

# Land grabbing, conflict and agrarian-environmental transformations: perspectives from East and Southeast Asia

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### Chinese Agricultural and Land Investments in Southeast Asia: A Preliminary Overview of Trends

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## Abstract

As BRICS-led foreign investment in agriculture has increased dramatically worldwide in recent years, China in particular, has begun to secure huge quantities of foreign land as an additional measure for securing future food and energy supplies. While an increasing amount of academic research has been conducted on the expansion of land deals in Latin America and Africa in recent years, Southeast Asian cases are just beginning to receive significant attention and have become the focus of some emerging academic and non-academic research. This paper offers a preliminary overview of some of the recent trends in agricultural and land investments that have developed, which involve Chinese companies in Southeast Asian countries. It also makes some tentative comparisons with other regions, highlighting the differences and similarities arising between Chinese investments in Southeast Asia, Latin America and Africa. The characteristics of five of the most prominent companies investing in Southeast Asia are also discussed and framed typologically in order to ground the discussion of trends at a more micro level. This overview can provide a useful, broader contextualisation for the many recent and on-going case studies that focus either on specific land deals or particular countries in the region. The interplay between public and private (or state and corporate) actors both from China and Southeast Asia, and the circumstances under which these linkages emerge are also explored.

**Keywords:** Southeast Asia; China; agricultural FDI; land deals; regional trends

## Introduction

Foreign direct investment (FDI) in agricultural sectors of the Global South has become an increasingly prominent discussion among academics and policymakers alike during the last few years. Newspapers and online media outlets have also begun reporting on cases of countries, such as China and Saudi Arabia – which have both experienced enormous economic growth in the past few decades – buying or leasing large tracts of farmland across the globe (GRAIN 2008). The public has become increasingly alarmed by such stories, as they are generally cast alongside warnings about food security and shortages spreading across continents. While in the past, FDI into agriculture in the Global South has been engaged mainly in the food-processing sector, the multiple crises (food, energy, climate change, finance) that have emerged in recent years have led to a surge in large-scale land deals intended for the export of food and biofuel crops to investing countries, among others (FAO 2013).

The governments of many countries, which are simultaneously witnessing rapid economic expansion and constraint of their natural resource supply to support such rapid economic growth, believe that their stock of arable farmland may not be able to match the increasing consumption needs of their citizens. They have begun encouraging companies, or directly engaging themselves, in establishing arrangements with other countries to ‘invest’ in their agricultural sectors (Borras and Franco 2010). These investments generally take the form of land deals in which a foreign company – usually backed by the government of its home country – purchases or leases a large plot of land in a host country with the intention of building a sizable agricultural production facility, such as a monocrop farm and/or a food processing factory. There is usually an assumption from the host government and its citizens, that this foreign agribusiness will provide both food crops for the country, as well as employment for local people. Yet, more often than not, the companies not only import their own citizens to work in the factories, they also export the vast majority (if not all) of the produced crops to their home country (FAO 2013; Bräutigam and Tang 2009).

China has garnered a lot of attention as an agricultural investor, as Chinese companies stake their land claims in an increasing number of countries worldwide. Despite China’s remarkable food self-sufficiency campaigns, the expansion of its middle-class in recent years, accompanied by changing patterns in diet in terms of volume and preference, has led to a dramatic increase in demand for old and new consumption goods, especially food. In addition, its cities and industrial developments continue to expand into the surrounding farmland – which was relatively limited to begin with. This has put serious stress on its natural environment – including its water supply, air quality, and the arability of its land. Considering that China has 40 per cent of the world’s farmers and only 9 per cent of the world’s farmland, it is understandable that the Chinese government has made food security a top priority (GRAIN 2008, 3). This trajectory has been made much more feasible by the fact that China’s end-of-2013 foreign exchange reserves were USD 3.8 trillion – an increase of USD 432.7 billion in 2013 alone, and more than double its USD 1.8 trillion 2008 reserves. This means that the Chinese government has a substantial amount of flexible wealth with which to invest in its own food security abroad (World Bank 2014a, 13; GRAIN 2008).

While Chinese land investments in Africa and Latin America have received a significant amount of attention from academics and research organisations during the past few years, the increasing occurrence of land deals in Southeast Asia has appeared much less frequently in discussions until very recently. This is likely due to land deals in the region being previously much less apparent, signifying that the visibility of the trend has increased significantly alongside the growth of many Southeast Asian economies, and subsequently, so has speculation that the value of agricultural land in the region will also increase. Between 2000 and 2012, Southeast Asia began attracting significant attention from private companies and investors – especially foreign – who saw attractive potential in the emerging and frontier (or pre-emerging) markets in the region. Several countries experienced a growth in FDI of

five to ten times – with Cambodia’s rising from USD 149 million to 783 million, and Laos’ increasing from USD 31 million to 350 million in only a decade (IIED 2012, 1). While only a fraction of all incoming FDI is directed toward agriculture, the money aimed at this sector, in combination with forestry and fishing, increased by 66 per cent between 2000 and 2005 alone (IIED 2012, 2). This sudden investment influx has meant that there has also been significant growth in the number of land deals occurring, as companies (both foreign and domestic) forge agreements with national governments to establish new businesses – which promise mass productive output and local employment. Recent estimates show that millions of hectares of Southeast Asian land have been acquired by foreign investors, with official sources highlighting that in Cambodia alone, at least one million hectares have been designated to agriculture and tree plantations since 1992 (IIED 2012, 1).

Building on the above, this paper has a very modest aim: to offer a preliminary overview of the macro trends that are emerging in regard to Chinese-led agricultural and land investments in Southeast Asia. The intention is to offer a broader contextualisation for recently emerging case studies that focus either on specific land deals or particular countries in the region (see the concluding remarks for some examples of such cases). The interplay between public and private (or state and corporate) actors from China and Southeast Asia, and the circumstances under which these linkages emerge are also explored.

Thus, this paper is structured as follows: I) First, a brief discussion of FDI in agriculture, contextualised in relation to international governance issues, including the evolution of the UN Committee on World Food Security’s guidelines for responsible investment in agriculture. II) Secondly, key moments in China’s investment trajectory are highlighted, including its domestic limitations, global expansion, and the subsequent regional trends that have emerged – comparing Southeast Asian investments with those occurring in Latin America and Africa. In order to ground the trends at a more micro level, a typological discussion is also presented, emphasising the five most prominent companies investing in Southeast Asia, their characteristics, and the land deals they are involved in. III) Thirdly, the drivers that are attracting Chinese investors to Southeast Asia are explored, including regional trade relations, ‘flex crops’ and ‘boom crops’. IV) Fourthly, the focus is narrowed to offer a more localised perspective of foreign investment impacts in the region, highlighting the domestic experiences of two particular countries, Cambodia and Thailand.

