

Full Length Research

UNDERSTANDING THE CHALLENGES OF CHINESE AGRICULTURAL INVESTMENTS IN AFRICA: AN INSTITUTIONAL ANALYSIS

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In recent years, Chinese state-owned, private and family-based enterprises have increased their investments in Africa's agriculture sector. Scholars have primarily sought to understand the motives of these enterprises embarking to Africa. Nevertheless, few studies have endeavoured to investigate the extent to which Chinese actors are able to implement their motives on the ground. This paper aimed to discuss the manner in which Chinese agricultural enterprises operating in Mozambique and the DRC interact with institutional contexts – the physical and legal environments that prevail on the ground. Based on semi-structured interviews conducted in Mozambique and the DRC in 2011, this paper held that Chinese agricultural enterprises operating in these two countries have been affected by local environments. While in some instances, they have been obliged to abandon their investment projects, in others, they have adopted specific business model or different line of business in order to dodge obstacles associated with unfavourable environments.

Keywords: Chinese agricultural investments; Africa; customary land laws; political institutions; access to land; infrastructure.

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INTRODUCTION

Background

The spectacular upsurge of China's economic interactions with Africa, which has coincided with the turn to the 21st Century, has now become an established fact. Indeed, from 1990 to 2009, Chinese imports from Africa rose from US\$368 million to US\$ 43.44 billion (Trademark Southern Africa, 2012). During the same period, Chinese exports to Africa grew from US\$692 million to US\$47.64 billion (Trademark Southern Africa, 2012). Moreover, Chinese foreign direct investment in Africa rose from US\$911 million to US\$68 billion between 2000 and 2010 (Kobylinski, 2012). The economic relations between China and Africa have been mainly driven by Beijing's quest for oil and minerals in order to sustain its burgeoning economic expansion (Taylor, 2006, 2009; Tull, 2006; Alden, 2007, 2008; Holslag, 2006). In this perspective, Chinese trade with and investments in Africa have largely been directed toward the oil and mineral sectors of African resource-rich countries (Taylor, 2009; Tull, 2006; Holslag, 2006; Marysse & Geenen, 2009; Esteban, 2009).

In recent years, Chinese state-owned and private enterprises have begun investing in Africa's agriculture sector. However, the arrival of Chinese agricultural enterprises in Africa has coincided with the reduction of arable land in China and its increasing reliance on imports of agricultural commodities (Hale, 2005; Horta, 2009; Alvarenga, 2008; Ping, 2008). In addition to that, the Chinese government has recently established 14 agricultural demonstration centres across Africa in order to supposedly foster the transfer of Chinese agricultural technologies to Africa. Leading Chinese agricultural enterprises and agricultural research institutes have been selected to manage those centres for a minimum period of three years, under which all operational costs will be covered by the Chinese government (Brautigam, 2009).

In this context, scholars such as Brautigam (2009), Brautigam and Xiaoyang (2009), Hairong and Sautman (2010) and Sun (2011) have focussed their attention on the strategic motives underlying Chinese agricultural investments in Africa. Nevertheless, while academics have endeavoured to understand the strategic motives of Chinese agricultural enterprises operating in Africa, they have paid little attention to institutional contexts informing the extent to which these enterprises are able to implement their motives on the ground. This is with the notable exception of the work produced by Brautigam (2009), in which she provides a comprehensive analysis of the way in which the institutional context in Sierra Leone – in particular the customary land law and political squabbles – affected the operations of the Chinese agricultural enterprise, Complaint.

A comprehensive understanding of the strategic

motives shaping Chinese agricultural investments in Africa and the extent to which these are implemented on the ground is necessary in order to anticipate for future impacts of Chinese agricultural investments on African populations and forests. Therefore, this paper aims to understand the manner in which institutional contexts – defined here as the physical and legal environments prevailing on the ground – in the rural areas of Mozambique and the Democratic Republic of the Congo (DRC) shape the behaviour or model of business of Chinese agricultural enterprises.

