

# Agricultural land acquisitions: a lens on Southeast Asia

## Policy pointers

- **Private investors** increasingly look to acquire large tracts of land for agriculture in Southeast Asia, particularly in ‘frontier’ markets such as Cambodia, Laos and the Philippines.
- **The number of investors** based in Southeast Asia is rising fast but many companies operating abroad are poorly regulated by home and host countries.
- **Rapid and uncoordinated** expansion of agriculture through land acquisitions poses major threats to Southeast Asia’s forests and other ecosystems.
- **Insecure rights and weak** land governance are major challenges to ensuring that local landholders — particularly indigenous people — benefit from agricultural investments
- **Coordinated action** by states and civil society and other actors in the region will be critical to improving regulation and ensuring that traditional rural land users shape and benefit from investments in agriculture.

Recent years have seen ‘land grabbing’ emerge as a big issue in media houses across the world, with reporters quick to write about deals involving millions of hectares, particularly within Africa. Yet large-scale land acquisitions are not a purely African phenomenon. Other parts of the world are also subject to the global land rush. Home to emerging economies with profit potential, Southeast Asia has become ever more appealing to investors from both within and beyond the region seeking to include agriculture in their portfolios. Regional agribusiness companies are booming. And rapid change in land ownership and use is already taking place. Set against a backdrop of insecure rights and weak land governance, land acquisitions here are posing significant threats to local livelihoods and environments alike.

Since the turn of the century, Southeast Asia has increasingly come under the ‘investment spotlight’, attracting the interest of ever more private companies and individuals who see huge potential in the region’s emerging and ‘frontier’ markets. Between 2000 and 2010, foreign direct investment grew more than five-fold in Cambodia, from US\$149 million to US\$783 million. Neighbouring Laos saw an even bigger growth — from US\$31 million in 2000 to US\$350 million in 2010.<sup>1</sup>

Only a fraction of this money is aimed at agriculture, but it has been fast-growing: flows to agriculture, forest and fishing across the region increased by 66 per cent between 2000 and 2005.<sup>2</sup>

This rapid growth in agricultural investment has brought with it a significant increase in land acquisitions (even though not all such investment involves acquiring land).

Recent analyses suggest that millions of hectares are being acquired by foreign investors in Southeast Asia (see Figure, overleaf). For example, official sources suggest that approximately one million hectares in Cambodia have been allocated to agriculture and tree plantation projects in the past 20 years, many of which are foreign. A number of other sources suggest the figures are considerably higher (over 2 million). In the

Philippines, there have been reports of individual deals with investors of this size.

## Investing in neighbours

The European Union dominates the overall investor landscape, accounting for around one-fifth (US\$20.6 million) of total foreign direct investment flows into Southeast Asia between 2008 and 2010.<sup>4</sup>

The figures for such flows to agriculture are less clear. It is true that Western development funds have helped shape Southeast Asian economies and provided markets for agricultural commodities. But in 2008, nongovernment organisation GRAIN reported deals and potential deals for land in countries of the Association of Southeast Asian Nations (ASEAN) with the Gulf States, India, Japan and South Korea (although it is hard to find evidence of all of these deals manifesting on the ground, and some are known to have collapsed).

China is also a major player in agribusiness throughout Southeast Asia, but particularly in the Mekong region — both as a market for agricultural goods as well as a source of investment. Not all Chinese investment in agriculture involves land acquisitions. The country’s opium substitution policy, among others, has facilitated major rubber expansion in both Laos and Myanmar, and

## Regulating private investments in agriculture should be a priority for Southeast Asia

there are reports of substantial joint ventures for biofuels in the pipeline in the Philippines. In some countries, China is among the top three investors. Indeed, China accounts for half of all foreign investments in agriculture in Laos;<sup>5</sup> and Chinese nationals account for about half

of all foreign-owned land concessions in Cambodia.<sup>6</sup>

Although investors from beyond the region's borders are certainly significant, intra-ASEAN investment is

rising fast. Exploiting the preferential access to regional markets created by proximity, economic integration and a range of regional trade initiatives, many of the region's stronger countries have begun investing heavily in their neighbours. This includes investment by ASEAN-based transnational food and agriculture corporations (see The rise of mega-corporations).

