Farmers forgotten in oil-for-food deals

By Brian McCartan

BANGKOK - Southeast Asian countries took big steps towards formalizing food-for-oil deals with Gulf states at a June meeting between the Association of Southeast Asian Nations (ASEAN) and the Gulf Cooperation Council (GCC).

Proponents of the deals cite the benefits of more foreign investment for the region's often backward agricultural industries, but the lack of transparency surrounding the investments is raising concerns about their ultimate economic impact.

A meeting in Bahrain on June 30 was notably the first between ASEAN and GCC foreign ministers, signaling growing trade ties between the regions. ASEAN secretary general and former Thai foreign minister Surin Pitsuwan summed up the commercial outlook of those attending at a press conference following the

gathering. "You have what we don't have, and we have plenty of what you don't have, so we need each other."

ASEAN is composed of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Growing population and economic pressures on land and water contributed to the 2007-2008 global food crisis, which saw prices spiral and already impoverished global populations go hungry. That prompted several food-producing nations to restrict exports of certain staples and caused governments everywhere to rethink their food security policies.

The food price scare, which has for now receded with falling commodity prices dragged down by the global economic crisis, has pushed many oil-rich and food-poor Gulf states to seek long-term lease rights to overseas farmlands.

Gulf states, which last year imported 80% of their staple foods at a cost of US$20 billion, have shown an increasing interest in Southeast Asian farmland. China, which in recent years has leased large tracts of regional land to grow rubber and crops for biofuels, is also seeking land to feed its rapidly urbanizing population. South Korea, with one of the world's highest population densities, and India, the second-most populous country, are both challenged by shrinking agricultural areas and are also in the hunt.

The deals brokered so far have been substantial.

Print this article
Email this article
Currency converter
Comment on this article: Go to
THE EDGE
Your world, your forum

RELATED ARTICLES

Gulf states covet Asian farms (Jul 30, '09)

Rice, death and the dollar (Apr 22, '08)

Rice now too costly to give away (Mar 6, '08)

READERS' PICKS

1. Israel wrestles with Iran problem
2. A midsummer tale of two Chinese spies
3. No escape for Fed
4. Russia and Iran join hands
5. Musharraf misses his day in court
6. Wilhelmine China?
7. Pakistan turns on its jihadi 'assets'
8. Middle-class suicide
9. A lesson in imperial paranoia
10. The Caspian boils again

(24 hours to 11:59pm ET,July 29, 2009)

According to an October 2008 briefing paper by GRAIN, a Spain-based grassroots organization that promotes sustainable agriculture, Cambodia had at that time as much as US$3 billion in agriculture-related foreign investment under negotiation, apparently involving millions of hectares of land.

Agreements signed or under consideration included a $546 million loan from Kuwait for agricultural projects, a $200 million venture with Qatar, the lease of 1.6 million hectares to Saudi Arabia, a similar lease arrangement for 1.2 million hectares to China and another for 20,000 hectares to South Korea.

In the Philippines, Saudi Arabia announced it would allocate $238.6 million to establish fruit plantations and support aquaculture and halal food processing projects. Philippine President Gloria Macapagal-Arroyo opened talks with Qatar in December to lease around 100,000 hectares of agricultural land.

Bahrain agreed in March to set up a $500 million joint agri-business venture and around 10,000 hectares have already been allocated to grow rice, corn, sugarcane, pineapple and various vegetables. The United Arab Emirates (UAE) has been granted 3,000 hectares for agriculture projects. A South Korean company was granted a 25-year lease in April for 94,000 hectares of farmland on Mindoro Island for growing feed corn.

An additional 1.5 million hectares is to be made available to foreign and domestic investors for agricultural projects, the Philippine Department of Agriculture announced on May 7.

In Indonesia, China has paid for the rights to 1.24 million hectares of land. That lags only Saudi Arabia's agricultural investments, which encompass 1.6 million hectares across the country. A planned $4.3 billion investment in rice production on 500,000 hectares by the Bin Laden Group of Saudi Arabia was recently put on hold for undisclosed reasons.

Even political pariah and agricultural laggard Myanmar is in on the Gulf action. Chinese companies are investing in contract farming of rice for export in the country's northern regions. In September 2008, Myanmar's ruling generals signed a deal with New Delhi to produce pulses exclusively for export to India. Kuwaiti officials visited Myanmar in September last year to finalize an agreement to produce rice and palm oil on a contract farming basis.

Estimates of land leased to foreigners in Laos now runs as high as 15% of total viable agricultural land - although some non-governmental workers dispute that figure as excessively high. GRAIN's figures in 2009 indicate that China has leased some 70,000 hectares in Laos for food, rubber and biofuel crops. Kuwaiti firms were reported by the Vientiane Times earlier this year to be interested in investing in rice and agarwood production.

Thailand and Vietnam, the world's two leading rice exporters, have also cut Gulf state deals. A big Thai exporter signed a memorandum of understanding in 2008 with Bahrain to secure rice supplies for the next two years. Earlier this month, Thai ambassador Suphat Chitranukroh told the Bahrain-based Gulf Daily News that Bahrain had been selected as a hub for the distribution of Thai food across the Gulf, with plans to build a Thai food distribution center in the country.

Meanwhile, Vietnam agreed in September 2008 to establish a $1 billion investment fund in cooperation with Qatar, funds from which will be earmarked for investment in food production for export. Talks held with Saudi Arabia in June were aimed at exchanging food for energy supplies.

Capital-starved lands

Proponents of the deals say they could help capital-starved Southeast Asian countries faster develop their often backward agriculture industries and in the process bridge the yawning wealth gap between urban and rural areas. They say rural-focused investments will result in more jobs, better infrastructure and improvements in agricultural techniques and technology. Foreign funds could also provide much-needed capital for small farmers, particularly as they face funding difficulties amid the current global credit crunch.