METHODS

Approach to method

This paper relies on the new institutional theory, as developed by North and Williamson, to understand the manner in which institutional contexts in Mozambique and the DRC impact on the behaviour or model of business of Chinese agricultural enterprises. New institutional theory seeks to explain the manner in which institutions – constituted of informal constraints, formal rules and enforcement mechanisms – structure the external environments to which humans are exposed and how these in turn shape the trajectories of organisations and hence the performances of economies through time (North, 1990, 1994, 2005; Williamson, 2000). One of the central postulates of this theory is that informal constraints, formal rules and enforcement mechanisms are all interconnected. Therefore, a change in one component leads to variations in the others (North, 1990, 1994; Williamson, 2000). More importantly, new institutional theory holds that informal constraints change in the order of centuries – since they are more embedded in traditions – and therefore have pervasive influence on formal rules and enforcement mechanisms (Williamson, 2000). The new institutional theory is appropriate for this paper as it accounts for the role of informal constraints, formal rules and enforcement mechanisms in the making of institutional contexts that prevail in the rural areas of Mozambique and the DRC.

Data collection and analysis

Chinese agricultural enterprises are the unit of analysis in this paper. As indicated in Table 1, five Chinese agricultural enterprises were identified in Mozambique. In the case of the DRC, as mentioned in Table 2, three Chinese agricultural enterprises were found.

Table 1. Overview of Chinese agricultural enterprises operating in Mozambique

Enterprises	Type of enterprise	Year of initial operation	Location/ province	Capital invested (US\$)	Size of concession (hectares)
Hubei Lianfeng Mozambique	State-owned	2007	Gaza	1 000 000	300
		2011	Boane (Maputo)	6 000 000	52
China Grain and Oil (Group) Corporation	State-owned	2005	Sofala	12 000 000 (planned investment but failed to implement the business venture)	
China Africa Cotton Mozambique	State-owned	2007	Sofala	6 000 000	NA
Sol e Mar	Private	2009	Sofala	12 000 000	12
ACE Agriculture and Aquaculture	Private	2009	Sofala	1 000 000	600

Source: Information collected from the Mozambican Investment Promotion Centre (CPI) as well as from interviews with managers of Chinese agricultural enterprises.

Table 2. Overview of Chinese agricultural enterprises operating in the DRC

Enterprise	Type of enterprise	Year	Location/Province	Capital Invested (US\$)	Size of concession (hectares)
Hubei Dadi International Corporation	State-owned	2010	Kinshasa (Mikonga, Kingabwa)	1.464 000	300 (Mikonga) 12 (Kingabwa)
		2007	Equateur	5 000 000 (Planned investment in Equateur, but suspended)	100 000 (equateur)
ZTE Agribusiness Congo	Private (multinational)	2008 2010	(Minkao) Kinshasa (Nsele) Kinshasa		280 (Minkao) 600 (Nsele)
China Overseas Engineering Group Company (COVEC)	State-owned (a construction company)	2010	Bandundu	(project failed to materialise)	100 000

Source: Information obtained from the Congolese National Agency for the Promotion of Investments (ANAPI) and interviews with managers of Chinese agricultural enterprises.

This paper is based on the research conducted by the author during his doctoral studies at Stellenbosch University, South Africa. The research relied on primary and secondary sources of data. Primary source of data consisted of semi-structured interviews. Thirty two semi-structured interviews were conducted in Mozambique and

the DRC from April to June 2011. The interviews targeted managers of Chinese agricultural enterprises, local researchers and officials from the ministries of agriculture. Secondary source of data consisted of reports of international institutions such as the World Bank, official legislations such as land laws and articles

