need of capital, too, albeit to a lesser extent. The extent of capital shortage is one of the factors determining the terms of land grabbing.

Despite the enormous development in transport means, the distance between the home land of investors and the target countries still counts. The Gulf States, for instance, mainly invest in sub-Saharan Africa, Sudan, Ethiopia, Mali, Tanzania and Kenya; other countries such as Indonesia, the Philippines and Pakistan rank as secondary. Brazil prefers investments in Latin America (Bolivia). Africa remains the main investment continent for China, India and Korea (von Braun and Meinzen-Dick, 2009).

The volume of the acquired land is not clear due to the secret contracts between host countries and investors and the exclusion of allocation contracts that amount to less than 1000 ha. A recent report (2011) published by the UN Committee on World Food Security (CFS) in Rome estimated the scope of the land subject to negotiation by international actors between 50 and 80 million ha (CFS, 2011:8). The estimated areas involved in large-scale land investments in 27 African countries reached the volume of 51 – 63 million ha up until April 2010. The worldwide area reached more than 80 million ha (Committee on World Food Security, 2011: 15).

The size of single cultivated farms is large and exceeds in some cases 500,000 ha (farms smaller than 1000 ha are not included in the world statistics) (see table 1).

Table 1. Large land acquisitions in selected countries, 2004 - 09

Country	Number of projects	Area (000 ha)	Median size (ha)	Domestic share of area (%)
Cambodia	61	958	8,985	70
Ethiopia	406	1,190	700	49
Liberia	17	1,602	59,374	7
Mozambique	405	2,670	2,225	53
Nigeria	115	793	1,500	97
Sudan	132	3,965	7,980	78

Source: World Bank, 2011

In March 2012, Saudi Arabia bought a 2 million ha land in Sudan. The area will be considered a “free zone” where the Sudanese laws are not applied. In 2009, Saudi Arabia signed a deal with Tanzania for 480,000 ha. China, as another example, cultivates 988,000 ha in Indonesia (Food & Water Watch, 2009: 2).

The terms of the leased land varied due to various factors. One of the main factors is the constitution and laws prevailing in host countries. Agricultural investment takes the form of leasing in those countries where land ownership is prohibited to foreigners

and vice versa. Land leasing contracts vary between 20 – 50 years, yet they could be extended to 99 years.

The price or the rent of land in Africa lures international investors to buy or lease large farms. The rent in Ethiopia, for instance, is less than US\$ 2 per ha annually and could exceed \$13.8/ha in the case of Cameroun. The competition among investors causes soaring prices which could reallocate the agricultural foreign investments. Cuffaro and Hallam (2011) labeled the phenomenon as “*new*” in terms of the actors (private companies and state funds from the South), absence of multinational corporations and terms of contracts (long-term leasing, resource seeking, lack of transparency etc.).

Land grabbing could be approached as globalization of the periphery (rural areas) due to its production integration through direct export to global markets and import of intermediate inputs. It is certainly a novelty that Africa is offering a solution to an increasing food shortage instead of being a problem for the world (Daniel, 1999:29).

Foreign investment and development of home countries

Agricultural land in the developing countries has been subject to partition based on inheritance that leads to subdivision and fragmentation of family’s land property in small parcels allowing just subsistence farming with hardly surplus to improve living standard. Partition and fragmentation of agricultural land is more severe in the countries with high population growth rate. The Middle East countries are a good example of this development which obstructs the possibility of large-scale production and the achievement of economies of scale. As directly opposed to this development, agricultural foreign investors create “giant industrial farms” functions as a panacea to land fragmentation and as export-led cultivation (Food & Water Watch, 2009: 2). However, the repatriation of food production to the homeland of the investors and agricultural investments improve the global food market and lead to decreasing market prices which benefits the whole world. This has been the case of the cereal market the past two years.

The approached land for acquisition was used in an extensive and traditional way with low productivity. 88% of the holdings farms in Asia have a size of less than 2 ha (Tran-Nguyen, 2010: 3). Only 2% of the land in Central Africa was irrigated (Food & Water Watch, 2009: 3) and the average size of holdings is less than 0.3 ha per person. Therefore, land acquisition of large areas could be seen as a land reform which puts an end to the land fragmentation.

The lack of the main production factors such as capital, knowhow and organization hindered a proper utilization. This is why the livelihood of the people in the receiving countries is vulnerable.

Foreign investments were badly needed. Transfers of technology, secured food sources, creation of jobs to alleviate unemployment and poverty and improvement of infrastructure (transportation and warehousing) were among other expectations of the receiving countries. It is expected to be a win-win deal for both recipient countries and investors (Kovalyova, 2009, cited in Daniel, 2011).

Indeed, agricultural corporations and state funded entities improved the infrastructure of the rural areas where they invested. Foreign investors committed themselves to

supply the local markets with at least 30% of their production (Bickel, et al 2010: 5). Libya, for example, constructed a water canal in Mali as part of the contract to lease land in the country; Qatar offered the building of a deep sea port in Kenya (US\$ 3.4 billion) in return to 40,000 ha land (Laishley, 2009: 1).

Agricultural investments of the Arab Gulf States, including Saudi Arabia depend entirely on the employees of the host countries. Working in agriculture is not attractive for the people of Gulf States. The Chinese model which aims at employing Chinese on the leased farms has been rejected by most African countries. Therefore, agricultural foreign investment should be evaluated due to the practiced models.

