China and the long march into African agriculture

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Abstract
Like other Asian and Gulf states, China’s growing concern with food security has inspired a search for means of obtaining that security in the African context. The result has been, reflected in the official discourse since 2006, a Chinese commitment to greater involvement in the agriculture sector in Africa that has resulted in a number of initiatives. These include a push to acquire long-term leases of agricultural land in some African countries, an expansion of Chinese agro-industry into Africa and a deepening of the longstanding technical co-operation aimed at raising Africa’s agricultural productivity. This paper will provide a survey of Chinese-African experiences in agriculture, examine the domestic sources of China’s contemporary agricultural policies, and analyse the emerging policies aimed at facilitating greater co-operation in this sector.

Key words: Africa; agriculture; agricultural policies; China; foreign investment.

Subjects: economy and rural development; farming systems; territory, land tenure, agricultural and food production policy.

Résumé
La Chine et le long chemin vers l’agriculture africaine

À l’instar d’autres pays d’Asie ou du Golfe, la Chine recherche à assurer sa sécurité alimentaire et, pour atteindre cet objectif, s’intéresse de plus en plus au contexte africain. Annoncée dans les discours officiels depuis 2006, la Chine souhaite investir dans le secteur agricole africain et développer diverses initiatives. Ces dernières incluent la recherche d’un accès au foncier au moyen de baux de long terme, l’expansion de l’agro-industrie chinoise et le renforcement des relations de coopération pour l’amélioration des techniques agricoles en vue d’une amélioration de la productivité. Cet article présente une revue des expériences sino-africaines dans le secteur agricole, examine les raisons qui les ont motivées et analyse les politiques émergentes qui visent à promouvoir la coopération dans ce secteur.

Mots clés : Afrique ; agriculture ; Chine ; investissement étranger ; politique agricole.

Thèmes : économie et développement rural ; systèmes agraires ; territoire, foncier, politique agricole et alimentaire.

“I want you to see it with your own eyes. To use your common sense and grasp how important it is for the Zambezi Valley to be populated. Our brothers will produce a surplus here that can be exported.”
Ya Ru (Mankell, 2011).

The belief that China has nefarious designs for Africa involving mass migration of the peasantry onto African land, the theme of a best-selling novel quoted above, is not a new one. From the late 19th century, European settlers debated the potential impact of harnessing the
prodigious productivity of Chinese labour to unlock the continent’s potential. At the same time, many in the local European settler communities feared the impact of competition from China, both for themselves and paternalistically for the colonised African population. Indeed, these very concerns caused the newly formed Union of South Africa to repatriate thousands of Chinese workers brought to work in the mines in the early 1900s.

Today, China’s interest in Africa’s agriculture sector raises the same spectacle of promised productivity coupled to deep-set fears as to its transformative social impact (China’s State Council News Office, 2010). Moreover, with China’s foreign direct investments into African agriculture accelerating, rising to US$ 30 million in 2009 out of a total of US$ 1.44 billion that same year, 4 times the figure in 2000, the prospects for a greater role and impact on this sector are evident (Chinese Ministry of Commerce, 2010). And yet, this Manichean debate, casting the Chinese as either Africa’s saviours or colonists, obscures a real discussion of the global trends and local opportunities posed by Chinese interests in agriculture in Africa.

Like other Asian and Gulf states, China’s growing concern with food security has inspired a search for means of obtaining that security in the African context. The result has been, reflected in the official discourse since 2006, a Chinese commitment to greater involvement in the agriculture sector in Africa that has resulted in a number of initiatives. These include a push to acquire long-term leases of agricultural land in some African countries, an expansion of Chinese agroindustry into Africa and a deepening of the longstanding technical cooperation aimed at raising Africa’s agricultural productivity. This paper will provide:

- an overview of the drivers of Chinese interests in African agriculture;
- a survey of Chinese-African experiences in agriculture;
- an examination of the domestic sources of China’s contemporary agricultural policies;
- an analysis of the emerging policies aimed at facilitating greater cooperation in this sector.