INSTITUTIONS

INSTITUTIONAL CONTEXT

Informal constraints

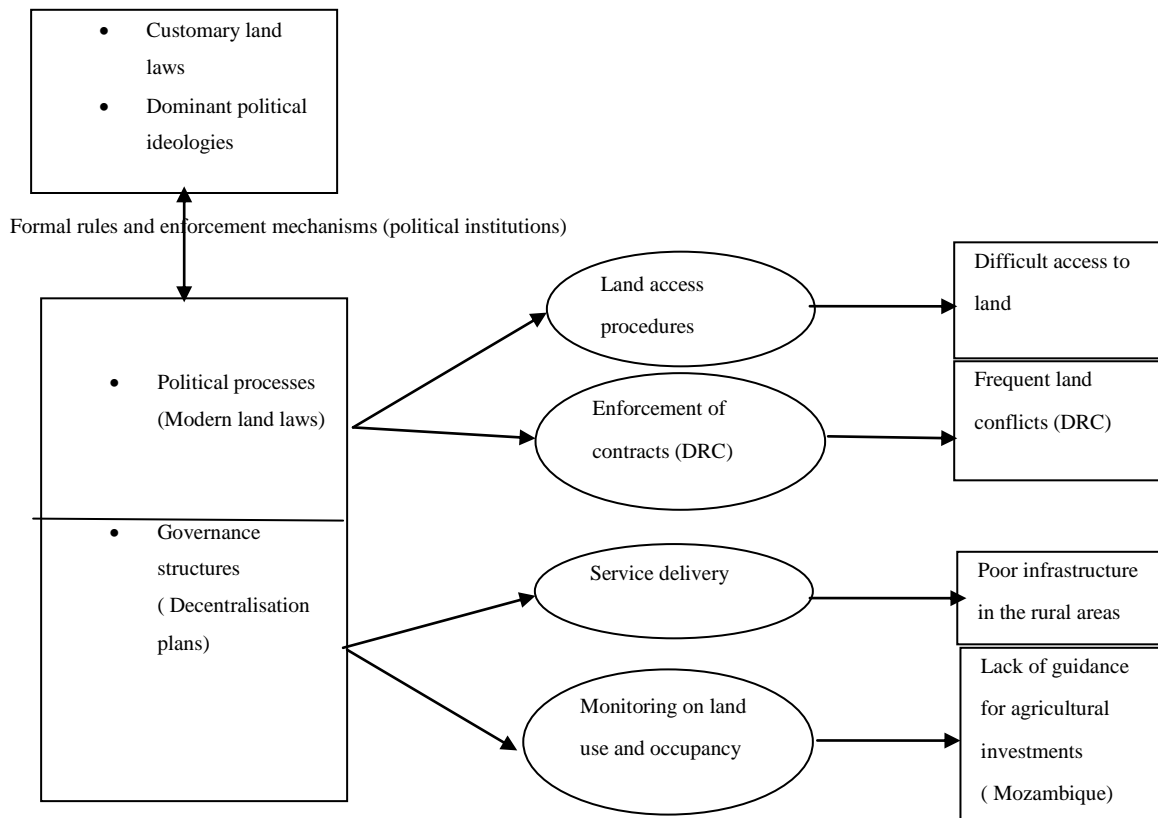


Figure 1. Institutions and institutional contexts confronted by Chinese agricultural enterprises in the rural areas of Mozambique and the DRC

from private sources such as newspaper articles.

INSTITUTIONS AND INSTITUTIONAL CONTEXTS

As mentioned in the previous section, the institutional contexts prevailing in the rural areas of Mozambique and the DRC to which Chinese agricultural enterprises are confronted are the derivation of specific sets of institutions, which encompass informal constraints, formal rules and enforcement mechanisms. Figure 1 below presents a conceptual model that explains the manner in which specific institutions in Mozambique and the DRC derive the institutional contexts shaping the actions of Chinese agricultural enterprises.

Institutions

Figure 1 outlines the institutions that derive the

institutional contexts to which Chinese agricultural enterprises are confronted in the rural areas of Mozambique and the DRC. Institutions are classified as informal constraints – customary land laws and dominant political ideologies – and as formal rules and enforcements mechanisms – political institutions. Moreover, formal political institutions are divided in two categories: political processes and governance structures. The above institutions are interconnected given that customary land laws and political ideologies impact on formal political institutions.

Customary land laws and modern land laws

Customary land laws are uncoded rules that govern land occupancy rights in much of the Africa's rural areas. In particular, customary land laws vest exclusive land rights to rural communities while empowering tribal authorities – the chiefs – to allocate land to households

(Mamdani, 1996). Customary land laws were established in Africa – except in Islamic societies – during colonisation. Prior to that period, land access in Africa largely depended on the basis of residence or on acquiring membership to a group or lineage (Mamdani, 1996; Feder & Noromha, 1987; Adholla et al., 1991; Peters 2004; Boone, 2004). More specifically, migrants were welcomed into a household, kin group or lineage as they enhanced the prestige and often the labour force of its head (Mamdani, 1996:140). However, this communal form of land ownership did not preclude the existence of individual land rights, especially in the most populated regions of West Africa (Mamdani, 1996; Feder & Noromha, 1987; Adholla et al., 1991; Peters, 2004).