## **1 FDI and ‘Responsible’ Investment in Agriculture**

Foreign direct investment has been hailed in countries around the world as a saviour for domestic agriculture – seen as a necessary input to keep production afloat when governments are unable to facilitate investment with national funds alone, and an effective strategy for reducing rural poverty. Within the tenets of the neoliberal economic model, foreign direct investment, often in the form of public-private partnerships, is increasingly encouraged and sought out, partly via free trade policies. While investment may transpire in many different forms – such as direct engagement in production, acquisition of land or concessions, or via indirect engagement that occurs when control of commodity supplies is captured through trade – the form that is raising increasing concern among academics, activists and development workers alike is large-scale land deals or ‘land grabs’ (Liu 2014; FAO 2013; Miller et al. 2010). When foreign companies conduct such investments, it often spawns debate in land grabbing discourse regarding issues of national sovereignty and independence. Foreign companies also tend to invest in much larger pieces of land than their domestic counterparts – with most deals involving upwards of 10,000 hectares, and some even surpassing 500,000 hectares (Liu 2014, 7). Land deals of such an immense scale are certainly problematic, as they cause significant percentages of national land to be cordoned off for private use, which consequently forces out local inhabitants and farmers.

The majority of foreign land investments are arguably not conducted in a sustainable or

responsible manner, as the non-transparent, non-accountable character of most deals fail to meet the criteria set forth by the UN Committee on World Food Security (CFS). In the CFS' 2014 report, *Principles for Responsible Investment in Agriculture and Food Systems* (developed from the CFS' 2012 *Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests*), the stated objective is: 'to promote responsible investment in agriculture and food systems that contribute to food security and nutrition, thus supporting the progressive realisation of the right to adequate food in the context of national food security' (CFS 2014a, 4). It also highlights the creation of an enabling environment as an essential element of promoting responsible investment. An enabling environment in this context requires governance structures that are equal and inclusive, which also offer coherent, transparent policies and regulations. Of the ten principles put forward by the CFS, those that focus on employment, land ownership and transparency (Principles 2, 5 and 10) are particularly pertinent to the discussion here, as these issues are generally the most negatively impacted by land deals (CFS 2014a).

As the final draft of the CFS' Principles was only completed in August 2014, its deeper impacts are still unknown (CFS 2014b). The implementation of such guidelines is also problematic, as they attempt to dilute discussions on land deals with strategies for achieving win-win solutions, without sufficiently addressing the deeper structural and political factors at play (see Borras and Franco 2010 for a critique of international 'codes of conduct' for transnational land deals). Furthermore, as voluntary guidelines, governments are likely to implement them only in accordance with their existing trajectories – if they implement them at all. Some countries, such as China, often portray their foreign investment strategies as 'agricultural aid projects' (or simply 'development aid'), but keep most of the details of these projects vague or veiled in rumours – leading to a lot of speculation as to what their actual intentions are (Bräutigam and Zhang 2013, Bräutigam and Tang 2009). While implementing foreign investment under such pretexts, the CFS' guidelines are likely to clash with China's investment agenda. Many researchers have recently raised important criticisms regarding the nature of such activities, pointing out that this type of investment is indicative of a new form of foreign exploitation (see Liu 2014). Some have even suggested that China could be viewed as a 'neocolonial power in the making', due to its intense exploitation of foreign natural resources (see Hofman and Ho 2012, 2, for a more detailed discussion). The following section contextualises China's rise to its current position as a top investor in agriculture globally, by giving a brief overview of its rapid economic growth, domestic agricultural environment, and its transition toward investing abroad.

## **2 China's Investment Trajectory: Exploring New Frontiers**

According to the World Bank, China rose from the world's eleventh largest economy to the third (following the European Union and the United States) between 1990-2008, with GDP growth from 1.6 per cent to 7.1 per cent of the world total. During the last twenty years, its GDP growth rate has been over 10 per cent per annum, while that of high-income<sup>1</sup> countries has been less than 3 per cent (Nolan 2012, 23). The Chinese government appears to have a very calculated trajectory, focusing on developing sectors that produce labour-intensive industrial goods, and has also taken advantage of the fact that the Chinese working-age population includes more than 950 million people – an impressive number compared to 720 million people in all of the high-income countries combined (Nolan 2012, 35).

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<sup>1</sup> The use of 'high-income' here follows the World Bank's classification, meaning those with a per capita Gross National Income (GNI) of USD 12,746 or more. This includes Australia, Canada, the EU, Japan, the United States, and the Russian Federation, among others (World Bank 2014b; Nolan 2012).

## ***2.1 Expanding Beyond Domestic Limitations***

While the benefits of having a massive national workforce are numerous, this also implies having to provide for an immense overall population. In China's case, considering its 1.3 billion citizens and the speed at which it has increased its industrialised production during the last twenty years, questions have arisen regarding how it will continue to produce enough to sustain its own growth (Tilt 2013). Not only will there continue to be significant environmental impacts from industrial emissions and waste, natural resources (namely land and water) will be unable to regenerate fast enough to keep up with the demand. Thus, it is only logical that Chinese wealth has started to be redirected outside of its borders and into areas where productive land is more plentiful, and where investors are welcomed with open arms in order to boost domestic development. A 2009 *Fortune Magazine* issue entitled 'China Buys the World', stated that since 2000, China has spent an estimated USD 115 billion on foreign acquisitions, with its overseas investments doubling from USD 25 to 50 billion in 2008 alone (Nolan 2012, 10).

Today, China continues to obtain a significant percentage of its GDP from the millions of factories that span its countryside, but many of these factories have been sold to private investors. Under private ownership, factory operations often become much less strictly regulated and their environmental impacts are not closely monitored. As a result, outputs and emissions have caused extensive air, water and soil pollution in the surrounding countryside. Estimates suggest that two-thirds of China's total pollution levels are the result of factory emissions, which has led not only to monetary losses, but has also degraded a substantial amount of the surrounding farmland, making it unproductive and relatively useless for agriculture (Tilt 2013, 1149). This is arguably one of the reasons that China has turned its focus toward expanding its agricultural investment trajectory into agricultural sectors abroad, and in many regions worldwide.

## ***2.2 'Going Global' and the Emerging Regional Investment Trends***

The first known cases of Chinese investment in African agricultural land appeared between 1949 and 1999, when ten investments, with a combined total of 11,000 hectares of land, were recorded. During the late-1990s, there were also two cases of land investments in Latin America (Cuba and Mexico) that together comprised between 1,200 and 6,000 hectares (exact number is unconfirmed). However, during the same time period, the majority of Chinese investments were found in Cambodia, where just six land deals made up a combined total of 105,000 hectares (Hofman and Ho 2012, 13). Between the 1950s and 1990s, China was involved in a number of development aid projects in various parts of Africa, intending to establish new political allies and a sense of solidarity with other 'Third World' countries. Many of these projects took the form of small-scale research farms that remained under the ownership of local people and were used for scientific crop research. Thus, during those decades, foreign investment in agriculture was viewed positively in the region and was strongly encouraged by African governments (Hofman and Ho 2012; Bräutigam 2009).