**Chinese food security and Africa’s resource bounty**

The Chinese search for resource security has become a major focus of its foreign policy and, in that regard, Africa has assumed an important role in achieving that objective. The African continent possesses a generous endowment in natural resources, namely hydrocarbons, minerals, and timber, which remain mostly untapped due to decades of political instability, poor infrastructure and lack of investment. However, Chinese foray into this sector has had to take into account the prevailing dominance of established interests, primarily from the United States, France, and Great Britain, all of which produced a pattern of investment that replicated colonial era divisions refracted through the politics of the Cold War. With the end of the bipolar conflict, economic interests were rapidly pushed to the forefront for these powers and the geographic spheres of influence which had shaped energy investment gave way to direct competition between, for instance, French and American interests in West Africa (Schraeder, 2000). Among the most prominent newcomers are Asian states (China, India, Korea, and Malaysia) and Middle Eastern countries (Saudi Arabia, Qatar, and Kuwait). This scenario sets the ground for growing competition for economic and political influence over the continent in the coming decades.

Despite the achievements in raising domestic production in agriculture, food security is again becoming an area of great concern for China. The years of rapid economic development have, for the first time in decades, exposed China to vagaries of supply and market constraints in agricultural commodities. In terms of overall agricultural imports, in 2010, China leads the region with its import share of 44% of the world’s commercialized soybeans, 35% of the world’s commercialized cotton, 20% of the world’s commercialized palm oil, and 2.5% of the world’s rice, with Japanese, Indian and South Korean demand trailing in its wake. Consumption patterns in China (and to an extent in India) have changed dramatically since the gradualist introduction of market capitalism and Chinese total caloric intake (2,258 calories of which 423 is meat in 2003) has risen to levels equivalent to the US (2,736 calories of which 446 is meat in 2003). And while rising domestic demand would have been expected to open up opportunities for expanding local agriculture by Chinese farmers, China’s physical constraints – despite its geographic size, it has only 7% of the world’s arable land – limit this expansion and rapid industrialisation and accompanying urbanisation over the last few decades have removed tens of thousands of hectares of fertile land from production. The result has been a steady rise in food imports, which, in combination with Chinese (and Indian) energy needs, has pushed up food prices worldwide. For China, in particular, the fear that inflation and dwindling supplies could contribute to periodic waves of domestic unrest was underscored in a report issued by the State Council on food security in 2005, the first year China became a major importer of food since the Communist Party of China (CPC) took over. Following up on this, a Ministry of Agriculture memorandum released in November 2008 set out the parameters of food security for the country as being met through the maintenance of 125 million hectares of arable land and 95% self-sufficiency in grains (Cotula et al., 2009). One outcome of this rising concern was that the government initiated a search for external supplies aimed at offsetting these expected shortfalls, echoing to some extent the drive to seek out energy and strategic minerals that began in the early 1990s. Concurrent with this driver is the Chinese “going out” policy, which encourages Chinese firms – including agricultural parasitasts and companies – to invest abroad through a host of incentives such as the China Africa Development Fund. Turning to the continent, African agriculture and forestry resources remain underdeveloped. According to the FAO, only 14 percent of Africa’s total 184 million hectares of arable land is under cultivation, with 93% of that dependent upon rainfall and
fertiliser usage is low. African agriculture, which continues to serve as a mainstay of employment in most African countries, suffers from low productivity, chronic under-investment and difficulties in accessing potential foreign export markets. To be sure, the environmental constraints on agriculture in much of the continent are considerable though, viewed from a Chinese perspective, these sorts of impediments are familiar ones. Indeed, private Chinese farmers have already set up farms in Uganda, Zambia, and South Africa, while larger agricultural firms are in negotiations with African governments to lease larger tracts of land for production. In terms of forestry, hundreds of thousands of square kilometres of timber abound in parts of tropical Africa and have inspired China’s small- and medium-sized companies to set up logging – both legal and illegal – operations across the continent. African policy makers increasingly see a synergism between Chinese demand, skills and experience and African agricultural resources. As the Vice President of Kenya stated at the China Africa Agricultural Cooperation Forum held in Beijing in 2010: “China has a big population, but less tillable land. China can feed its people. Then, in Africa we have large tracts of land and less population, but we suffer from food deficiency. . . Now that means we have to learn a lesson from China.” These conditions have encouraged a gradual alignment between Chinese and African interests in this sector and a concomitant search to realise this potential.