At their independence, African countries choose different policy options regarding the land issue. Countries such as the Ivory Coast and Kenya discarded customary land laws and introduced individual land titles. Other countries such as Senegal, Sudan, Botswana, Ghana, Lesotho, Liberia, Mali, Sierra Leone, Swaziland, Uganda and Zimbabwe opted to recognise different types of land tenure systems: individual titles, group titles, communal systems and public lands (Feder & Noromha, 1987; Adholla et al., 1991; Peters). A last group of countries placed land ownership under the sole control of the state. In these countries, individuals' privileges over land are limited to occupancy rights. Mozambique and the DRC – as well as Ethiopia, Mauritania, Nigeria, Tanzania and Zambia belong to this last group (Feder & Noromha, 1987; Adholla et al., 1991).

Despite the fact that modern land laws in Mozambique and the DRC place land ownership under the sole control of the state, customary land laws are still applied in the countryside – as land is often considered a tribal asset whose allocation lies with tribal chiefs. In this perspective, the Mozambican land law clearly states that national or foreign investors seeking to access land must first consult with local communities to ensure that the tract of the land desired is available and unoccupied (Lei de terras, ,1997:article 3). In the DRC, the land law stipulates that investors seeking to access land must lodge a formal request with the relevant authority, who then conducts an investigation to figure out the nature and the extent of rights that third parties might have over that tract of land (Code Foncier Immobiliers et Regime de Suretes, 2006:article 190). Generally, in both countries, it is expected that individuals and corporate groups seeking to access land must first negotiate with local communities and secure their approval before lodging formal applications for land use and occupancy rights with relevant state structures.

Political institutions (formal and informal)

Political institutions are defined in this paper as the set of formal political rules, governance structures and the dominant ideologies informing the perceptions and

actions of the leadership (Levy, 2004; De Laiglesia, 2006). In other words, political institutions are the written constitution and laws that inform the constitutional form of the state as well as the process through which power is attributed and applied. Political institutions serve as a link between the broader society and the bureaucracy. According to Levy (2004) and De Laiglesia (2006), the role of political institutions is, on the one hand, to contain pressures from various political and economic groups in society by channelling their various and often contradictory interests into the policy process; and on the other hand, to set the policy, regulatory and service delivery goals of the bureaucracy and to ensure their implementation. In this perspective, political institutions also determine the nature of institutional contexts that affect the performance of economies.

Like in much of Africa, political institutions in Mozambique and the DRC are generally weak. The source of this weakness lies in the nature of African states. While an extensive analysis of the nature of these states is clearly above the scope of this paper, it is nevertheless important to provide a short discussion of the characteristics of African states in order to shed some lights on the structural causes accounting for the poor performances of political institutions in Mozambique and the DRC.

Most African states are artificial entities in the sense that European colonial powers established their borders without paying attention to the homogeneity of political units that were included in the new territories. As a result, the bulk of African states embody several pre-colonial political systems – such as kingdoms and stateless societies – with divergent political systems and cultures (Englebert, 2000a). Moreover, political institutions established in post-colonial Africa failed to reflect the fragmentation of political units constituting the state, and hence, were and are still unable to establish balanced distributions of power and resources amongst various ethnic and regional segments of the society (Mayoyo Bitumba, 1999; Ake, 1996). As a result, in much of Africa, there is a situation of incongruity between pre-colonial institutions and post-colonial states (Englebert, 2000b). Because of such incongruity, the African state resembles a battle field as members of each political unit seek to capture the state in order to control public resources and dominate members of other ethnic and regional groups. The ensuing competition for the control of the state among various ethnic and regional segments of the society leads to political instability, violence and, in some instances, to outright civil wars. In order to curb political instability, political elites resort to neo-patrimonial system of rule. Neo-patrimonialism is a personalised system of rule that links the ruler and his inner circle – often from the ruler's own ethnic or regional group – at the helm of the state with intermediaries and their ramifying networks of clientele. Basically, the ruler provides his clients with

money or position of power and the latter, in return, provide him with political support and security (Young, 2004; Bayard, 2006; Clapham, 1996). By its very nature, neo-patrimonialism favours distributive policies over productive policies. Over time, it generates an ideology that envisions politics or the exercise of power as a mean for self-enrichment and personal aggrandisement. In this way, neo-patrimonialism breeds corruption, inefficiency and neglect of the rule of law (Englebert, 2000b; Clapham, 1996).