The proportion of foreign direct investment that comes from within the region increased from just 3 per cent in 2000 to more than 18 per cent in 2008. Thailand and Vietnam are both big investors in nearby Cambodia and Laos. Foreign investment accounts for more than three-quarters of the total approved investment in agriculture in Cambodia, with Thailand responsible for 22 per cent. Much of this investment involves acquiring land. Indeed, foreign investment accounts for about a third (35 per cent) of total area allocated to official land concessions.<sup>6</sup>

National elites also play a major role in agricultural ventures within individual countries. Alongside large joint deals with foreigners, land acquisitions by Cambodian nationals have risen dramatically over the past two decades. One senator is reported to own, or have interest in, more than 75,000 hectares of sugar concessions and agribusiness ventures.<sup>9</sup>

### Acquisition drivers

Investors both within and beyond ASEAN have long-sought to expand the production of agricultural

commodities, with crop booms in the region expanding at different times over the past century. But such investment is deemed increasingly lucrative and often more so through land acquisitions.

In some cases this means focusing on food crops. Many of the deals with Gulf States, for example, centre on rice. But land acquisitions also involve non-food crops such as rubber and acacia. Indeed, in Cambodia just 22 per cent of foreign acquired economic land concessions are for food production.<sup>10</sup>

Commodity-specific drivers of land acquisitions across Southeast Asia include:

- **Biofuels.** Indonesia and Malaysia dominate the biofuel field, accounting for 87 per cent of global production, based on extensive oil palm to supply rapidly growing markets (although oil palm expansion has equally been driven by demands of the global food industry). Oil palm in the Philippines more than doubled in area between 2002 and 2010<sup>11</sup> (although this is not all concessions). Much of the demand for biofuels more broadly comes from overseas but most Southeast Asian countries are now planning to expand biofuels to meet their own national targets. Vietnam, for example, projects up to 100,000 hectares of plantations for biofuels by 2015.<sup>12</sup>
- **Biomass energy.** Growing interest in tree plantations that can supply biomass energy plants is beginning to fuel demand for high quality land. Acquisitions by South Korean investors have been documented in both Cambodia (60,000 hectares) and Indonesia (more than 200,000 hectares).<sup>13</sup>
- **Rubber.** Rubber production accounts for half of China's foreign direct investment into the Mekong region. Indonesia, Malaysia and Thailand are the world's top three producers of rubber, with Cambodia, the Philippines and Vietnam all featuring in the top 20. Several ASEAN countries have set themselves targets for increasing rubber production. Myanmar, for example, plans to expand rubber plantations from 400,000 to 600,000 hectares by 2030. Laos also plans to expand rubber production, through a mix of large-scale land concessions and contract farming models with small-scale farmers.
- **Sugar.** Duty-free access to European markets for Least Developed Countries has stimulated large-scale land acquisitions in Cambodia and Laos for sugar production. In Cambodia, private companies have been allocated 80,000 hectares to produce sugarcane. And Thai company Khon Kaen Sugar has been awarded a 90-year lease for 20,000 hectares along the Cambodia-Thailand border, and a 30-year lease for 10,000 hectares in Laos.<sup>14</sup>

