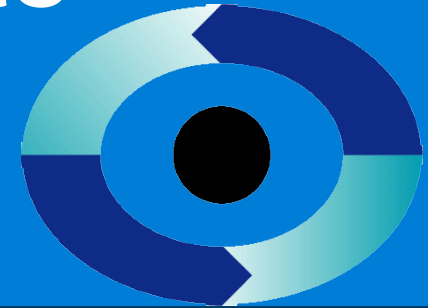


The World Trade Institute

Bern, Switzerland



Grab the land for more food security

The Fourth International APEDIA Conference
on Sustainable Land Use in Africa

Presentation Christian Häberli
PhD, Senior Research Fellow
(Hawassa, 29 November 2012)

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Feeding 9.5 billion people in 2050: Who? How?



Kleinbäuerin Alefa Soloti jätet Unkraut in ihrem Sesamfeld im Süden Malawis. Maschinen ernten Soja in Tangara da Serra, Brasilien.

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FAO – The state of food insecurity 2012

- ❖ The Millennium Development Goal (MDG) target of halving the prevalence of undernourishment in the developing world by 2015 is within reach.
- ❖ “Only” 870 million people chronically undernourished in 2010–12 – but even this lower number of hungry people remains unacceptably high.
- ❖ To accelerate hunger reduction, agricultural production and economic growth need to be accompanied by purposeful and decisive public action. An improved governance system, based on transparency, participation, accountability, rule of law and human rights, is essential for the effectiveness of such policies and programmes.

My questions

- I. Food security: what is the issue?
- II. International rules: What's wrong with the food security tools?**
 - (1) Foreign Direct Investment**
 - (2) Trade-related issues
- III. What can be done?

I. Food security: what is the issue?

1. Causes, impact, needs
2. Definitions and context
3. The food security toolbox

Cyclical and Structural Causes of the 2007-08 food crisis: Business as usual?

Cyclical causes

- droughts and floods
- low stocks
- currency fluctuations
- export restrictions
- speculation (?)

Structural developments

- demography: the 9bn challenge
- „tigers eat meat“
- water, energy, and phosphor „peaks“
- climate change

Food crisis after oil crisis and before financial crisis:

 What's next?

Double Negative Impact on Net Food-Importing Developing Countries (NFIDCs)

Will prices remain high? Structural turnaround?

The end of cheap food (less international food aid, export subsidies and price support in rich countries):

- Hunger strikes millions without purchasing power
- Urban poor without means to satisfy other essential needs (health, housing, schools)

 good news for poor farmers?

Not really, because the rural poor lack „**supply response**“ (capital, inputs, technologies) to produce more food – and now become **land grab victims**

Definitions and Context

- ❖ Food Security is defined as “*when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life*” (FAO)
- ❖ Three pillars of food security (WHO): Food availability, Food access, and Food use (+ adequate water and sanitation)
- ❖ My simple calculation: National Food Security = Domestic Production + Trade (+ Stockpiles)
- ❖ Diverging situation and interests at the global, national and household levels

Food security-related policy tools for **investment** and trade

Tariffs, quotas, safeguards, **insurance**, **commodity exchanges**, **futures** and other hedge instruments, **investment** and **production credits**, **export restrictions**, stockpiles, **social policies**, (small) **farmer support**, **trade** and **investment agreements**, (staple) food support, **biofuels**, **biotech**, input subsidies, trade promotion, research&development, **(foreign) investment incentives/contracts/protection**, **infrastructure support** etc.

➡ **How to use the toolbox for more food security?**

II(1) Investments

« Shop for land abroad for growing crops to meet consumption needs! » (Hooda Committee/India, in Carmodi 2013)

- News from the battle front
- Impact, Issues
- Human rights
- International investment law

‘Land grab’ features

Transnational large-scale agricultural land acquisitions (von Braun, Cotula)

- Main investor countries are in three groups: emerging economies, Gulf states, and Europe and North America.
- Sovereign Wealth Funds, MNEs and individuals
- Evidence of increasing south-south, intra-regionalism and domestic investment.
- It appears that some African countries have recently cancelled all deals (ECA *dixit*)

“Global land rush” increases but slower pace

- Reports of 1217 agricultural land deals, 83.2m ha, 1.7% of the world's agricultural area, 754 deals covering 56.2m ha or 4.8% of Africa's total agricultural area (= Kenya). Status often unclear!
- 11 countries = 70% of the targeted surface, 7 in Africa (Sudan, Ethiopia, Mozambique, Tanzania, Madagascar, Zambia and DRC)
- Target countries are among poorest, poor integration in world economy, high hunger incidence, weak land institutions, locations often in densely populated, cultivated areas, and forests (cf. Anseeuw et al 'Transnational Land Deals for Agriculture in the Global South' (April 2012), and Land Matrix website)