Analyses by scholars, NGOs, International Organizations on foreign agricultural investments are negative in general. Unfortunately, foreign investments are mixed with effects which are not related to foreign investments such as urbanization, pollution, deforestation, overuse, misuse etc. Hunger, malnutrition, landlessness, dispossession of small farmers and agricultural repatriation are not new phenomena. They existed before and are likely to remain even after the introduction of land grabbing.

Exaggeration of “the negatives” is undertaken mainly by egalitarians and ethicists or by NGOs and even scholars to draw more attention and, maybe, to expand pools and funding.

Sure, there are some environmental and social consequences of foreign investments. Sudan and Ethiopia which receive food grants despite the abundance of land and water are good examples for the negative effect of aid provided by developed countries. They will receive a part of the produced food from the new investors which could be considered a learning process for the local communities.

Codes of conduct and terms of contracts between investors and the governments of the host countries could be improved to the benefit of the latter. One of the most important points is the shortening of the land-leasing period to have the chance to revise the negative impacts.

Food security in the Middle East

Food crises in the Middle East could be referred to water and land scarcity on one hand and to food waste on the other because all Arab countries depend on food import or food aid to meet the needs of their people. In this regard, the focus of this article will be limited to agricultural foreign investments abroad.

Agricultural foreign investment is practiced by just a few countries in the Middle East. They are the cash-rich countries, mainly the Gulf Cooperation Council (GCC) which consists of Saudi Arabia, Kuwait, Qatar, Oman, Bahrain and United Arab Emirates and to a lesser extent Libya, Egypt and Jordan.

In the 1980s, the Gulf States, mainly Saudi Arabia, started to subsidize local farmers to produce cereals and fodders. Within a short time, Saudi Arabia became the main cereal exporter of the Middle East. The used water amounts were tremendous and exceeded in many years 18 billion m³. Other countries imported their needs within the frame of the so called “virtual water”.

Water shortage, environmental degradation and high costs of production induced rethinking of food self sufficiency. As a result of this, Saudi Arabia plans to phase out the agricultural production by the year 2016.

The food crises of 2007/2008 triggered the agricultural foreign investment to secure the food demand. In 2009, Saudi Arabia established "The King Abdullah Initiative for Saudi Agricultural Investment Abroad (KAISAIA) to support the private sector investing in large-scale lands. For this purpose the Saudi Company for Agricultural Investment and Animal Production, as part of the mentioned initiative, with a capital of US\$ 800 million was established (Tran-Nguyen, 2010: 12). The Saudi private company, Saudi Star Agriculture Development PLC, owned by a Saudi-Ethiopian billionaire, Al Amoudi, leased 10,000 ha land in Ethiopia for US\$ 9.42 per ha to plant rice for export. The company plans to invest further US\$ 2.5 billion by the year 2020. 50% of all investments in agriculture in Sudan came from the Arab countries (Bayoumy, 2009: 1). The following Table (No 2) highlights the Arab investors' country of origin, receiving countries, acquisitioned land area and land use.

Table 2: Arab agricultural foreign investments

Investor country	Target country	Area (ha)	Land use
Saudi Arabia	Sudan, Egypt, Tanzania, Indonesia, Ethiopia,	5,520,000	Rice, wheat, barley, vegetables, animal feeds
UAE	Sudan, Ethiopia, Pakistan	707,000	Corn, alfalfa
Egypt	Sudan	526,000	Wheat, maize. Sugar beat
Libya	Mali, Ukraine, Liberia	364,000	Rice
Kuwait	Sudan, Kenya	170,000	Rice
Qatar	Sudan, Kenya, Philippines	140,000	Fruit, vegetables
Jordan	Sudan	25,000	Live stock, crops
Bahrain	Philippines, Turkey, UAE	10,000	Agro-fishery

Source: http://na.unep.net/geas/newsletter/images/Jul_11/Table.png

The figures in the table do not include all foreign Arab investments. The Arab newspapers report all new investments. Despite these large investments, a food gap remains in the Middle East and food import is inevitable so far.

Conclusion

In a time when food production is under the increasing pressure of demand, developed countries tend to cultivate less land than ever. On the contrary, developing countries, mainly south of the Sahara are witnessing an unprecedented agricultural investment. Three groups of investors could be identified: Over-populated countries such as China, India and South Korea, limited land and water countries as Arab Gulf States and the developed countries in need of energy resources like USA, Germany and Sweden.

Agricultural investments are concentrated in developing countries and less in the East European countries. Sub-Saharan Africa attracts most investments due to its huge land reserve and abundance of water.

Despite the negative aspects of the large agricultural investments in developing countries, dispossession of the local population especially, agricultural production would benefit the global food security and lead to decrease the cereal market prices short term. The negative aspects could be tackled by improving the terms of contracts between the host countries and the investors and through more involvement of local businesses in joint ventures. Host countries could ask for bigger shares of the production and employment of the local population. Also, the time span in the contracts could be shorter.

The competition between food produced by developing countries and fuel which is the main motive for investors from the developed countries (estimated at 36 million ha in 2008) is arguably the main problem facing the global food production.

The actual aggressive efforts to develop renewable energy sources and shift to electrical (or hybrid) means of transportation could be one of the possible solutions to the mentioned competition.

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