At the same time, the Chinese experience of agricultural development, coupled to the proposed forms of engagement in Africa, are raising some concerns. Specifically, the record of rapid growth in China has come at a very high ecological cost to the country and enhanced income inequalities alongside its improvement of overall food production. These factors have been part and parcel of its adaptation of “Green Revolution” farming techniques with its heavy utilisation of hybrids and petroleum-derived fertilisers as well as the liberalisation of the formerly state-controlled agricultural sector. More recently, the rise in social tensions in some rural districts in China, the product of a combination of the pressures of unscrupulous land developers, rural-to-urban migration and spiralling inflation, are portents of the kinds of stresses that African society is likely to experience as this sector is opened up to unrestricted foreign investment. China’s role to date has been benign but all the forces that drive other foreigners in that sector are present in China as well. For this reason, the importance of the form that China’s involvement in African agriculture has taken, and will take in future, is critical to meeting its primary concern regarding food security.

Modalities of engagement

China’s interest in African agriculture featured as early as 1959, when the People’s Republic of China sent an allocation of food aid to newly independent Guinea (Xiaoyun et al., 2009: p. 158). Raising productivity was – and remains – the key focus of China’s technical assistance programme in agriculture (Xiaoyun et al., 2009: p. 159). Raising Africa’s agricultural productivity will not only dramatically enhance the livelihoods of rural communities in Africa through improvements in income generation and employment, but it can address a growing problem of food security in China itself. However, since the onset of its commercial engagement with the continent, China’s role in African agriculture has expanded to include a growing trade relationship which itself has been tied to provisions for project financing of agricultural infrastructure. And, increasingly there are private Chinese initiatives in the commercial farming sector of various African countries.

Technical assistance in agriculture

China’s role in providing technical assistance in the agricultural sector has been important within China’s overall aid programme in Africa. This was primarily done through the sending of teams of Chinese agricultural specialists who provided training in rice, tea and sugarcane production. This included advice and the introduction of new technologies of plant breeding and management (Xiaoyun et al., 2009: p. 159). Supplementing this work were Chinese projects developing and improving irrigation. Such assistance was in the form of grants and the costs of Chinese technicians were borne by Beijing.

It is worth noting that many agricultural projects pursued by the Chinese in countries like Sierra Leone, Liberia, and the Gambia during these (and subsequent) periods were taken over and completed after the Taiwanese left in the wake of an official switch in diplomatic recognition (Brautigam, 1998). In this sense, Chinese priorities in provisions of technical assistance are, at least in this early phase, closely tied to the diplomacy of recognition. With the onset of Deng Xiaoping’s “opening and reform” policies in 1978, the structure of Chinese aid was gradually put on a more commercial basis through the application of a “project contract responsibility” approach (Xiaoyun et al., 2009: p. 160). By 1986, the Chinese government was providing technical assistance to 42 African countries in rice plantation, aquaculture, vegetable cultivation and a host of other areas. And, in the wake of China’s growing economic presence in Africa, a more extensive programme of agricultural co-operation is underway. At the third forum on China-Africa cooperation (FOCAC III) meeting in 2006 and its successor in 2009, the Chinese government announced measures aimed directly at improving agricultural production including provisions for 10 – extended to a further 10 in 2009 – agricultural demonstration centres across the continent, the dispatching of hundreds of Chinese volunteers to the African rural areas, scholarships and training in various aspects of agriculture for Africans. At the same time, state-led financial incentives have encouraged Chinese provincial.