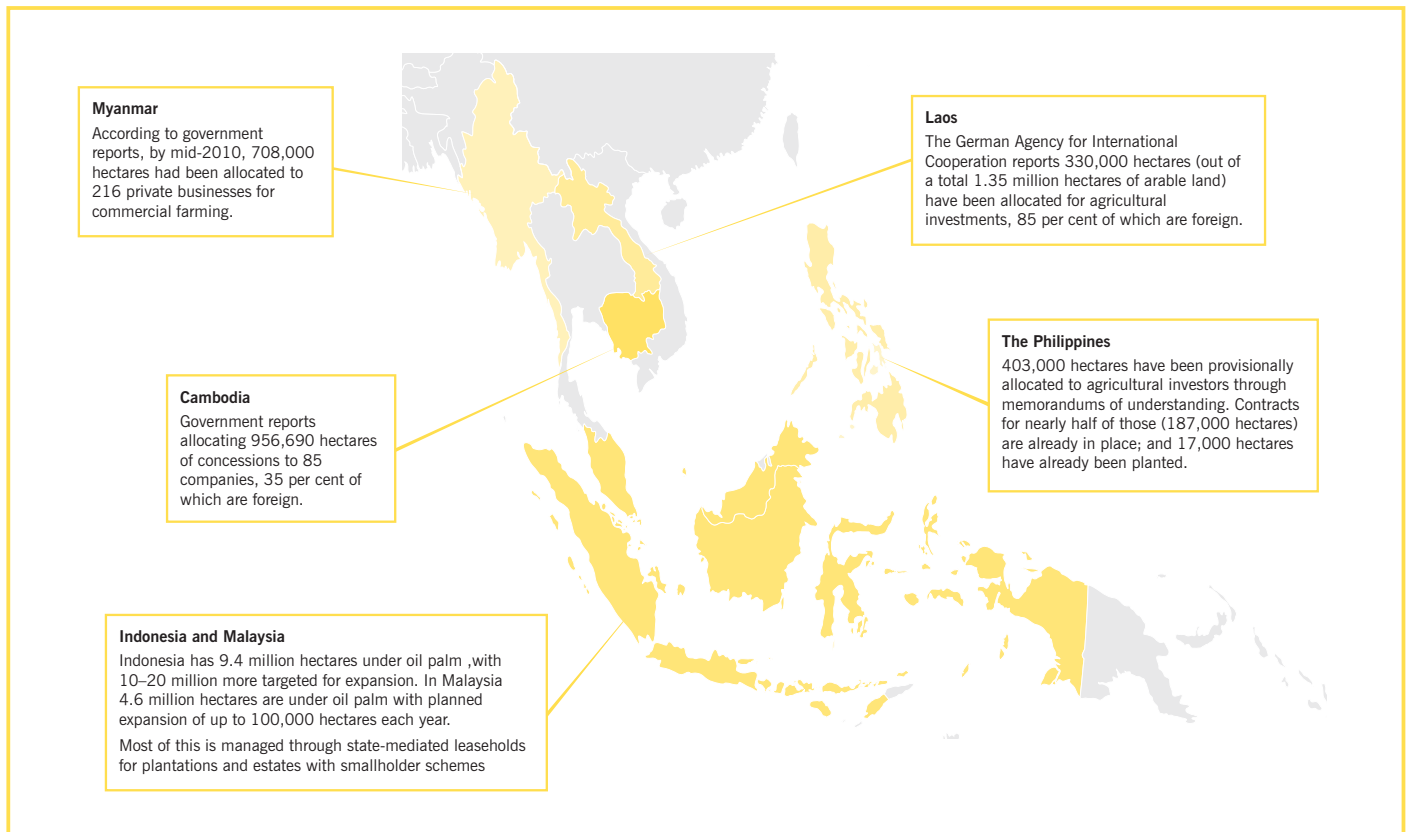
Most land acquisitions for these commodities come as leases or concessions, which are negotiated by

### The rise of mega-corporations

The growth of transnational agriculture-based businesses working out of Southeast Asia is reflected in land acquisitions across the region. Malaysian conglomerates have a majority ownership in approximately two-thirds of companies acquiring land for oil palm in Indonesia.<sup>7</sup> Sime Darby Berhad, a Malaysian company, is ranked as the world's largest agriculture-based transnational corporation.<sup>8</sup> It is reported to hold 633,000 hectares of land within Southeast Asia, mostly for growing palm oil, but also for rubber and processing and downstream food and non-food oil manufacturing. Six other Malaysian companies feature in the top 25.

Other emerging ASEAN conglomerates include Thailand's Charoen Pokphand Food Public Company Ltd, which focuses on food processing, livestock and aquaculture, and is planning to move into oil palm. Philippine company San Miguel Corporation, the 35th largest food and beverage transnational corporation, has operations across ASEAN and has come under scrutiny for a deal with the government of the Philippines to develop one million hectares through a joint venture with Malaysian Kuok company.

Figure. Significant land acquisitions are reported across Southeast Asia.<sup>3</sup>



governments. In many countries, they are facilitated by policy instruments, such as Cambodia's Economic Land Concessions, which enables the government to lease large tracts of land, for up to 99 years, to private companies for plantations and large-scale agriculture.

As elsewhere, agricultural projects are far from the sole source of pressure on farmland in Southeast Asia. Most countries here face the usual competing interests of mineral extraction, hydropower, logging, tourism and conservation. A growing number of investors are also looking to exploit new carbon market opportunities.

## Costs and consequences

Land deals in Southeast Asia are already causing a major transition in some countries — from growing food for subsistence and domestic markets to producing agricultural commodities, largely for export. And they are having significant impacts on local environments and people.