China's mid-1990s 'going global' aid reform strategy, centred on a policy for aid to be 'mutually beneficial' for all parties involved, led to a further increase in investment in African farmland. The strategy's aim was that, in cooperation with African governments, Chinese investors would open up new land for development, establishing agricultural plantations, cultivating breeding technologies, and promoting the benefits of agricultural machinery and food processing – allegedly for the improvement of African food security. However, in the late-1990s, many policymakers began to suggest that this type of arrangement would also allow some displaced Chinese farmers – who had become landless partly due to trade liberalisation and rapid urbanisation – to be relocated to African farms now under the ownership of Chinese companies (Bräutigam and Tang 2009). While this seems to indicate that

China's own future food security was the real focus of these policies – considering the displacement of domestic labour that is caused by the importation of foreign workers – Bräutigam and Zhang (2013) argue that there is actually very little direct evidence to support this speculation. They note that while a few Chinese agribusinesses did obtain African land through the 'going global' programme, there is no concrete data to prove that there is a coordinated effort by the Chinese government to obtain land for food security purposes – highlighting the influence of the media on the perceptions of both policymakers and the general public.

A similar kind of 'aid strategy' is also underway in Southeast Asia, and yet receives much less media attention, despite China being among the top three investors in several countries – namely Laos and Cambodia. Chinese investment comprises 50 per cent of all foreign investment in Laos' agricultural sector, while in Cambodia, Chinese nationals own about 50 per cent of all foreign-owned land concessions (IIED 2012, 3). Intra-ASEAN investment, and Chinese investment in particular, is increasing rapidly in Southeast Asia, likely due to its close proximity, regional trade initiatives, and economic integration, which allow for preferential access to regional markets (IIED 2012).

Africa and Latin America have been the focus of an increasing amount of research on land deals in recent years, and yet much more Southeast Asian land appears to be in question, with many companies navigating around national land acquisition limitations by purchasing multiple smaller tracts of land. Hofman and Ho note that in the whole of the African continent, Chinese companies have invested in approximately 3.2 million hectares, while in just 7 Southeast Asian countries (Indonesia, Papua New Guinea, the Philippines, Laos, Burma, and Cambodia), they have invested in similar quantities of land (2012, 17). In addition, statistics on African cases are problematic because they do not always report the size of *individual* deals, but rather an overall tally of land purchased throughout the region – which, for instance, does not take into account companies like ZTE (a Chinese multinational) singlehandedly investing in three million hectares of land in the Congo (Bräutigam and Tang 2009, 697). A further issue is that various sources present different information on the sizes of the same investments – with more conservative data suggesting African land investments would actually amount to just 200,000 hectares, significantly lower than the 3.2 million hectares reported (Bräutigam and Zhang 2013, 1678-9; Bräutigam and Tang 2009, 697).

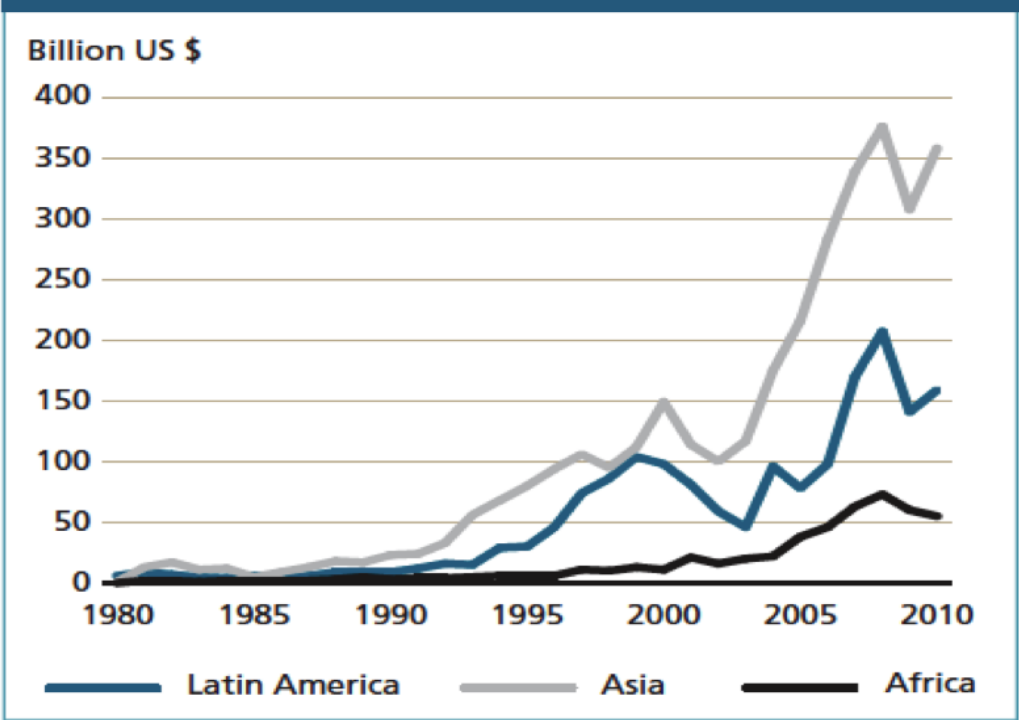
From 2000 to 2008, Chinese companies increased their foreign land investments significantly, mainly in Africa and Southeast Asia – especially around the Mekong river basin. In this region alone (namely Cambodia, Laos and Burma), there were 25 to 30 investments reported – far surpassing that of the entire African continent during the same period. In fact, this data suggests not only that there have been a much higher number of land deals occurring in Southeast Asia, the size of the tracts of land involved also appear to be significantly larger than in other regions (Bräutigam 2009). In the post-2008 period, China began diversifying its geographical reach by pursuing land deals in regions that had not previously been targeted by other large-scale investors, such as Central Asia, Latin America, Eastern Europe and the Pacific. Between 2009 and 2011 alone, Chinese companies acquired 30 to 35 tracts of land, with a combined total of between 350,000 and 2 million hectares (Hofman and Ho 2012, 18). Interestingly, there were only two cases reported in Africa and none in the Mekong river basin, despite the establishment of the China-ASEAN Free Trade Area in 2010 (*ibid.*). Furthermore, investment efforts began to be directed toward agriculture in highly industrialised countries such as Australia, New Zealand and parts of Europe – likely due to the difficulties Chinese companies had faced in seeing their land deals through to fruition in other regions. It is also probable that there was a renewed attempt on China's part to distance itself from the reputation it had garnered as a 'neo-colonialist' by becoming more involved with industrialised and emerging economies, which were considered less volatile (Tan 2014).

In the FAO's 2013 report on foreign investment, it highlights the growth rate of FDI into the three 'developing regions', which since the 1990s has been increasing at an average rate of 14.3 per cent in



Latin America, 15.3 per cent in Africa, and 16.8 per cent in Asia. While Latin America is certainly a popular destination for FDI, most of this is concentrated in Brazil, which acquired more than USD 30 billion in investments in 2010 alone (an increase of USD 8 billion since 2000) (FAO 2013, 16-8). However, even including Brazil, the overall level of investment into Latin America is still considerably lower than the flows into Asia. As illustrated in Figure 1 (below), FDI into Asia began to increase in the early-1990s, and after a brief decline in the early-2000s, it spiked dramatically in the latter half of the decade. Latin America experienced similar highs and lows, but on a much lower level – with a 2007 peak of approximately USD 200 billion, while Asia experienced a peak of USD 370 billion the same year. During the same time period, investment into Africa increased much more steadily, peaking in 2007 at approximately USD 70 billion – which is still more than five times less than the peak experienced in Asia (FAO 2013, 16).