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4Fourteen of these are currently open. ChinAfrica 2010, 2: 15.
firms to get involved in Africa’s agricultural sector. Example of this are the China State Farms Agribusiness Group which has established 10 state farms in Africa and the China Aquatic Products Group which has been involved in 23 aquaculture and fishery projects in Africa, both of which are said to be profitable enterprises (Xiaoyun et al., 2009: p. 162). None of these are said to exceed 50,000 hectares (Cotula et al., 2009).

Trade in agricultural commodities

Trade is a key ingredient in the relationship between China and Africa and commodity finance is a crucial component of this process. Naturally, this area of finance is closely related to project finance and, typically, the financial opportunities created by the shipping of commodities lead to the cash generation used to repay a project finance loan. But commodity finance in Africa is not limited to metals and precious metals. With such a large part of Africa’s economic development potential locked up in agriculture, the export of agricultural commodities crucial to foreign exchange earnings for some African countries – the Ghana Cocoa Board and Malawian tobacco come to mind. These commodities have been financed by local and international banks for some time on a rolling, seasonal basis, but more recently other banks are doing more to drive the growth of agricultural exports. A specific example is that of Standard Chartered Bank which has been developing financing of precision farming in markets such as Zambia. The bank finances companies that contract local farmers in the production of crops. The bank, through its client, finances all inputs for the crop in question and employs sophisticated techniques to monitor the progress of the crop and to be alerted to any threat to the crop. The main impediments to the advanced financing of farmers in Africa have to do with infrastructure – both physical as well as institutional infrastructure. For example, agricultural produce is typically transported by truck in Africa while in other markets such produce is transported by rail, which can be up to one third cheaper than road transport. The rolling stock infrastructure deficit in Africa is considerable (in a publication of the World Bank rail, ports and airports spending needs for Africa are estimate at US$ 8 billion annually from 2006-2015 (Foster and Briceno-Garmendia, 2010). African agricultural commodities can become much more price competitive if costs are contained. Decent rail transportation is one element of this cost equation. The second would be storage of commodities. In a typical commodity financing structure, a collateral manager will be appointed to manage the storage and accounting of the financed commodity, which can be exported or imported. Internationally renowned collateral managers exist that fulfil this very function. The legal worth of a warehouse receipt is also of crucial importance in financing such commodities and form the basis of the bank’s collateral. In many parts of Africa, though, the legal system is not developed enough to attach sufficient legal value to the warehouse receipt and even where international collateral managers are present in a country, examples abound of collusion or fraud where goods have been removed. Yet despite this commodity financing through collateral managers is alive and well in emerging markets and in Africa. The difference is that only a number of international banks have the appetite and wherewithal to engage in this commodity financing but, where they do occur, such deals can be extremely lucrative with typical interest rates ranging from Libor plus 300 basis points (bps) to Libor plus 700 bps. While very lucrative for the banks, it also gives African countries the opportunity to export crops and other commodities when more traditional lending would not have been possible. As China’s involvement in African commodities move from the hard (metals) to the soft (agriculture) participation with other commodity banks such as Standard Bank and Standard Chartered, the latter can provide the Chinese banks with profitable opportunities and the chance to develop their own expertise in the area. This, however, puts into sharp focus the need to go beyond developing supply side measures in Africa to enhancing the demand side of this sector. In particular, given the reluctance of European and North American markets to expose their agricultural sectors to competition from African agricultural producers, to fully realize this potential it may be incumbent upon China to do more to open its own domestic markets to African agricultural products.

Chinese commercial farms

A relatively recent phenomenon is the emergence of Chinese private endeavours in agriculture. The product of individual entrepreneurship rather than state-driven, Chinese farmers have established farms on land surrounding major African cities such as Lusaka, Lagos, and Johannesburg with the aim of serving the local market. More particularly, these farmers grow vegetables and raise small pigs and chickens for the burgeoning number of Chinese restaurants, the canteens of Chinese companies and the growing Chinese communities across Africa. According to one source, there are over 40 in Zambia alone and anecdotal evidence suggests many more outside other African cities. China’s investment in Africa’s agriculture was more than $ 134 million in 2009, and it established 50 agricultural enterprises and over 100 farms. It is worth emphasising that, to date, these farms are not engaged in agriculture for export but rather servicing the local market.