The idea that land acquisitions are being promoted on 'idle', 'empty' or 'waste' land — reinforced by exercises that classify land as such to facilitate its allocation to investors — is largely false.<sup>15</sup> The truth is that most 'cultivable' land in Southeast Asia is already cultivated or offers critical ecosystem services. Any expansion of agriculture poses major threats to biodiversity and water quality. And rather than enhancing degraded land, such expansion, which often focuses on intensive cultivation

and monocropping, is likely to add pressures to soil and water resources. The rapid expansion of fast-growing wood and biofuel crops has led to the demise of some of the region's most precious forests and forest ecosystems. Already 70 million hectares of tropical forest has been lost or degraded in Indonesia.<sup>16</sup>

When it comes to impacts on people, the idea of 'idle' land is similarly misleading because it often refers to land that is under customary tenure and use. Insecure rights and weak land governance are major challenges to ensuring that local landholders benefit from agricultural investments. Many deals infringe on local land entitlements and do not respond to local development needs or priorities. Agricultural development strategies often go hand in hand with those to transform upland slash and burn practices to settled commercial agriculture.

It is true that commercial agriculture ventures can bring rural jobs or improved access to markets but, as elsewhere in the world, employment is often less than promised, exclusive of many and often insecure. Results of contract farming and joint venture initiatives are highly mixed.

Poor consultation, disregard for customary tenure and little evidence of free, prior and informed consent is well documented in Southeast Asia. The consequence is an increase in displacement and landlessness. Indigenous people are particularly vulnerable to dispossession. In

Sarawak, Malaysia, alleged appropriation of ancestral lands has led to more than 200 legal cases being brought against the regional government.<sup>17</sup> Across the region land conflicts have increased and it is not uncommon for the military to be brought in to defend investor access to lands. The lack of mechanisms of redress adds to the injustice for local people: of 236 land disputes officially registered in Cambodia between 2001 and 2009, almost 70 per cent went unresolved.<sup>18</sup>

Of course, land acquisitions show only one side of the story. The expansion of agribusinesses through contract farming arrangements, while in some cases providing opportunities, can have similarly negative impacts on both people and environments — posing economic and environmental risks through monocropping and, in some cases, causing farmers to become indebted or lose control over their livelihoods.

Although many investors in Southeast Asia are not put off by concerns of reputational risk, corruption and poor land governance, many are beginning to look for ways to foresee, and mitigate, conflicts arising from overlapping claims at the local level, with some seeking to follow international good practice or contribute to the development of commodity standards.

## Priorities for action

Regional trends cannot be decoupled from demand for agricultural commodities in developed and emerging economies. Regulating private investments in agriculture, both nationally and internationally, should be a priority for Southeast Asia, alongside improvements

to land governance. This means focusing on agricultural development models that are driven by local producers, or where local producers have at least an equity share in private ventures. It also means strengthening safeguards to ensure that life-supporting land and natural resources are not expropriated from rural communities and that local food security is not undermined.

Just as local land politics vary from country to country, so too will the specific actions needed to improve land governance. But there are some region-wide actions that can, and should, be taken. These include:

- building a region-wide process for assessing home and host country regulation and social and environmental safeguards, including developing regional guidance for managing agricultural investments;
- supporting stronger producer associations to improve local farmers' negotiating power at a national and regional level and with private actors; and
- protecting customary tenure rights, including stepping up recognition of ancestral lands of indigenous peoples through interim protection measures and communal titling where relevant.

### ■ EMILY POLACK

*Emily Polack is a researcher in the Land Rights Team in IIED's Natural Resources Group.*

*Additional research for this briefing was undertaken by Nicola Christie, an intern with the Land Rights Team at IIED in 2011.*