**Figure 1: Trends in FDI flows into Africa, Asia and Latin America (1980-2010)**



Source: FAO 2013, 16 (adapted from UNCTAD 2009)

With a significant percentage of the FDI flows into Southeast Asia coming from China and several of its large corporations, the question remains as to how these investors may be understood in terms of their character, origins and intentions. The following section presents a typological discussion of these companies, which attempts to shed some light on the ambiguousness of their identities and activities in the region.

**2.3 'Typologising' Prominent Chinese Investors**

In 2010, forty-two of the wealthiest companies reported in the Fortune 500 were Chinese-owned. Even during the 2007-2008 Global Financial Crisis, China continued to increase its investments substantially – especially overseas. Since the late-1970s, the nation has maintained a rather experimental economic reform policy that is based on ceding control of small businesses in favour of establishing and supporting larger ones. By the 1990s, the state had relinquished ownership of most small and medium-sized companies in order to foster the emergence of various institutional structures.

This process can be understood as privatisation, but with a somewhat more complex outcome in that the removal of prior state-initiated constraints allowed for entrepreneurship – stifled in the country since the 1950s – to be unleashed in full force (Nolan 2012).

As a classic example of a ‘developmental state’, China’s investments domestically and abroad are characterised by careful planning, intervention and regulation by the state. These investments also involve a combination of public and private interests, composed of state, semi-state and private actors. The ambiguity of who is actually involved in these deals is likely a direct result of China’s economic transition over the last several decades, which created a complicated mix of state, private and hybrid institutions. Thus, it is often not entirely clear as to the extent of the Chinese government’s influence and involvement, particularly on foreign soil (Hofman and Ho 2012). In order to address this ambiguity, Hofman and Ho present five categories of Chinese actors involved in ‘developmental outsourcing’ (via land deals) abroad: First, national companies, or state-owned enterprises (SOEs), which are directly linked to the central government; second, provincial state-owned companies, which are backed by provincial and/or national authorities; third, private small and medium-sized enterprises (SMEs), which mainly exist independently of Chinese governmental control; fourth, financial institutions that enable and extend credit for Chinese investments; and fifth, Chinese expats that are dispatched (usually for two years) in teams by the government to work in agricultural training centres abroad (2012, 10-1).

In the context of this paper, spotlighting the major companies investing in Southeast Asia is a useful way of illustrating their origins and the nature of the particular deals they are engaging in. By compiling and analysing data from the online Land Matrix database (2014), GRAIN’s Briefing Annex (2008), and Infoseek China’s list of the top agricultural companies in the country (2014), I created a shortlist of the most prevalent Chinese companies investing in Southeast Asian land. This list includes companies conducting deals involving upwards of 10,000 hectares, and those that appear numerous times in records of land deals documented throughout the region. Five of the most prominent are:

**1) China Asean Resources Ltd.:** An investment holding company that trades natural resources and is predominantly engaged in logging, processing wood, and rubber and latex production for the Chinese medical sector. The company appears several times in the Land Matrix database for land deals in Cambodia, and the cases reported are all approximately 7,000 hectares, occurred between 2007 and 2011, and involve land in the Kratie Province of eastern Cambodia (Land Matrix 2014). The company’s own website reports another land acquisition in the same province of 31,000 hectares under a 70-year economic land concession beginning in 2007. This is an SOE with direct connections to the central government, evident via the credentials of its staff and advisory board – some of whom come from the public sector and or have held high-level military positions (China Asean Resources Ltd. 2008).

**2) First Pacific:** A Hong Kong-based investment holding company that is mainly involved in telecommunications, consumer food products and natural resources. It is also a major investor in Indofood Agri Resources Ltd. and affiliated with China Minzhong Food Corporation. This is an example of a national company that has amalgamated with several national banks and is connected with other state-owned investment, telecommunication and export corporations (First Pacific 2014). The Land Matrix identifies First Pacific in eight land grabbing cases occurring between 2005 and 2009 in the Indonesian region of southern Borneo, which range in size from 5,015 to 212,187 hectares (with the majority exceeding 27,000 hectares) (Land Matrix 2014).

**3) Noble Group:** A Hong Kong-based global supply chain manager of agricultural and energy products, metals and minerals that operates from 140 locations. It focuses on sourcing bulk

commodities from low cost regions, such as South Africa and Indonesia, and supplying them to high demand markets in Asia and the Middle East. It is mainly involved in sourcing, processing, storing and marketing raw materials, including grains and oilseed crushing plants, sugar and ethanol mills, and trading coffee, cotton and cocoa. This company is directly linked with the central government via its partnership with China's largest food processor and trader, China National Cereals, Oils and Foodstuffs Corporation (COFCO Group), which is administered by China's State Council (Noble Group 2014). In 2004, it was reported to be involved in a 32,500-hectare land deal in the Indonesian province of West Papua with the intention of expanding its agrofuels production (Land Matrix 2014).

**4) Yunnan Power Biological Products Group:** One of China's top ten sugar enterprises and top fifty non-public ownership enterprises in Yunnan Province, owns fourteen companies in China, Laos and Burma. Many of them engage in plantation cropping and processing of cassava, natural rubber and sugarcane, and claim to 'benefit' more than 2,000,000 farmers. This is a provincial, state-owned company that is mainly being supported by Yunnan authorities, while also concentrating its investment in countries immediately adjacent to the province (PowerV 2014). The company intends to further expand its production of green biological products (biofuels) for export, and this trajectory led to the acquisition of 37,633 hectares of land in the northern region of Laos in 2006 (Land Matrix 2014).

**5) ZTE Corporation:** Formerly Zhongxing Telecommunications Equipment Corporation, this multinational, whose core product is mobile phone software, has secured over 100,000 hectares of Indonesian and Laotian land since 2008 for cassava (ethanol) production and other unspecified agricultural products. It has also made deals in the Philippines, which emerged from an agreement between the Filipino and Chinese governments in which 18 contracts were signed, granting Chinese companies access to 1.24 million hectares of land for food and biofuel crop production (these deals have since been put on hold) (Land Matrix 2014; ZTE 2014; GRAIN 2008). This company is an example of a former SOE that has become more involved in overseas investments as it has expanded its operations, allowing it to attain its current reputation as one of China's largest and most successful telecom businesses (Hofman and Ho 2012).

Interestingly, all of the companies that emerge as the most prominent large-scale investors in Southeast Asia tend to fall either into the category of national companies (or former SOEs) having direct linkages to the Chinese government, or provincial state-owned companies that have some form of support from provincial or national officials. This observation is quite revealing in regard to which corporations are able to obtain the highest number of land deals and the largest tracts of land due to their political affiliations. A further point of note is that the latter three of the five categories were virtually unseen in the shortlist I compiled, leading to the inference that private small and medium-sized enterprises, financial institutions (such as the China Development Bank and Export Import Bank), and individual Chinese investors working in agricultural training centres abroad are likely involved in land deals in a much more ambiguous manner. This may be because such deals are occurring on a less public level, or on a much smaller scale due to the lack of monetary support from the Chinese state. Thus, keeping the structures and activities of the above companies in mind, what factors can explain their attraction toward such large-scale land deals in Southeast Asia? The following section turns to a discussion on the multiple drivers of Chinese-led land deals in the region.

