

Back-to-Office-Report

Workshop: Large-scale Investment in Agriculture and Land Opportunity and Risk for Food Security 15 October 2009, Bern¹

Background

In the aftermath of the 2007–08 food price crisis a wave of large-scale acquisitions of land in developing and transition countries emerged as a new type of foreign direct investment (FDI). Capital-rich countries with high food consumption, such as South Korea, China, or Saudi Arabia are seeking to establish large production projects in low-income countries which are rich in natural resources such as Mozambique, Ethiopia, and Sudan. The most prominent example is the US\$6 bn project which was envisaged by Daewoo Logistics of South Korea. Almost half of Madagascar's mainly fertile land was targeted by the company with a view to producing, e.g. half of South Korea's maize import needs. The dominant players here are governments which act as investors through government-backed companies or sovereign wealth funds. This type of investment is only part of a wider trend towards increasing demand for land. Apart from states' interests in food security, is a growing economic interest in areas such as agro-fuel production, fibre production, tourism, mining, and exploitation of ecosystems. In terms of financial services, there is a new trend towards investment funds for agricultural production and related issues.

These tendencies carry both risks and opportunities. On the one hand, such investment initiatives could lead to significant harm. The traditional understanding of FDI is that it nurtures investors' interests and ignores host countries' requirements for investment flows to be channelled in such a way as to serve public interests and sustainable development.² As governance capacity in most developing countries is

¹ See www.world-food-dialogue.ch

² *Carin Smaller and Howard Mann, A Thirst for Distant Lands: Foreign investment in agricultural land and water (2009), iisd working paper, available at www.iisd.org; Luke Eric Peterson, Human Rights*

weak, investments are not flanked by a regulatory framework protecting public interests and human rights. Thus, increasing food insecurity in host countries, prevention of livelihood, violation of human rights (land rights, displacements), and environmental degradation may pose – as various examples suggest – a potential and actual risk. On the other hand, there is tremendous need for new investment. Huge amounts of land lie idle, with poor farmers living on the edge of a dignified existence, because they lack the technology to exploit this land efficiently (e.g. irrigation in Africa). This is why there seems to be a consensus that if FDI in agriculture takes place within a carefully designed and culturally, socially and environmentally responsible framework and comes with new technology, business lines, infrastructure, employment and educational opportunities, the overall effect of FDI could be positive. The challenge is to balance the legitimate interests of investors against the public interests of the host state so as to make investments profitable for both.

In this context, the SDC (Swiss Agency for Development Cooperation) has made one of its priorities the access of small-scale farmers to land and resources. The focus lies on elaborating and improving appropriate national and international legal frameworks, promoting alternative sustainability-oriented investment models, and identifying best practices through a business dialogue. Key objectives are to improve the respect for the right to food, to improve transparency, to empower civil society groups and to increase the governance capacity of developing countries. The SDC works closely with the International Land Coalition (ILC), which has initiated a global network in this field. The ILC established a research network on “Increasing commercial pressure on land” with the objective of increasing knowledge about actual problems and good practices.³

Objectives and Outcome of the Workshop

The objective of the workshop, which was organised by SDC and co-financed by the Federal Office for Agriculture (FOAG), was to initiate a dialogue and link civil society groups, government departments, research institutes and the business community in this field, by presenting their work, and raising the subject through informative presentations and animated panel discussions. Around 100 experts with various backgrounds participated in the workshop. The participants included representatives of various NGOs (e.g. SWISSAID, Swiss Farmers' Union, Bread for all, World Vision Schweiz, 3D), media (e.g. Al Jazeera), academia (University College London, London School of Economics, ETH Zurich, NCCR North-South, NCCR Trade Regulation) representatives of the private sector (e.g. Syngenta and various investment and consultancy firms), government representatives and inter-governmental organisations (e.g. SECO, Swiss Agency for Agriculture, FAO). Presentations were given by SDC and ILC, by the Director of the Swiss Federal Office for Agriculture (FOAG), Bern, by the President of the Swiss Forum for International Agricultural Research (SFIAR), by the International Institute for Sustainable Development (IISD), and a Swiss based investment fund (EBG Capital). A lively discussion was

and Bilateral Investment Treaties. Mapping the role of human rights law within investor-state arbitration (2009), Rights & Democracy, available at www.dd-rd.ca.

³ http://www.landcoalition.org/pdf/09_05_CPL_Initiative_full_version.pdf;

http://www.landcoalition.org/cpl-blog/wp-content/uploads/09_07_cpl_discussionpaper.pdf.

generated through a panel composed of NGOs (Swissaid, International Union of Food) and business representatives (EBG Capital) who responded to questions from the audience. Controversial focal points of the discussion were problems involved in FDI in agriculture with regard to labour rights, problems of land rights and displacements of people, the regulatory space and interest of governments, best practices in investment, the business interest in regulation, a moratorium on FDI in agriculture to gain time to establish better regulatory frameworks, win-win investor-state perspectives, the needs of “good” investment, the tendency of large-scale-investment as profitable investments, and development-friendly ways of small scale investments, and linking both, sustainability impact assessments as a means to identify and explore best practices. The workshop continued with discussions in small groups and outcome presentations on questions such as challenges at the international and country level, concrete actions to be supported first, main partners, and coordination needs. The overall aim of this exercise was mutual acquaintance and future cooperation amongst the workshop participants. It created fruitful links and awareness, connecting government entities and organisations, the private sector, NGOs and research. NCCR Trade Regulation was represented by Work Package 4 (Christian Häberli), Work Package 6 (Simone Heri, Elisabeth Bürgi-Bonanomi, and Katja Gehne) and Work Package 1 (Katja Gehne) to explore potential cooperation and demand for policy advice in the fields of FDI in agriculture, trade in agriculture, bio-fuels, labour rights, sustainability impact assessment, CSR and human rights.

General conclusion: there is a lot to do.

Conference documents and conference notes are available on request.

Katja Gehne
Bern, 21 October 2009