Cambodia has said it hopes foreign investment will improve its average rice yields from 2.5 tonnes per hectare to levels comparable to neighboring Thailand's 3.5 tonnes. The government is also eager to increase rice exports, which lag due to quality control problems caused by a shortage of storage and milling facilities. The Philippines says it expects an agreement with Bahrain will create 20,000 new jobs on the impoverished and insurgency-prone southern island of Mindanao.

At the same time, activists and food-security experts express concerns about the lack of transparency surrounding deals cut between Southeast Asian governments and their Gulf area suitors. Details of land areas, locations, lengths of leases and amounts invested have been scant in government statements, and news reports on the deals often present contradictory information. That, they venture, could open the way for abuse and corruption.

Jacques Diouf, the head of the United Nation's Food and Agriculture Organization (FAO), warned in August that a new kind of "neo-colonialism" could emerge from land deals where poor Southeast Asian countries produce food for export to rich Gulf states at the expense of their own underfed people.

Figures for deals brokered between Cambodia, Kuwait and Qatar, which media reports indicate could involve hundreds of millions of dollars, have not been publicly disclosed. Despite a string of prime ministerial visits and the official announcement last year of a $546 million loan for an agricultural land-related deal between Cambodia and Kuwait, official statements have been devoid of exact financial details.

In Laos, there is widespread suspicion that government officials are lining their own pockets from foreign-invested land deals. Many rural Lao are known to be upset by the ease with which foreign firms have been able to buy rights to farmland long worked by their families. There has been no public debate about Lao land deals in the state-dominated media. At least one Lao businessman who protested against China-invested rubber plantations mysteriously disappeared in 2007.

Loose laws

Land rights throughout the region are largely customary rather than secured through legal title deeds. Land entitlement and reform has been slow in coming in most Southeast Asian nations. In many villages across the region, land ownership is recognized by agrarians and village headmen, but formal legal titles provided by the central government are seldom granted. In Vietnam and Myanmar, land is formally owned by the state with farmers holding only land-use rights.

Land ownership laws that do exist are often inadequate, with vague language and numerous loopholes that are frequently exploited by businessmen and corrupt politicians to justify land seizures. In other countries laws are simply ignored by local elites and corrupt government officials with links to influential agriculture corporations.

Numerous reports have detailed heavy-handed expropriation in Cambodia and the Thai press regularly carries stories of land scandals involving politicians, businessmen and high-ranking army and police officers. Land-grabbing in Cambodian rural areas is rampant, human-rights groups allege, despite a land law that limits economic concessions to less than 10,000 hectares. LICADHO, a Cambodia-based rights group, estimated in a May report that over 250,000 people in 13 provinces had been adversely affected by land-grabbing and forced evictions since 2003.

British-based rights group Amnesty International said last year that on top of those already evicted another 150,000 Cambodians across the country were at risk of forced relocation. The Cambodian government's recently brokered and opaque deal with Kuwait for farmland in Kampong Thom province has farmers concerned that their eviction may be part and parcel of the deal, according to rights activists.

In the Philippines, which has a history of farmer demands for land redistribution and agrarian reforms, an agreement with China to lease 1.4 million hectares of agricultural land worth an estimated $4 billion was suspended in 2007 after protests by local farmers' groups, politicians and the Roman Catholic Church. Fishing and agricultural groups last month came out in opposition to the government's recent deal with Bahrain, calling it "unlawful and immoral" at a time when millions of Filipinos are landless.

In Myanmar, the government often uses the legal justification that the state owns all lands to forcibly remove peasants from their land for development projects. Human rights groups have for years documented forced relocations of whole villages and the seizure of farmland for commercial agriculture projects linked to the ruling military junta. Refugees arriving in Thailand have claimed that they were forcibly removed from their land to make way for rubber plantations, including deals cut with Chinese companies.

In export-geared Thailand, agribusiness giant Charoen Pokphand Foods (CP) signed a deal on June 22 with the Bahrain-based Islamic Bank, al-Salam, to jointly invest in agricultural businesses. According to CP Group vice chairman Eam Ngamdamronk, "Investment in any project will be supplied by Bahrain, while the CP Group will provide knowledge and expertise to support them." The group is apparently looking at investment opportunities not only in Thailand but throughout the region.

What troubles activists is that land seized and committed to growing food for export may drive up prices in domestic markets and crowd out small farmers. Several regional countries, including Myanmar and Laos, receive food aid from the World Food Program (WFP) due to chronic agricultural production shortfalls.

Last year, Cambodia requested $35 million in food aid from the WFP at the same time as it was negotiating deals to lease large tracts of farmland to Kuwait and Qatar. The Cambodian Center for Study and Development in Agriculture said last October that as many as 100,000 Cambodian families suffered from insufficient food.

Food security experts, including the UN's special rapporteur on the Right to Food, Olivier de Schutter, have called for a "code of conduct" over land-lease deals to better protect host countries and local farmers. At an April 6 forum in New York, de Schutter said, "States all too often are led to make such deals because they are attracted to immediate rewards. But they should look at the long-term consequences."

The US-based International Food Policy Research Institute has similarly called for the creation of a code of conduct to govern commercial relations between foreign investors, whether corporate or governmental, and host countries which also protects the interests of small farmers and the environment.

In an April 2009 policy brief, the institute said that such a code of conduct should include transparency in negotiations, respect for existing land rights, shared benefits, environmental sustainability, adherence to national trade policies and strong enforcement mechanisms. ***Brian McCartan** is a Bangkok-based freelance journalist. He may be reached at* brianpm@comcast.net.