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## Foreign Direct Investment in Agricultural Production: Win-Win Deals or Neocolonialism

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### Abstract

Agriculture and rural development plays a significant role in alleviating poverty, improving food security, and increasing economic growth. Foreign direct investment (FDI) in agricultural projects by state-owned or private companies of developed countries in low-income countries and elsewhere has increased recently, perhaps fuelled by the food and energy crisis. The scale of the land acquisitions and leases have caused some concerned voices to term the phenomenon as land grabbing and possibly neo-colonialism. Throughout the world, land is a critical resource with direct links to food security and poverty alleviation. However, developing countries often lack the investment capacity to increase their agricultural productivity, hence; foreign direct investment in agriculture may provide a win-win situation for the investors and the host countries especially the rural population. The paper builds on an extensive review of scientific as well as popular literature and also on interviews with experts in the North and South. The aim of the research is to explore the potential benefits, risks and costs of foreign direct investment in agriculture for various stakeholders, in particular smallholders and the rural poor in developing countries. We give an overview of the state of FDI in agriculture, the actors and the host countries, the prime motivation of actors, how the contracts are set up between the investors and the host country government, the factors influencing the terms of contract and the conditions for maximising benefits and minimising risks of FDI in agriculture. The research is rooted in the concept of critical triangle of development consisting of equity, economic growth and environmental sustainability. Infrastructural development, social development, employment creation, and stronger multiplier linkages to the domestic economy are some of the potential benefits of the investments. In order to have a win-win situation, equitable bargaining power and equitable share of benefits among the investors, the host government and the local people are necessary as well as strict enforcement of agreements. Contracts should give conditions for sustainable resource use and emphasise environmental impact assessment beforehand to prevent loss of biodiversity. Political and institutional changes such as land tenure system and technological changes for specific countries should be fully understood by the investors.

**Keywords:** Economic growth, environmental sustainability, equitable bargaining power, food energy, food security, foreign direct investment, land grabbing, land tenure, neocolonialism, poverty alleviation