Agricultural Investment Issues/1

Impact on food security (investor and host country)

- Distrust of markets after 2008 lead to massive foreign investment increases in agriculture (or non-economic domestic production) to secure supply
- Local farm land: low value, productivity, and protection
- Investment contracts with host states: incentives and stabilisation clauses (*regulatory chill*): «over-protection and under-regulation»
- Lack of transparency e.g. EITI

Agricultural Investment Issues/2

- Production of food, feed, fibre, fuels – mostly for export: But what about GDP?
- Land tenure rights (including collective and ancestral – and sale prohibitions)
- Mining vs Food Crops (e.g. Peru)
- Cases of local population displacements and human rights violations (e.g. Cameroon, but also Brazil, India, Israel – and earlier USA, Australia, Germany) – what is new?

Political Economy

- The growing productivity and profitability gap between subsistence farmers and cash croppers is probably the main cause for land ownership changes – whether legal or not.
- FDI contribution to host state food security is, at best, incidental – also depending on incentives.
- An empiric counterfactual: comprehensive *ex ante/ex post* assessments of investment projects.

Are small farmers part of the problem?

- 50 years of lip-service or wrong support, R&D, and investment: Lessons learnt – cry wolf now?
- Cooperatives: «tragedy of the commons»?
- Anti-farmer biases in developing country ag policies (Sen, Binswanger, Deininger, Dessy)
- Race against time and hunger:
 - Land grabbers produce more.
 - Small farmers longtime neglected and discriminated, but protection now can hurt poor (urban) consumers.

 How much longer should less efficient and food-insecure farmers be supported?

FDI vs Human Rights

On the face of it, all FDI is based on a legal investment contract with the host country.

- Are illegal land acquisitions enforceable: Only a **national responsibility of the host state**?
- Do **investor home states** have any responsibility in respect of the behaviour of their investors abroad? Do they violate *ius cogens*?
- What should they and **international regulators** do, if anything?

Fragmentation problems

- Home states ignore their HR commitments e.g. „positive action“ to ensure the Right to Food (ICESCR 11/2).
- If a foreign investor is being sued, or expropriated, by a successor government claiming invalidity of an earlier investment contract because of corruption, that investor might obtain protection under a BIT or under ICSID! (unless the investment contract is cancelled – but by which court? *ius cogens*?)

Home States vs Investment Law

- Traditional BITs (with investor-state arbitration) aim at a maximum protection for investors, regardless of development impact (**exception: Art. 72 EPA EC – CARIFORUM**).
- Home states bound to protect investor interests; often with active promotion, guarantees, concessional finance, and ODA
- No «public interest» clauses
- No conditionalities in approval processes.
- IBRD/ICSID/MIGA connivance.
- OECD, FAO/PRAI etc. act only as *soft law*.

III(2) Trade

- Who wants an even level-playing field?
- International organisations and their failures
- The problem with WTO

International organisations and their failures

International food security governance

1. Are the Four Romans up to their mandate?
 1. FAO: lack of good agricultural practices
 2. IFAD: success stories?
 3. CGIAR: public research only
 4. WFP: \pm politicised/,tip of the iceberg‘
2. Food Aid Convention (FAC/IGC): fake commitments
3. World Bank (IBRD): „under-investment in agriculture“
4. International Monetary Fund (IMF): unused commodity lending facility
5. WTO: Marrakesh Declaration (NFIDC) - never used!