### **3 Drivers of Land Deals in Southeast Asia**

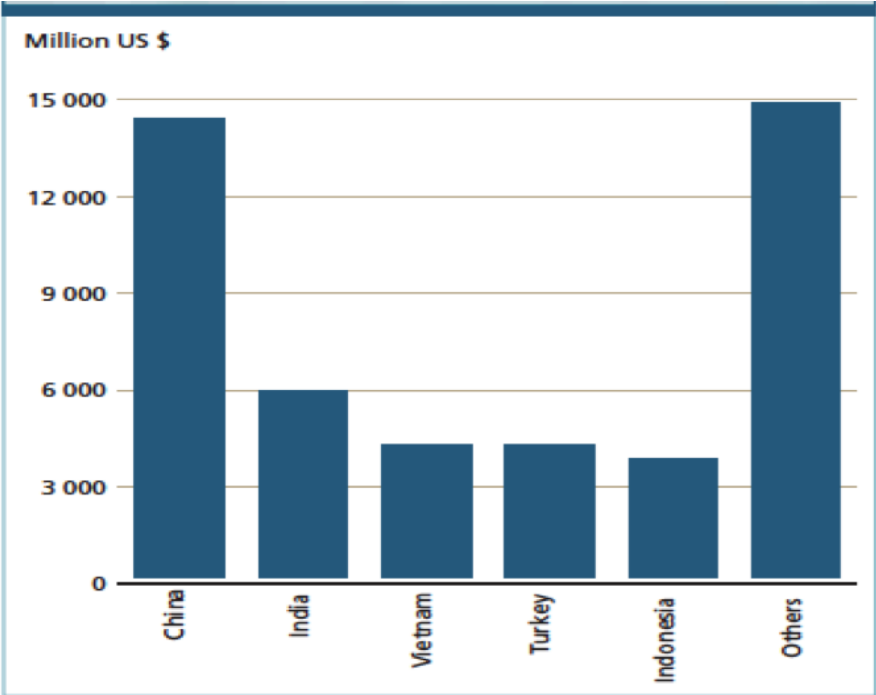
As Southeast Asian agricultural products become increasingly commodified and valuable on the world market, one of the most dramatic transformations occurring is the transfer of control of domestic

markets into the hands of foreign companies. The rising prevalence of public-private partnerships between local governments and transnational agribusinesses means that agricultural sectors, once nationally controlled and domestically employed, are increasingly being transformed into borderless entities. Foreign governments have found investment via such businesses to be an effective way to indirectly gain access to land abroad while reducing their financial and reputational risks (Liu 2014). China’s presence in Southeast Asia has sparked vigorous debates in academic circles as to how and why the nation has managed to gain such a stronghold in its neighbouring countries (see Liu 2014; FAO 2013).

**3.1 A ‘Local’ Target for Chinese Investment**

It is important to note that Southeast Asia is not presented here as a homogenous region, as the countries are certainly politically, culturally, and economically very diverse. Hall (2009) aptly illustrates this diversity from an economic perspective in his analysis of the World Bank’s 2008 *World Development Report*. He notes that there are three categories within which Southeast Asian countries may be framed<sup>2</sup>: 1) agriculture-based (Laos), 2) transforming (Cambodia, Indonesia, Thailand and Vietnam), and 3) urbanised (Malaysia and the Philippines). Yet, regardless of their level of ‘economic development’, Chinese investors have targeted all of the countries above (as well as Burma and Timor-Leste)<sup>3</sup> for various agricultural projects. In fact, China has been highlighted by the FAO as the *single* largest investor in Asian agriculture overall, surpassed only by a *combined* total of investments from several smaller investors (see Figure 2).

**Figure 2: Agricultural Investment into Asia (2003-2011)**



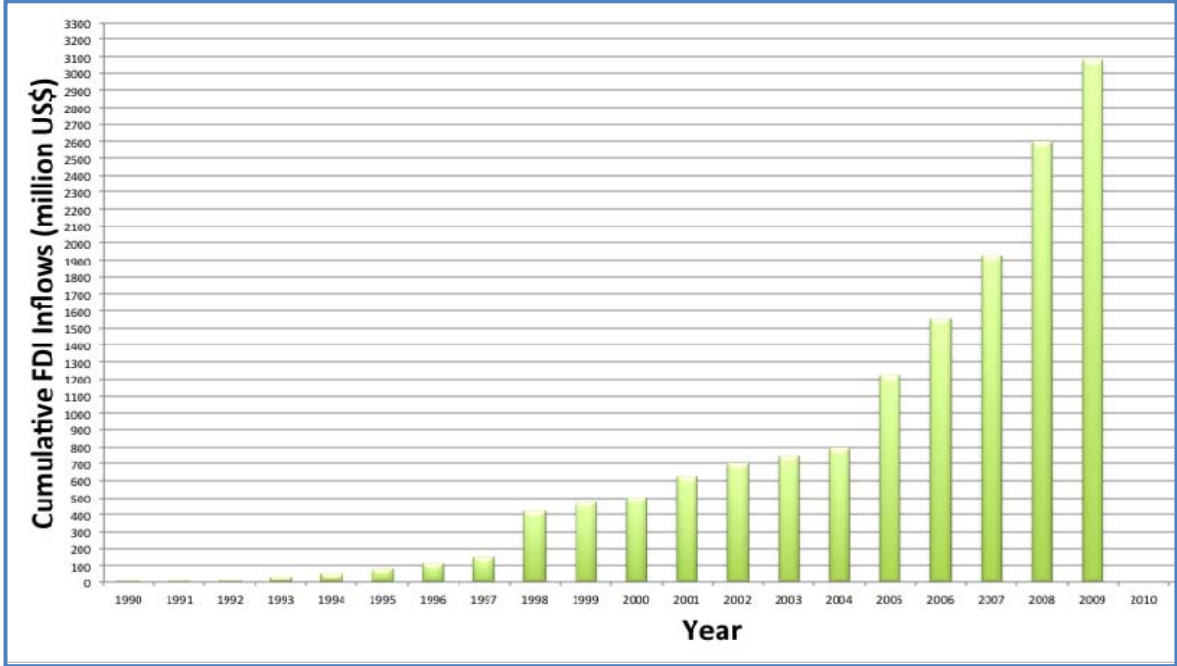
Source: FAO 2013, 25 (adapted from UNCTAD 2009)

<sup>2</sup> The criteria which determines these categories may be better understood by referring to the World Bank’s 2008 *World Development Report, Agriculture for Development* (2007, 29) – the three core objectives of which are: 1) to determine what agriculture can do for development, 2) what instruments may be used to maximise this contribution, and 3) how agricultural policy can best be implemented (Hall 2009).

<sup>3</sup> Neither Burma nor Timor-Leste are mentioned in Hall’s analysis, likely because of a lack of reliable statistical data available on the agricultural sectors and the land deals that are occurring within these countries.

