

UNCLE GUIDO'S FACTS



"Whenever I go into a restaurant, I order both a chicken and an egg to see which comes first"

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WEDNESDAY, FEBRUARY 6, 2013

Foreign Leasing of Agricultural Land In Africa–A Good Thing

I have recently written an article on Chinese investment in Africa (*The Chinese in Africa – A Good Thing* <http://www.uncleguidosfacts.com/2012/06/chinese-in-africaa-good-thing.html>) in which I describe how the Chinese have been at the forefront of economic development assistance on the continent largely because they have concluded mutually beneficial arrangements with host governments. In Angola, for example, they have exchanged a favorable oil price for the construction of roads and infrastructure – a deal which satisfies both parties – and which involves none of the cumbersome ‘conditionalities’ imposed by the United States, other international donors, and the World Bank.

These agencies have insisted on political and financial reforms as a condition of loans and grants, but governments consider them unwanted intrusions in the affairs of state and do not comply with them. While there is no doubt that most African countries need such reforms, they have not done so under the pressure of international donors who need to lend money. The Bank, under pressure to move money out the door, and whose loan officers are evaluated on their ability to keep it flowing, has a long history of forgiving non-performing loans if they see the potential for future progress; and the USAID, under similar pressure to keep the grant sluice open as a way of winning and keeping political friends, cares little if the reforms it proposes are actually implemented.

The United States has cried foul, of course, and has engaged in sour grapes China-bashing. Only America, crows the State Department, really cares about people, democracy, and market reform; and China is simply a soulless, uncaring business machine.

Nothing could be farther from the truth. In Angola the Chinese not only agree to build infrastructure but they bring over their engineering talent and their disciplined, hardworking laborers to do the work. Rather than rely on unpredictable local labor with no work ethic and little experience, the Chinese simply do it themselves, and do it quicker, more efficiently, and properly. While it is true that African laborers do not benefit from the many employment opportunities in large public works projects, they benefit indirectly from improved roads, ports, and bridges which enable the more efficient flow of capital.

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The criticism that countries like China simply take and leave nothing is patently untrue.

China has indeed begun to put down substantial agricultural roots on the African continent. China's investment in Mozambique illustrates both its commitment to the agricultural sector and the diversity of Chinese investment in Africa. Through a series of agreements, China has pledged \$800 million to modernize Mozambique's agricultural infrastructure and has financed the building of a dam and canal to bring water to arable land. Additionally, at least 100 Chinese agricultural experts are stationed in several research stations within Mozambique, working with local groups to increase crop yield and otherwise improve the performance of the agricultural sector. (*Asia Times Online*)

Even if one does not accept this argument, another equally potent one – although a geopolitical and not local one – is that the better China can feed its millions of people, the more stable and economically productive it will be, and a more equal partner in world trade

Despite all the scaremongering, China's motives for investing in Africa are actually quite pure. To satisfy China's population and prevent a crisis of legitimacy for their rule, leaders in Beijing need to keep economic growth rates high and continue to bring hundreds of millions of people out of poverty. And to do so, China needs arable land, oil and minerals. Pursuing imperial or colonial ambitions with masses of impoverished people at home would be wholly irrational and out of sync with China's current strategic thinking (*Asia Times Online*)

Perhaps most importantly of all, the people of the countries with which China has made these barter deals are happy with the arrangements:

China's role is broadly welcomed across the continent. A 2007 Pew Research Center survey of 10 sub-Saharan African countries found that Africans overwhelmingly viewed Chinese economic growth as beneficial. In virtually all countries surveyed, China's involvement was viewed in a much more positive light than America's; in Senegal, 86 percent said China's role in their country helped make things better, compared with 56 percent who felt that way about America's role. In Kenya, 91 percent of respondents said they believed China's influence was positive, versus only 74 percent for

Agriculture has been the flash point for Chinese-American controversy. Many 'progressive' critics have complained that when Chinese companies lease agricultural land from poor African countries then export the products back to China or to other countries on the world market, they are engaging in the worst sort of exploitation. Nothing, however, could be farther from the truth. The countries in which this agricultural leasing is taking place have allowed valuable, arable land, sit idle. Ethiopia, for example, has been politically corrupt, engaged in unnecessary wars (with Eritrea over an insignificant patch of land), and economically, financially, and politically dysfunctional. In other words it has neither the capacity, the will, or the ability to do anything with that land. Why shouldn't the land at least be developed (look at it as infrastructure creation) and the leasing revenues come to government coffers?the United States.

In an article in the *New York Times* (2.6.13 *Michael Kugelman*), the author cites a number of reasons why these agricultural investments are a bad thing – they do not create jobs, land is kept for speculation, investments are made in conflict zones, farmers are forcibly removed from their land, etc. While these criticisms are legitimate, only a few apply to the Chinese – such as using Chinese rather than African labor – and as I have suggested above, the final benefits of a rebuilt or new, primary infrastructure far outweigh the low wages paid to local workers. All other criticisms do not apply. The

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Chinese, as above, do not sit on the land waiting for values to rise. They need the grain to feed their citizens. They are too smart to go into potential conflict zones. On the contrary they go into *post-conflict* countries like Angola and Mozambique where the needs are greatest.

In conclusion Kugelman exhorts countries to stop these 'exploitive' practices, and disingenuously cites the examples of Argentina and Brazil, economic powerhouses which have the resources, the government, and the luxury of considering factors other than bottom-line investment:

In theory, host countries could limit how much land can be acquired by foreigners, or require that a minimum portion of harvests be sold in local markets. Argentina and Brazil have announced measures to limit or ban new land concessions. But investors use their wealth and their own governments' power to impede regulation. Host governments should establish better land registration practices and enact safeguards against the displacement of their citizens. The World Bank and other international entities must ensure that their development projects are free from the taint of exploitative practices.

It is time to expunge such plaintive cries for a more just, equitable, and progressive world from American rhetoric. The African countries where China is making investments are getting a good deal because they are so inept, corrupt, and inefficient. If they were more like Brazil and Argentina they might be able to look more to human rights and a more equitable distribution of resources. They are not, and the Chinese deals are the best we can hope for.

POSTED BY RON PARLATO AT 4:45 AM

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