Chinese policy towards African agriculture: feeling the stones to cross the river

The diversification of Chinese involvement in Africa’s agriculture sector is evident from the record. However, it is
the prospect of large-scale migration of Chinese farmers that grabs the attention of the international media. This spectacle of a putative Chinese surge into African agriculture was reinforced by the head of the China ExIm Bank, Li Ruogu, who declared in Chongqing in September 2007, that his institution would be prepared to provide financial assistance to Chinese farmers, some dislocated by urbanisation or massive development projects like the Three Gorges Dam and others through the ongoing consolidation of commercial agriculture in the region, to settle in Africa.

As Li explained: “Chongqing is well experienced in agricultural mass production, while in Africa there is plenty of land but food production is unsatisfactory. There is huge room for cooperation on both sides. We have already supported several agricultural projects in Africa, all of which are generating very sound profits. Chongqing’s labour exports have just started, but they will take off once we convince the farmers to become landlords abroad. [...] the bank will give full support to the farmers in terms of capital investment, project development and product-selling channels.”

A significant indicator of how this illustrates the problem of coordinating policy from Beijing is that the Chinese government officially distanced itself from Li’s pronouncement the following day. Subsequent soundings on the possibility of resettling Chinese farmers in Africa have confirmed Beijing’s interest, however. The Chinese officials behind this agricultural policy have seemed to be oblivious to the high likelihood that exporting skilled farmers would be controversial in Africa. Conflict over land in countries as diverse as Zimbabwe, Kenya, and Cote d’Ivoire, however, certainly illustrates the potential volatility that the issue in its various commercial, identity-based, spiritual and ideological forms raises on the continent.

Moreover, these conflicts are all intertwined with disputes over citizenship and overlays of xenophobia towards ‘non-authentic’ nationals, strongly suggesting the sort of problems Chinese settlers would experience in taking up farming in Africa. Thus while both conventional agricultural investments and actual resettlement of Chinese migrants have been mooted in Liberia, Mozambique, South Africa, Angola, and Kenya – and already in place in modest terms in Zambial and Uganda – this particular Chinese approach to food security seems destined to incite negative repercussions at the level of the ordinary African, further complicating Beijing’s ability to consolidate its position on the continent.

The China ExIm Bank, which instigated the media controversy over Chinese settlement in Africa, is not alone in seeking to support investment in agriculture; the China Development Bank (CDB) is prioritising agricultural projects in their disbursements of loans from the US$ 5 billion China Africa Development Fund. Moreover, following the signing of a memorandum of understanding between the China ExIm Bank and the World Bank in 2007 and the expansion of a Chinese role in the institution, the World Bank has itself placed US$ 6 billion in support of agricultural programmes in Africa. Both FOCAC III and IV have allotted specific funding for (see below) supporting agricultural ventures on the continent.

Reports of other Chinese initiatives captured international headlines. In Mozambique, for instance, it has been suggested that the Chinese government has been pressing for long leases to establish “mega-farms” and cattle ranches, with the aim of increasing annual output in rice for example from 100,000 tons to 500,000 tons. Subsequent research has demonstrated that it was private Chinese banking interests from Macau that were behind this unsuccessful initiative (Meyer et al., 2011). Against the backdrop of Dae-woo’s failed endeavour to lease half of Madagascar’s arable land in 2009, the outcry that accompanied this and the collapse of the government in Antananarivo, media speculation turned its focus on China. Dogged by rumours of pending plans, the Chinese Deputy Minister of Agriculture, speaking in April 2009, stated emphatically that the Chinese government would not be looking to purchases of farmland in Africa to improve food security. This position was echoed by a senior official in the Ministry of Foreign Affairs, who stated, “we made a mistake in our initial approach” to African agriculture (meaning presumably the focus on using Chinese farmers for production).