Furthermore, overall FDI from China into Southeast Asia has grown significantly during the last two decades, which notably follows the same timeframe as the increasing prevalence of land deals in the region (see Figure 3).

**Figure 3: Chinese FDI in Southeast Asia (1990-2009)**



Source: Author’s own construction, using data collected from the Asian Development Bank’s Regional Integration Center online database (Note: data after 2009 is not available)

This denotes a particular strategy being taken by the Chinese government and its corporate partners, which Hofman and Ho (2012) describe as a multi-layered and paradoxical trajectory, similar to globalisation processes. This complexity has likely been one of the obstacles allowing for very little research to be carried out on China’s global agricultural activities, neither from a qualitative nor quantitative perspective (ibid.). There has, however, been an increasing amount of data being collected on land deals and agricultural transitions and transformations in Southeast Asia. Analysing this alongside what little information *is available* on Chinese companies and their investment plans can offer a more cohesive understanding of the relationship China has with Southeast Asian agriculture.

An area of particular interest is the Mekong region (see Figure 4 below), specifically around the basin (Laos, Cambodia and Burma), where land is well irrigated, fertile and contains huge areas of rice paddy (see Castellanet and Diepart 2015 for a more in-depth look at why this region is being targeted). China’s expansion into this area and further into the region (Indonesia and the Philippines) increased significantly between 2000 and 2008, when approximately 20 to 30 investments were confirmed in the Mekong river basin alone. During this time, Chinese companies such as the China National Offshore Oil Corporation (CNOOC) and China Renewable Investment Ltd. were involved in deals involving a million (or more) hectares of land for cassava, palm oil and sugar production (Hofman and Ho 2012, 15-6; IIED 2012). GRAIN’s 2008 briefing on land grabbing also lists cases of policies that the Chinese Ministry of Agriculture drafted in 2008, which encouraged domestic companies to actively pursue land deals abroad (either through lease or purchase), specifically to keep up with the Chinese population’s demand for soy (GRAIN 2008).

**Figure 4: Mekong River Region**



Source: PRIMEX 2012

In 2007, significant controversy arose in Burma when Chinese companies got involved with both state and rebel militaries as part of a plot to force Burmese farmers into contracts to grow Chinese hybrid rice. Similarly, as noted earlier, ZTE has secured over 100,000 hectares of land in Indonesia and Laos since 2008 for cassava (ethanol) production and other unspecified agricultural products. ZTE has also made deals with the Government of the Philippines in collaboration with SL Agritech (SLAC) – the leading Filipino company in research development and production of hybrid rice, which was founded by Henry Lim Bon Liong, a Chinese migrant to the Philippines. Emerging from an agreement between the Filipino and Chinese governments, these deals involved the signing of 18 contracts granting Chinese companies access to 1.24 million hectares of land for food and biofuel crop production. However, these deals were cancelled after significant backlash against the projects erupted in the Philippines (Land Matrix 2014; SLAC 2014; ZTE 2014; GRAIN 2008).

The Mekong region has likely become a major point of interest due to the historical trade routes that already existed, moving south from China along the Mekong River and connecting every country in mainland Southeast Asia. These routes traditionally served as popular migration pathways out of China and into neighbouring countries (especially Laos and Thailand), but the extent of this migration has expanded considerably since the establishment of an Asian Development Bank-led programme known as the Greater Mekong Subregion (GMS) initiative. Formed in 1992, this programme intended to encourage economic cooperation via the ‘Economic Quadrangle’ between Thailand, Laos, Burma and China’s Yunnan Province. Part of the tightening of this relationship involved the construction of the North-South Economic Corridor (NSEC), a highway linking Kunming to Bangkok through the northern provinces of Laos (Tan 2014; 2012). This has facilitated a large outflow of Chinese migrants, which are seen in Laos as an “army of ants threatening Lao cultural identity and plundering the wealth of the country with the blessing and complicity of highly corrupted officials” (Tan 2012, 62-3). The situation in Laos – although intensified considering its geographical proximity – is somewhat representative of a broader trend of Chinese migration worldwide, as Chinese companies continue to establish themselves abroad, often bringing Chinese employees with them. In addition to the loss of land previously used by small-scale farmers in these regions, this creates a further loss of livelihoods,

as imported workers fill the jobs that would otherwise be given to locals.

As mentioned above, understanding the full extent of Chinese foreign investment becomes problematic because the details of the transactions are often very vague and secretive. This is generally due to deals being made informally or illicitly, with private companies or individual investors, or because the companies involved use pseudonyms to conceal their identities. This last issue has emerged as a way to evade national laws limiting the amount of land made available to foreign investors. For example, Cambodia has a limit of 10,000 hectares per investor, but using multiple identities allows a company to attain several separate tracts of land and operate them under different names, while still being controlled by a larger umbrella corporation (Hofman and Ho 2012). The question remains as to what these large tracts of land are being used for and why the production of particular crops has become so lucrative. The following section turns to a discussion of the trends emerging in agricultural production and the exponential increase in the demand and profitability of certain multiple-use crops.

### *3.2 'Flex Crops' and 'Boom Crops'*

A relatively new and still underexplored phenomenon spurring agricultural investment is the rise of 'flex crops', referring to crops that can be used for multiple purposes (such as food, feed, fuel and industrial products). The most commonly produced flex crops are corn, palm, soy and sugarcane, but others such as coconut, cassava and sunflower seeds are becoming more prevalent. There has been speculation that the production of flex crops has become increasingly popular because of their potential to protect producers from market fluctuations that cause unpredictable crop prices. Growing crops with multiple uses allows producers to have access to and sell crops in multiple markets, depending on their current value, allowing flexibility according to price spikes and shocks (Borras et al. 2014).

Due to the rising interest in flex crops, there has also been an emergence of 'boom crops', referring to the sudden increase in large-scale production of high-value crops (which often are also flex crops). Hall argues that the study of boom crops can lend important insights into understanding the dynamics of land deals in certain countries and regions, considering the production of such crops is often a driver of land deals. It is important to note that while 'flex crop booms' are common, other crops experience booms as well – for instance, farms producing cocoa, coffee, acacia, eucalyptus, and rubber are becoming prevalent in Southeast Asia. Hall notes that while Southeast Asian countries have experienced crop booms throughout history, those that have occurred in recent years have most often been related to export crop production and have arisen alongside a rapid increase in land value (IIED 2012; Hall 2011).

This trend has become progressively more visible internationally as well. And while the expansion of flex crop production does not denote that such crops were not previously multifunctional, it does highlight the relatively recent expansion of global agricultural commercialisation that has emerged alongside the converging environmental and food distribution crises. The simultaneous growth of the BRICS and MICs (middle-income countries)<sup>4</sup> has fuelled a new era of crop and commodity production, one which surpasses production of previous eras – such as the 1970s sugarcane ethanol boom in Brazil and Germany that emerged as a result of the oil crisis (Borras et al. 2014). Furthermore, the acquisition of land – which local farmers are already cultivating – by the state, agribusinesses and investors has serious effects on tenure security, leading to the displacement of rural populations and extensive, often violent, land conflicts (Hall 2011; 2009).