The ideologies that emerge in the context of neo-patrimonial system of rule undermine the strength of political institutions, as – in addition to the moral integrity of the political leadership – the process of acquisition and delegation of power gets dented as well. The weakness of political institutions prevents the state from providing proper guidance and sufficient resources to the bureaucracy. The flaws in political institutions also allow interest groups in society to capture and dominate the bureaucracy. Thus, the bureaucracy becomes unable to perform its task of formulating and implementing sound policies and providing services to the community. In this perspective, the poor performance of bureaucracies in Africa should not only be perceived as an outcome of limited technical and managerial capacity. This is because bureaucracies are “embedded in a complex, interdependent system” that includes political institutions as well as social, economic and political interests (De Laiglesia, 2006:40; Levy, 2004:11).

The post-colonial history of Mozambique has been marked by the political ascendancy of the former liberation movement, Frelimo, over its long time rival of Renamo. The relative strong political integration fostered during the war for independence as well as its Marxist-radical nationalist ideology enabled Frelimo to elaborate a development project for the country that sought to reform and consolidate the state (Mamdani, 1996). However, such efforts were compromised by advent of the civil war in 1982. Since the end of the civil war in the early 1990s, the persistent rivalry between the former belligerents of Frelimo and Renamo along ethnic and urban/rural lines has prevented the establishment of a stable-democratic political order (Cuereneia, 2001; Ames et al., 2010; Do Rosario, 2011). In this context, the ruling Frelimo has resorted to a neo-patrimonial system of rule in order to secure and preserve political power in the central and local state. The neo-patrimonial system of rule has watered down the democratic dimensions of the decentralisation plan initiated in the mid 1990s. In particular, given the relative popularity enjoyed by Renamo in much of the rural areas of the country, the Frelimo-led government undermined the devolution of political, administrative and financial autonomy to rural municipal districts (Cuereneia, 2001; Ames et al., 2010; Do Rosario, 2011).

In the DRC, the significant lack of political and cultural integration is a great source of political instability that obliterates any viable development project for the country (Ake, 1996). The widespread factionalism between different regional and ethnic segments of the political elites constrained the Mobutu regime to resort to neo-patrimonialism in order to restore a minimum of stability and order in the vast Central African country. However, given the size of the country and the extent of political and cultural fragmentation, neo-patrimonialism has been more extensive in the DRC than in other African states (Englebert, 2000a; Englebert, 2000b; Clapham, 1996). It is mainly the extensive clientelistic networks symptomatic of neo-patrimonialism that led to the breakdown of the Zairian state in the 1990s – followed by two civil wars. The end of the civil war in 2003 and the ensuing precarious return to peace coincided with a return to the neo-patrimonial system of rule. Consequently, the country has failed to rebuild the key institutions of the state. Indeed, the institutional reforms, especially the decentralisation plan, envisaged by the 2005 constitution have been thwarted by poor conceptualisation, political squabbles for control of resources and the unwillingness of political elites in the capital to relinquish revenues to the provinces (Yav, 2009; International Crisis Group, 2010). In addition to that, local elections which were scheduled for 2007 have been permanently postponed, as the government has preferred to directly appoint local administrators.

More generally, political institutions in Mozambique, and especially in the DRC, are dysfunctional and therefore unable to provide the necessary policy guidance and resources to the bureaucracy. In this perspective, the bureaucracy struggles to provide adequate services to ordinary citizens, communities and corporate organisations. The situation is particularly severe in the rural areas.

Institutional contexts

The institutions discussed in the previous section derive specific institutional contexts to which Chinese agricultural enterprises are exposed. As shown in figure 1, the institutional contexts in the rural areas of Mozambique and the DRC, as far as Chinese agricultural investments are concerned, share two main similarities: difficult access to land and the poor quality of infrastructure. In addition to those, the lack of information guiding agricultural investments is also a feature of the institutional context in Mozambique, while recurrent conflicts over land control is part of the institutional context in the DRC.