Despite these problems, however, for individual Chinese in search of economic opportunities abroad, migration to Africa offers the prospect of a relatively untrammelled landscape where competition from other Chinese is limited. With official Chinese figures claiming that three quarter of a million Chinese have migrated to Africa in recent years, though unofficial soundings suggest more have arrived, the lure of African riches is fast assuming a mythical character (Park, 2010: pp. 7-8; Yuan, 2006: p. 110). A very small number of these entrepreneurs are moving into private farming though this is likely to increase given migratory trends. The convening of FOCAC IV in November 2009 strengthened the focus on agricultural initiatives within the broader framework of China-Africa ties. What is striking about the contents of the FOCAC declaration is the degree to which these initiatives reflect a growing and deliberately constructed convergence between African development needs and Chinese economic interests. For instance, in agriculture – a sector long recognised to be an area where Africa’s potential comparative advantages have remained under-invested and under-utilised – the Chinese propose to introduce new techniques, seed varieties and training programmes which are derived from their own experience of raising productivity amongst their farmers. To facilitate this process, the Chinese government is rolling out an additional 10 agricultural training centres across the continent in countries

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8 South China Morning Post 19 September 2007.
10 The News (Monrovia), 23 April 2008. According to this report, all of the China Africa Development Fund is earmarked for agricultural investment (which does not seem correct).

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like Mozambique, Zimbabwe, and Senegal. Coupled to this are additional financial means – the aforementioned US$ 10 billion as well as existing sources like the China Africa Development Fund – aimed at providing financial support for commercial enterprises.

By 2010, the changing nature of Chinese institutions engaged in Africa seemed to engender a new phase in African agriculture. The convening of the first China Africa Agricultural Cooperation Forum in Beijing in August 2010 highlighted growing interest in private and commercial forms of engagement. The positive response by African governments was evident. A senior Chinese official summed up the proceedings: “This forum is a grand event of the highest level and magnitude in China-Africa agriculture cooperation so far, which represents the strong wish and determination of China and African countries to develop Africa’s agriculture and ensure food security with joint efforts.”

Trilateral cooperation between developed countries, China and African countries in agriculture is also beginning to feature. For instance, discussions were held in January 2010 between the Chinese Ministry of Agriculture, Britain’s Department for International Development and the government of Sierra Leone to devise areas of cooperation.

At the same time, the South African government, working in conjunction with leading private agro-business interests, has been looking into ways of selling its surplus grain to China. Pieter Mulder, Deputy Minister of Agriculture, Forestry and Fisheries stated, during a visit by the Chinese state-owned enterprise Sinograin in September 2010: “China (People’s Republic of China) and South Africa could find each other in terms of the export of grain and oil seeds in the interest of both countries.”

A commercial, market-driven approach to addressing the food security problem in China increasingly seems to be taking hold, at least within those African countries that are already actively involved in exporting abroad.

**Conclusion**

China’s search for food security in Africa may have taken different forms, but it remains a core aspect of the country’s search for resource security. Contrary to the scare-mongering that accompanies many accounts of China’s role in this sector, the evidence suggests that – as yet – there is no effort to “grab land” in Africa. Rather, the approach has been an eclectic one, rooted in technical cooperation aimed at achieving development goals but branching out into commercially motivated projects and market-based trading arrangements. This careful approach to the issue has enabled China to escape some of the apprehension that other foreign investors have faced in Africa and lay the foundation for a long-term position within this sector.

At the same time, however, the cautious approach adopted by Chinese officials to the agricultural sector in Africa should not obscure the challenges that it – and for that matter any investor – will experience in operating there. While investments in the broader infrastructure of agriculture – beyond transport networks which China is already involved in to storage facilities and ports – may be on the cards, there remain significant obstacles to investment and wider questions that demand attention. The myriad of social factors and the accompanying tensions that may be aroused amongst African smallholders and their communities who feel that Chinese FDI is not providing sufficient benefits is one issue. Displacement and relocation, a failure to raise incomes in the short term, all of these factors, which were part of the Chinese development experience domestically could feature in their investments in Africa. The pluralist politics of Africa and the relative isolation of rural economies from the formal sector mean that the challenges and impacts are largely unexplored.

**References**


