China 'to rent five per cent of Ukraine'

Ukraine has agreed a deal with a Chinese firm to lease five per cent of its land to feed China's burgeoning and increasingly demanding population, it has been reported.

By Alex Spillius, Diplomatic Correspondent
7:18PM BST 24 Sep 2013

It would be the biggest so called "land grab" agreement, where one country leases or sells land to another, in a trend that has been compared to the 19th century "scramble for Africa", but which could now spread to the vast and fertile plains of eastern Europe.

Under the 50-year plan, China would eventually control three million hectares, an area equivalent to Belgium or Massachusetts, which represents nine per cent of Ukraine's arable land. Initially 100,000 hectares would be leased.

The farmland in the eastern Dnipropetrovsk region would be cultivated principally for growing crops and raising pigs. The produce will be sold at preferential prices to Chinese state-owned conglomerates, said the Xinjiang Production and Construction Corp (XPCC), a quasi-military organisation also known as Bingtuan.

XPCC said on Tuesday that it had signed the £1.7 billion agreement in June with KSG Agro, Ukraine's leading agricultural company. KSG Agro however denied reports that it had sold land to the Chinese, saying it had only reached agreement for the Chinese to modernise 3,000 hectares and "may in the future gradually expand to cover more areas".

Any sort of "land-grab" deal can be highly sensitive politically. Madagascar was forced to scrap a plan to lease 1.2 million hectares to South Korea in 2009 after angry protests against "neo-colonialism". The Philippines has also blocked a China investment deal.
"This reminds us of a colonial process even when there is no colonial link between the two countries involved," said Christina Plank, co-author of a report by the Transnational Institute on "land-grabbing".

With its current population of 1.36 billion predicted by the UN to rise to 1.4 billion by 2050, China is among the leading renter of overseas farmland in Africa, South America and Southeast Asia, though the XPCC deal would make Ukraine China's largest overseas farming centre. China consumes about one-fifth of the world's food supplies, but is home to just nine per cent of the world's farmland, thanks in part to rapid industrialisation.

"As urbanisation speeds up, consumption has led to greater food demand and domestic grain prices have stayed above global prices," Ding Li, a senior researcher in agriculture at Anbound Consulting in Beijing, told the South China Morning Post. "Therefore, China has been importing more and more grain."

Apart from China, India, South Korea, the Gulf states and western European corporations began taking tracts of land, especially in Africa, after global food prices spiked in 2008.

XPCC however is making the first such major foray into continental Europe. It has a country that has the largest land area in the continent and was known as the "bread basket as the Soviet Union" but which has progressed slowly since the fall of the Iron Curtain.

"The special thing about Ukraine is that there is so much land and so much food left, so there is not a danger of shortage. They already export a lot of grain that they cannot consume on their own," said Ms Plank.

Campaigners are however concerned about major land deals pushing smaller farmers off the land, causing unemployment and blocking long-term rural development.

The Dnipropetrovsk transaction comes with considerable side benefits for the region. The Chinese firm said it would help build a motorway in the Crimea and a bridge across the Strait of Kerch to connect the Crimea with the Taman peninsula in Russia.

Cultivation methods in the area controlled by the Chinese would be modernised.

"On the one hand you can say this is good because you have these technological innovations and more efficient production, but then you have got to ask 'is it sustainable?'" said Ms Plank.
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