Difficult access to land

Chinese agricultural enterprises operating in

Mozambique and the DRC face significant challenges regarding access to land. The difficult access to land to which these enterprises are confronted is consecutive to the informal integration between customary land laws and modern land laws. Indeed, as already mentioned in this paper, individuals and corporate organisations seeking to access land in Mozambique and the DRC are expected to first consult with local communities and secure their approval before lodging formal applications with relevant authorities. However, local researchers in Mozambique and the DRC hold that consultations with local communities give rise to problems of land identification, community representation and negotiations. Indeed, it is quite difficult for corporate groups – in this case Chinese agricultural enterprises – operating in a foreign country to identify tracts of land suitable for their operations, and even more, to identify legitimate authorities representing tribal communities occupying those lands. Even when corporate groups are able to identify suitable tracts of land and the legitimate representatives of local communities, they still have to engage in lengthy negotiations with traditional chiefs. During negotiations, investors are often required to pay traditional chiefs in kind and cash in exchange for access to land. In this context, it appears that acquiring rights over land use and occupancy in Mozambique and the DRC is a difficult task that necessitates a great deal of financial resources, time and, of paramount importance, a good knowledge of local conditions and languages.

It is precisely because of the complex access to land in Mozambique – as well as in other African countries – that China-Africa Cotton Mozambique opted for an outsourcing mode of operation. Indeed, China-Africa cotton Mozambique has adopted a model of business through which it provides inputs and training to local farmers and in return purchases raw cotton from them. In this manner, China-Africa Cotton is able to dodge all the costs and troubles associated with accessing land in Mozambique.

In the DRC, the case of ZTE Agribusiness Congo sheds some lights on the complexity of accessing land in that country. Indeed, after signing an agreement with the Congolese ministry of agriculture for accessing 100 000 hectares of land in Equateur province, ZTE Agribusiness Congo had to identify a suitable farmland and negotiate with local communities. In this context, the Chinese private enterprise conducted air surveys over the localities of Bikoro, Ingende, Basankusu and Mbandaka in Equateur province. Among these localities, ZTE Agribusiness Congo decided to focus its investigations at the Bikoro's site, located 40 km from Mbandaka, the provincial capital. At Bikoro, ZTE Agribusiness Congo conducted several analyses of soil and vegetation samples and assessed the means of transportation. In addition to that, ZTE Agribusiness Congo also held meetings with local leaders as well as the local

community. It is only after all these investigations and meetings were successful that ZTE Agribusiness Congo was in a position to lodge a formal request for land with the governor of Equateur. The governor of Equateur province approved the request and asked ZTE Agribusiness Congo to start the formal process by getting in touch with the provincial minister of land affairs.

Conversely, the difficulty of gaining access to land in the DRC appears to have compromised COVEC's investment plans in the country. In 2007, COVEC lodged a formal application with the Ministry of Agriculture for 100 000 hectares of farmland in Bandundu province – East of Kinshasa – in order to grow rice. However, COVEC relied on the Congolese ministry of agriculture in order to secure the 100 000 hectares land in Bandundu and failed to travel to the countryside in order to identify potentially suitable tracts of land and negotiate with local communities. Thus, after waiting for almost one year without getting feedback from the Ministry of Agriculture, COVEC abandoned its project in 2009.

Poor quality of infrastructure

Chinese agricultural enterprises operating in Mozambique and the DRC also have to struggle with the poor condition of infrastructure. In particular, they have to deal with poor transportation and damaged irrigation systems. Transportation, both on roads and on the river, is a major issue in the DRC. This is in light of the huge size of the country, the neglect of the rural areas for several decades and also the fact that the DRC is almost land-locked with only 40 km of the coast on the Atlantic.

In Mozambique, the poor state of infrastructure has affected the activities of ACE Agriculture and Aquaculture. Indeed, the break of the irrigation system at Buzi where ACE Agriculture and Aquaculture's farm is located has prevented the enterprise from expanding the production of rice and adopting new technology – hybrid seedling. ACE Agriculture and Aquaculture relies on the World Bank to rehabilitate the irrigation system in Buzi.