## Notes

■ <sup>1</sup> UNCTAD. 2011. *UNCTAD Handbook of Statistics 2011*. UN Conference on Trade and Development (UNCTAD), New York and Geneva. ■ <sup>2</sup> ASEAN. 2006. *Statistics of Foreign Direct Investment in ASEAN*. ASEAN Secretariat, Jakarta. ■ <sup>3</sup> Sources for the figure include: McCarthy, J. 2010. Processes of inclusion and adverse incorporation: oil palm and agrarian change in Sumatra, Indonesia. *Journal of Peasant Studies*. 37(4); Colchester, M., Chao, S. (eds). 2011. *Oil Palm Expansion in South East Asia: Trends and implications for local communities and indigenous peoples*. FPP and SawitWatch; Ravanera, R., Gorra, V. 2011. *Commercial pressures on land in Asia: An overview*. The International Land Coalition; Üllenberg, A. 2009. *FDI in Land in Cambodia*. GTZ; MAFF, Cambodia. 2011. *Overall status of Economic Land Concession in Cambodia*. MAFF, Cambodia; GIZ. 2011. Unpublished results of data analysis by GIZ and Centre of Development and Environment. Presented at Agricultural Concession Contract Review workshop, Vientiane, November 2011; Kramer, T., Woods, K. 2012. *Financing Dispossession: China's opium substitution programme in Northern Burma*. Transnational Institute. Amsterdam. As always, data should be treated with caution. ■ <sup>4</sup> ASEAN. 2009. Foreign Direct Investment Statistics. See [www.asean.org/18144.htm](http://www.asean.org/18144.htm) ■ <sup>5</sup> GIZ. 2011. Unpublished results of data analysis by GIZ and Centre of Development and Environment. Presented at Agricultural Concession Contract Review workshop, Vientiane, November 2011. ■ <sup>6</sup> Saing, C.H. et al. 2011. *Foreign investment in agriculture in Cambodia*. CDRI Working Paper Series No. 60. CDRI, Phnom Penh. ■ <sup>7</sup> Colchester, M. 2011. *Palm oil and indigenous peoples in South East Asia*. Forest Peoples Programme. International Land Coalition. ■ <sup>8</sup> UNCTAD. 2009. *World Investment Report: Transnational corporations, agricultural production and development*. UN, Switzerland. ■ <sup>9</sup> BAB. 2010. *Bittersweet. A briefing paper on industrial sugar production, trade and human rights in Cambodia*. Bridges Across Borders (BAB), Cambodia. ■ <sup>10</sup> Üllenberg, A. 2009. *FDI in Land in Cambodia*. GTZ ■ <sup>11</sup> Statistics compiled from Philippines Bureau of Agricultural Statistics. See <http://countrystat.bas.gov.ph> ■ <sup>12</sup> Colchester, M., Chao, S. (eds). 2011. *Oil Palm Expansion in South East Asia: Trends and implications for local communities and indigenous peoples*. FPP and SawitWatch ■ <sup>13</sup> Cotula, L., Finnegan, L., Macqueen, D. 2011. *Biomass energy: Another driver of land acquisitions?* IIED Briefing. IIED, London. ■ <sup>14</sup> Bangkok Post. 27 January 2010. KSL set to double sugarcane output B15bn investment planned over 5 years. Bangkok Post. ■ <sup>15</sup> The Government of Myanmar reports to have 7.2 million hectares of 'cultivable waste land'; and the Philippines' Agricultural Development and Commercial Corporation was given 2 million hectares of 'idle' land. ■ <sup>16</sup> Ravanera, R., Gorra, V. 2011. *Commercial pressures on land in Asia: An overview*. The International Land Coalition. ■ <sup>17</sup> Cooke, F.M., Toh, S.M., Vaz, J. In press. *Making an informed choice: A review of oil palm partnerships in Sabah and Sarawak, East Malaysia*. IFAD/IIED. ■ <sup>18</sup> NGO Forum. 2010. Statistical analysis on land disputes occurring in Cambodia (for the year 2009). See [www.ngoforum.org.kh/eng/lic/land\\_ld.html](http://www.ngoforum.org.kh/eng/lic/land_ld.html)

The International Institute for Environment and Development (IIED) is an independent, nonprofit research institute working in the field of sustainable development. IIED provides expertise and leadership in researching and achieving sustainable development at local, national, regional and global levels. This briefing has been produced with the generous support of Danida (Denmark), DFID (UK), DGIS (the Netherlands), Irish Aid, Norad (Norway) and Sida (Sweden).

Contact: Emily Polack  
[emily.polack@iied.org](mailto:emily.polack@iied.org)  
 80–86 Gray's Inn Road,  
 London WC1X 8NH, UK  
 Tel: +44 (0)20 3463 7399  
 Fax: +44 (0)20 3514 9055  
 Website: [www.iied.org](http://www.iied.org)