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<sup>4</sup> The use of 'middle-income countries' here follows the World Bank classification, meaning those with a per capita Gross National Income (GNI) of between USD 1,046-4,125 (lower) to 4,126-12,745 (upper) (World Bank 2014b).



Agricultural land in Southeast Asia has become a highly sought after commodity for investors, both within and beyond ASEAN, alongside the expansion of regional agribusinesses and increasing land value speculation. Often land deals are considered the most lucrative form of agricultural investment due to the economic value placed on property ownership. While some deals are focused on increasing food production (namely rice), market prices favour non-food crops that have multiple functions (such as rubber and acacia trees). This means that land deals across Southeast Asia can often be categorised by their commodity-specific drivers, such as biofuels, rubber, sugar, and biomass energy (lumber). Biofuel production (predominately oil palm) in the region is dominated by Indonesia and Malaysia, which together account for 87 per cent of global production. The Philippines is also increasing its production, doubling its hectares of oil palm between 2002-2010, while Vietnam is planning to establish 100,000 hectares of biofuel plantations by 2015 (IIED 2012, 3).

Tree plantations are also on the rise in the region as the production of biomass energy becomes increasingly lucrative – Cambodia and Indonesia for instance have devoted 60,000 and 200,000 hectares respectively to biomass projects. Rubber production is even more noteworthy, with Indonesia, Malaysia and Thailand filling the ranks of the top three producers in the world, and Cambodia, the Philippines and Vietnam included in the top twenty. Similarly, Laos and Burma plan to expand their rubber plantations, with the latter intending to increase its production area from 400,000 to 600,000 hectares by 2030. Furthermore, hotspots for the export-production of sugarcane (mainly led by private companies for European markets) include Cambodia, the Cambodia-Thailand border, and Laos. For instance, 80,000 hectares of Cambodian land alone have been claimed for such projects, with investors often signing leases of 30 to 90 years (IIED 2012, 3).

While policymakers justify much of this expansion by presenting a sustainable development narrative promoting the benefits of switching from oil to biofuels, analyses of the impact that such agricultural expansion has on environmental and labour standards are often neglected. Superficial pro-biofuels arguments also neglect the opportunity to engage with discourse on changing power relations between transnational companies, states and citizens – which is key to understanding the character of land deals, the role of the various actors involved, and the competition that propels agribusinesses to find the cheapest production methods or the newest high-value crop (Borras et al. 2014). Many academics argue for the need to more visibly embed discourses on land deals within analyses of contemporary capitalist development; highlighting that despite variations in the character of land deals (origin, destination, intention), they are evidence of the crisis of the neoliberal globalisation project. This crisis is actually the culmination of multiple crises (food, financial, energy/fuel, climate change) occurring simultaneously with the rise of the MICs, which need a continuous influx of resources in order to sustain their growth (Hall 2013).

In the past few years, as Southeast Asian countries (such as Malaysia, Indonesia, Thailand) have experienced significant economic growth and increased their ranks in the global economy, they have also experienced considerable growth in their agricultural sectors. As a result, much literature on crop booms in the region has also emerged, as researchers have sought to increase their understanding of the dynamics surrounding *who is growing what and why* and how this is connected to changing regional power relations. Hall argues that there are three main reasons why this literature adds an important element to debates on foreign-led land deals:

First, comparative study of Southeast Asian crop booms provides insights into the question of *for whom* the land becomes more valuable (in the sense of more worthy of trying to control)... Second, crop booms literature provides detailed studies of *how* control over land is actually exercised... [Third], work on crop booms can illuminate a policy debate around large-scale land acquisitions (2011, 838-9).

In combination with crop boom literature, an additional dimension that is crucial to our understanding of foreign investment in land is the ‘multiple-ness’ and ‘flexible-ness’ of crops and their uses. As contemporary agriculture has been restructured, new uses have emerged which previously were not thought to be technologically or commercially possible. For example, soy, sugarcane, corn, palm and coconut can all be eaten as various food products, while also being used to make cooking oils and biofuels. While most of these crops have always provided multiple functions to those consuming them, there are many new aspects that have emerged in contemporary uses of these crops. For instance, dietary preferences have changed both as the result of growing public health concerns about the consumption of animal protein, as well as climate change fears. Additionally, the demand for these commodities has become more globally diverse in regard to geographical location and social class – particularly alongside the rise of the BRICS and MICs. This means that not only has the focus on mass consumption expanded beyond the traditional centres of wealth (such as the United States and the EU), global commodity consumption overall has increased dramatically during the last ten years (Borras et al. 2014).

Thus, literature on flex crops and boom crops from a Southeast Asian context highlights important factors that are propelling the increasing demand of particular crops in the region. These factors present compelling and pertinent insights into China’s interest in the region, while also highlighting the uniqueness of the Southeast Asian context in two major ways: First, the fact that the region sits in such close geographical proximity to the country that is arguably the most prominent foreign investor in its agriculture – China. This is noteworthy because most other regions experiencing an influx of farmland investment are generally conducting land deals with countries from vastly different areas of the globe (such as those between China and African countries) (see GRAIN 2008, Annex). Secondly, amongst all the countries in the region, there is a wide range of economic growth and development, yet they all share a common trajectory toward predominantly export and flex crop production. However, it can be unclear what specific circumstances foster the development of such a trajectory, and how the impacts emerge on a micro level. The following section narrows its perspective from a macro overview of Southeast Asia in order to highlight the domestic effects of FDI and land deals in individual countries in the region.

## **4 A Closer Look at the Impacts: The Experiences of Cambodia and Thailand**

In its 2013 publication, *Trends and Impacts of Foreign Investment in Developing Country Agriculture: Evidence from Case Studies*, the Food and Agriculture Organization (FAO) highlights the lack of available information and comprehensive, cohesive data as a major reason why analysing the *actual* impact (both long and short term) of FDI on agriculture in the Global South is so difficult. While there are many estimates regarding the extent to which large-scale land deals are occurring globally, supportive data does not always exist (FAO 2013, Hall 2011). In order to attempt to compensate for this lack of statistical data, the FAO notes that impact analysis is increasingly being based on case studies conducted in individual countries. The organisation collected nine examples for its 2013 report, two of which – Cambodia and Thailand – are relevant to the discussion here. Case studies can provide useful contextual bases through which to better understand the domestic consequences of land deals, which are not reflected in numerical data displaying economic growth, production output, or employment rates (FAO 2013; Miller et al. 2010). A few examples of some of the interesting case studies that have recently emerged in the region are discussed in the concluding remarks.

For its report, the FAO conducted interviews with key informants and local communities in

affected areas in order to increase previously limited data on the social impacts of FDI and land deals. Foreign investors were also asked about the costs and benefits of their projects and how they had dealt with potential obstacles to their activities, however these actors were difficult to track down and only two were successfully interviewed. In both the Thai and Cambodian cases discussed below, agriculture contributes significantly to their national economies, a large portion of their rural populations are employed in the sector, and a considerable proportion of their GDPs are acquired from FDI (43 and 34 per cent in Cambodia and Thailand respectively) (FAO 2013, 17).