In the DRC, the poor state of infrastructure has contributed toward delaying ZTE Agribusiness Congo's palm plantation project in Equateur province. The Director General of this enterprise claims that transportation on the Congo River is primitive, since the channels are not cleaned. He recalls that he had planned to travel for three days on the Congo River from Kinshasa to Mbandaka, but instead he spent seven days on that river. According to him, if ZTE Agribusiness Congo wants to establish a palm plantation in Equateur province, it has to transport all equipments, including machinery and fertiliser, from the port of Pointe Noire, in Congo Brazzaville, and that of Matadi, in the DRC, to Kinshasa and then to Mbandaka. The General Director of ZTE Agribusiness Congo argues that it is very difficult to

transport equipments from the port cities to the farm's location in Equateur. As a result of the problems associated with the poor state of infrastructure –as well as the difficult access to land mentioned above – ZTE Agribusiness Congo has opted to suspend its palm plantation project and instead focus on smaller agricultural projects of less than 1000 hectares of land.

Lack of guidance for agricultural investments

In Mozambique, the difficulty of gaining access to land has been compounded by the inability of the state to provide agricultural investors with information on the availability and characteristics of different type of lands in order to ensure the success of their investments. The National Land Cadastre was established by the Mozambican land law of 1997 and mandated, amongst other things, to understand the different types of occupation and land uses, and to conduct assessments of soil fertility, forest trunks, hydraulic reserves, mining exploration zones and tourist destinations, and to organise efficiently the use of land as well as its protection and conservation (Lei de terras 1997, article 5.) In short, the National Land Cadastre is tasked with the responsibilities of monitoring and enforcing the land law. However, in practice, the National Land Cadastre lacks the capacity to achieve the above tasks. More importantly, it lacks the capacity to collect and analyse relevant information in order to guide agricultural investors. The lack of such crucial information is detrimental to agricultural investments.

As a matter of fact, the absences of appropriate information have been damaging for CGOG's operations in Mozambique. CGOG, a large state-owned Chinese agricultural enterprise, decided to invest US\$12 million in the growing of soybean in the Nhamatanda district of Sofala province. However, CGOG's operations in Mozambique failed due to poor planning. Indeed, the National Land Cadastre failed to provide CGOG with information on the type of soil (fertility) for growing soybean as well as on suitable seeds and machineries. Consequently, CGOG brought from China seedling and machineries that were not adapted to local conditions. Therefore, the investment failed and CGOG abandoned the project.

Frequent conflict over land control

Chinese agricultural enterprises operating in the DRC have been engulfed into several conflicts over land control. The General Director of ZTE Agribusiness Congo holds that the enforcement of land contracts is a big issue in the DRC. He claims that out of every 100 legal disputes in the DRC, 60 are related to conflicts over

land control. ZTE Agribusiness Congo has been involved in two major conflicts over land in the DRC. The first involved local farmers who claimed that some portions of ZTE Agribusiness Congo's Menkao farm belonged to them. The second involved the Reserve Stratégique Générale – a structure of the presidency – which also claimed that some portions of ZTE Agribusiness Congo's Menkao farm belonged to the presidency. ZTE Agribusiness Congo managed to resolve those conflicts after many months of court arbitration – for the first conflict – and negotiations – for the second.

Hubei Dadi International Corporation, too, has been engulfed into conflicts over land control in the DRC. The incidents over land control occurred at two separate locations where Hubei Dadi International Corporation operated. At Mikonga, in the outskirt of the capital Kinshasa, the two customary chiefs in charge of the area demanded that Hubei Dadi International Corporation rewards them in kind and cash before it could start operating on the farm. In addition to that, a portion of the same farm was illegally occupied by local smallholders who refused to vacate. According to the manager of the Chinese enterprise, Hubei Dadi International Corporation brought the matter to the attention of the Congolese government. However, the Congolese government failed to successfully resolve these disputes. Instead, the government offered Hubei Dadi International Corporation another farm located in the same area. According to the manager of this enterprise, the new farm lacked canals and a viable irrigation system. In that context, Hubei Dadi International Corporation estimated that it would be too costly to develop the new farm and, therefore, abandoned the investment project in Mikonga.