The problem with WTO

Food security as an regulatory challenge

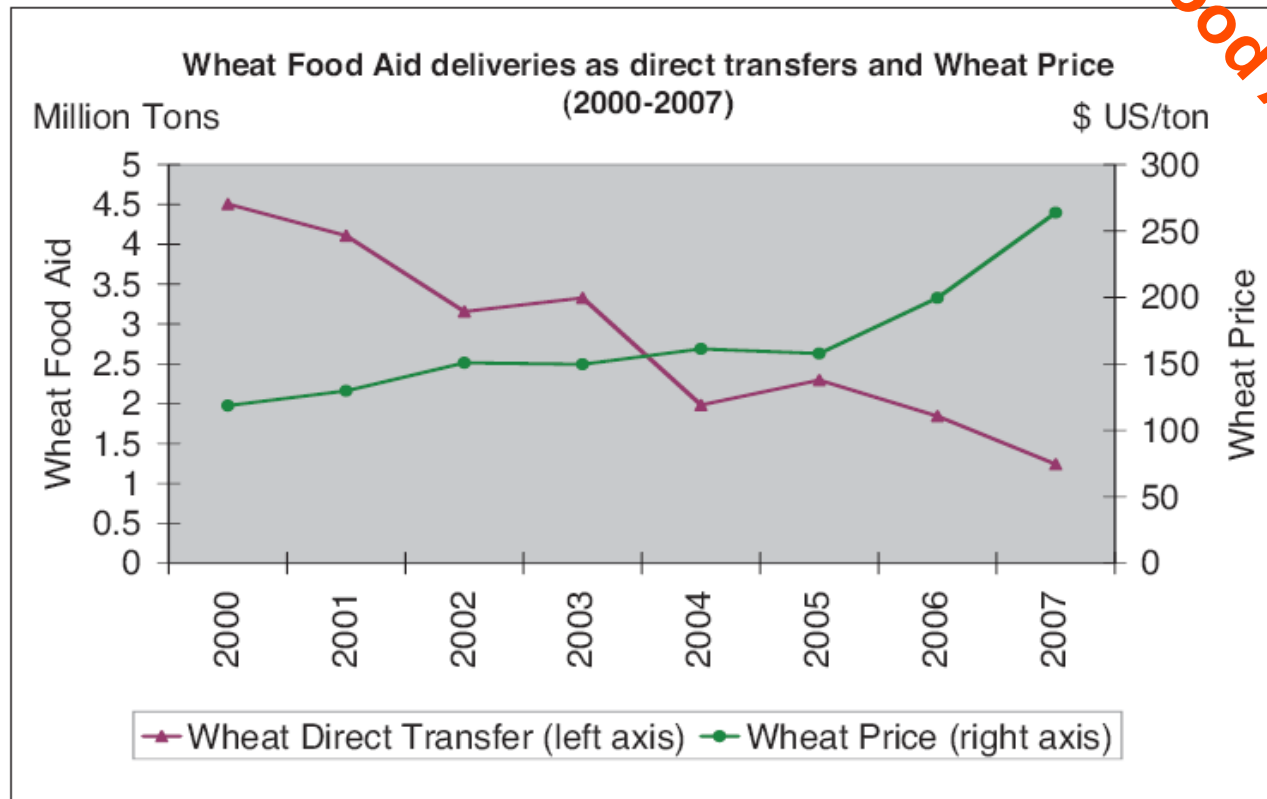
😊 WTO barking up the wrong tree:

Agreement on Agriculture designed to combat artificially low prices and subsidisation – but now food insecurity is due to high prices, the Doha Round has failed, and agro-dumping remains legal – for some!

✌ *International food security governance as the missing key*

Food aid as a trade/competition issue

Figure 2a



Food Aid is taboo in WTO



- No WTO regulation means more local price depression and less (local) food security.
- Quantity (“no decrease”) commitments required.

IV. What can be done?

Two constraints:

- “policy space” vs investment climate
(e.g. *regional standards* or *race to the bottom* (UA, ECA, EAC, ECOWAS, SADC))
- Available options in weak states with unattractive investment climate

International Food Security Governance

1. Fruitless debates (FAO+) between ‘small vs. big’ or ‘GMO vs. organic’ farms, and “more investments”.
 - ➡ What is needed are ‘Good agricultural practices’ and other international standards e.g. Globalgap
 - ➡ Rebuild confidence for better market mechanisms
2. Fruitless attempts (G20+) to control speculation
 1. What is speculation?
 2. What’s wrong with fluid markets?
 3. Trade instruments against price volatility?
 - ➡ Regional (+ virtual? + WFP + national) food reserves
 - ➡ International commodity exchanges: more transparency

FDI

➡ Review bilateral investment treaties, investment contracts, investment incentives and guarantees (regulatory chill/responsibility to protect)

- Add *public interest clause* in BITs, related to investor behaviour.
- Investor home states to test coherence of their commitments, ag trade and investment policies, and assess, support and monitor their investors.
- Host states: Comprehensive food security impact assessment, *ex ante/ex post* of agricultural FDI projects.

Land use and Food security

"It doesn't matter whether a cat is black or white, as long as it catches mice"

(Comrade Chairman Mao Tse Tung)

My general viewpoint:

"Let the one work the land who feeds the world"

Thank you for your attention!



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