#### ***4.1 Cambodia***

With Cambodia's expansive agricultural sector and large freshwater reserves, many food-importing countries, such as China, Malaysia, South Korea and Vietnam, pour considerable investments into the country. Land owned privately by the state is granted to companies via economic land concessions – a mechanism implemented in order to allow special permission to use the land for (industrial) agricultural exploitation. These concessionaires are permitted access to the land for a maximum of ninety-nine years in order to carry out extensive agricultural production. As of 2010, there had been eighty-five companies, both domestic and foreign, and approximately 380,000 hectares of land, which had been part of contracted agricultural production deals (FAO 2013, 159; Saing et al. 2012).

The agricultural sector is one of the most important for the Cambodian economy and, despite its output decreasing from 46-28 per cent of overall national production from 1993-2009; it remains a state focal point for development and poverty reduction (FAO 2013, 160). For instance, from 2006-2013, the National Strategic Development Plan (NSDP) highlighted agriculture as one of its four strategic development priorities. This is an obvious area of interest for the government, considering 85 per cent of the Cambodian population lives in rural areas and the majority of their livelihoods depend on agriculture – particularly rice paddy, which also accounts for half of national crop output (ibid.). From 1993-2009, agricultural production fluctuated from 45 per cent to 50 per cent (in 2000), before falling to 33 per cent. Employment in the sector decreased as well, dropping from 67 to 55 per cent between 2002-2007 alone (ibid.). While this is certainly still a substantial proportion of the population, this rapid change can be directly associated with the increase in the manufacturing sector (particularly in textiles) that has industrialised rural areas and transformed farmers into factory workers. The FAO has drawn attention to a number of factors that can explain low growth in Cambodia's agricultural sector, such as insecure ownership of land, poor rural-urban linkages, slow public and private investment, and limited agricultural research (FAO 2013; Saing et al. 2012).

#### ***4.2 Thailand***

Thailand has had a similar experience with FDI, which has played a crucial role in its economic growth. Yet, while the country has a largely agricultural-based economy and has received foreign investment for agricultural production for decades, the direction of this investment has more recently shifted away from import-substitution toward industrialised export production. Additionally, in relation to the overall amount of FDI Thailand receives, the percentage that is directed toward agriculture is quite small, and limited research has been done on how this investment impacts agricultural development. After a period of agriculturally driven economic growth in the 1960s and 1970s, the sector's contribution to GDP has been declining since the 1980s, as industrial manufacturing has taken increasing precedence. Agriculture is, however, still a significant source of rural employment, helping to ensure domestic food security, while export production contributes considerably to national income. The most prominent crops being produced include rubber, rice, sugarcane, maize and cassava, which were noted earlier as part of the emerging flex and boom crops

trends. In combination, there has also been a shift away from the production of traditional crops, toward high-value manufactured goods such as canned fruit, frozen seafood and coffee – making Thailand one of the most prominent exporters of processed foods worldwide (Ananta et al. 2013; FAO 2013).

Thailand has also been plagued with serious political uncertainty since 2006, including a military coup, political unrest and violence. Immediately following the coup, the government confirmed that the Foreign Business Act of 1999 would be retained, protecting the right of foreign firms to own up to 49 per cent of the shares of a company. Foreigners could also continue to purchase plots of land, so long as the government was included in and approved the deal (FAO 2013, 94). The political turmoil has had a noticeable impact on the confidence of foreign companies wanting to invest in Thailand, and the government feels a pressing need to enhance the country's attractiveness to FDI – particularly in the agricultural sector. Thus, the Ninth National Economic and Social Development Plan (NSTDA) was established with the intention of transforming the country into a creative knowledge-based economy, which holds the food and agricultural sector as one of its top priorities for improvement. Part of this trajectory has been to make investment much easier for foreigners, by making land more accessible and lease terms more favourable to transnational companies (FAO 2013).

The above cases highlight localised examples of the broader implications of FDI and land deals, providing a more micro perspective of the trends occurring on a broader scale in Southeast Asia. One compelling argument, which explains why governments continue to open their borders to foreign investors, is that they have lost faith in the functionality of the neoliberal market, partially due to the emergence of the world food crisis. This has led to significant agrarian transformations and rural restructuring, as smallholdings are converted into large-scale industrial plantations, transnational companies become agricultural producers, and farmers are forced to become sporadic labourers or factory workers (GRAIN 2008). As discussed by Fairbairn et al. (2014), such transformations have been strongly influenced by a combination of processes involving land and resource dispossession, the political forces that are allowing – and even fuelling – this dispossession, and the consequences that emerge. Much of this conduct is directly associated with the financialisation of food and agriculture, which increases the vulnerability of rural people by forcing them to seek precarious livelihood alternatives. This significantly alters rural social and economic structures, and in Southeast Asia such transformations have had noticeable impacts.

## **5 Concluding Remarks**

In sum, this paper has presented a very preliminary overview of the emerging macro trends in agricultural investments led by Chinese companies throughout Southeast Asia. By doing so, it hopes to provide a broader context for recent and on-going studies on land investments in the region and China's role in these deals. The many interesting case studies that are being conducted by researchers from around the world provide more specific analyses of this investment trend through their detailed discussions of the characteristics of particular land deals and the impacts in certain countries. For instance, Lamb and Dao's recent (2015) paper explores Chinese hydropower investments in mainland Southeast Asia, the varying degrees of Chinese companies' dominance in the sector across the region, and perceptions of such investments in Vietnam and Myanmar in particular. In the context of Laos, Friis (2015) discusses the implications of subtler forms of land acquisitions, which have emerged in the northern part of the country in the form of Chinese banana plantations – arguing that despite their small-scale, such investments have significant impacts on resource access and the livelihoods of local communities. In the southern part of Laos, Kenney-Lazar (2015) highlights the establishment of Sino-Vietnamese tree plantations, focusing on the obstacles limiting peasant resistance in some areas, as well as the rural transformations it is contributing to in other areas. In terms of regional comparisons,

Goetz's (2015) paper explores the empirical characteristics of Chinese land deals in Southeast Asia and Sub-Saharan Africa, and analyses whether China exhibits different motivations and strategies when investing in the two regions. She highlights the foreign policies, ideologies and institutions that play a key role in such land deals, and frames her discussion using a 'home country perspective' in order to speculate on how Chinese investments may be understood in a 'local' Southeast Asian context, versus a more distant Sub-Saharan Africa context.

Thus, this paper has opened up more questions than answers to some of the initial issues it has identified. Among these are: (a) How are high profile, large-scale land deals involving Chinese companies linked to everyday forms of land accumulation inside China and in Southeast Asia (as the latter are less visible and are thus less often captured by formal regulatory institutions)? (b) How are Chinese investors competing or allying with some investors from middle-income countries in the region, such as those from Thailand and Vietnam, and with what implications? (c) How can international governance instruments be deployed to regulate land deals in the region to ensure that no villagers are expelled from their lands or unjustly absorbed into emerging enterprises? And (d) in this complicated political terrain, how are civil society organizations going to carry out policy advocacy work when the target – China – is not accustomed to CSO engagement? These are some of the key questions to be explored in future research around this theme.

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## Land grabbing, conflict and agrarian-environmental transformations: perspectives from East and Southeast

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