At Masina Abattoir, the sons of the customary chief in charge of the area contested the right of Hubei Dadi International Corporation over the 1.3 hectare concession and called in the police, who expelled the Chinese enterprise from the farm. As the result of the land dispute with the sons of the customary chiefs, Hubei Dadi International Corporation lost all of its products – vegetables and pigs. It no longer breeds any pigs at its Masina Abattoir pigsty.

Conflicts over land control have prompted Hubei Dadi International Corporation to adopt a new business model. The Chinese agricultural enterprise has decided to move from agriculture to agro-processing and trading of agricultural machineries. Indeed, Hubei Dadi International Corporation had decided to open a milling factory in Kinshasa in order to buy maize from surrounding smallholders, process it and sell it in the local market. Moreover, it has opted to establish a big shop in Kinshasa in order to sell agricultural machineries to surrounding farmers. In this way, the Chinese enterprise hopes to generate profits by dodging the costs and risks associated with repeated conflicts over land control.

DISCUSSIONS

The institutional contexts prevailing in the rural areas of Mozambique and the DRC have affected the behaviour and the model of business of Chinese agricultural enterprises. These institutional contexts are largely the outcome of the grip of customary land laws on political institutions (i.e. the substance of modern land laws) on the one hand, and that of the flaw of political institutions – resulting from the dominant ideologies produced by neo-patrimonialism system of rule – on the other.

Customary land laws have a pervasive influence on political institutions in Mozambique and the DRC. In particular, customary land laws continue to shape the perceptions of political elites and judges regarding the status and ownership of land – as land is still perceived as a communal or tribal asset. The hold of customary land laws on political elites is reflected in the ambivalence of the modern land law. Indeed, while the Mozambican and Congolese land laws clearly state that the land belongs to the state, they equally – implicitly or explicitly – require that investors seeking to access land first consult with local communities before lodging requests with state officials. This contradiction in the substance of the laws compounds the process of accessing land in Mozambique and the DRC. As a result, Chinese agricultural enterprises operating in Mozambique and the DRC have struggled to access land in order to implement their initial motives.

The grip of customary land laws on political elites is an even greater impediment to large-scale Chinese agricultural investments. State officials tend to be reluctant to grant large tracts of land to investors fearing that local communities' access to land might be alienated. Such fears are particularly warranted in political unstable settings such as those prevailing in Mozambique and the DRC. Indeed, the Mozambican government has been reluctant to grant extensive tracts of land to Chinese agricultural enterprises and farmers in the rich, but unstable, Zambezi Valley². Conversely, in the DRC, the government has been reluctant to grant ZTE Agribusiness Congo 3 million hectares of farmland for palm plantations – as requested by this firm in 2007³.

Customary land laws also shape the perceptions of judges. Chinese agricultural enterprises operating in the DRC have been engulfed into several conflicts over land control involving local smallholders and traditional chiefs. The judiciary have often failed to provide fair settlements

to these disputes. North (1990:59) argues that the enforcement of contracts is uncertain, especially in developing countries, not only because of ambiguities in legal doctrine but also because of uncertainty with respect to the behaviour of agents such as judges and lawyers. In other words, North holds that the perception of judges and lawyers is influenced by their beliefs. In the case of the DRC, and possibly that of Mozambique too, customary land laws directly influence the perception of judges when presiding over issues related to conflicts over land ownership. In this context, judges share the belief according to which land belongs primarily to local communities. Therefore, when conflicts over land control arise, investors are often expected to negotiate with local communities in order to find consensual solutions. The above analyses are comparable with the view expressed by Brautigam (2009) concerning the inability of the Sierra-Leonean government to successfully enforce the contract that it signed with Complaint – the Chinese Sugarcane enterprise operating in Sierra-Leone – which was engulfed in conflict over land control with the local community.

Furthermore, weak Political institutions have also shaped the institutional contexts in which Chinese agricultural enterprises are exposed in Mozambique and the DRC. In both countries, dysfunctional political institutions resulting from neo-patrimonialism have led to failures of decentralisation plans that sought to ensure effective devolution of political, administrative and financial autonomy to the provinces and local states. As a result, the rural areas lack legitimate and efficient governance structures needed to raise sufficient financial resources and implement development projects, especially in the key area of infrastructure. In this perspective, dysfunctional political institutions appear to be the main problems restricting the delivering of infrastructure in the rural areas of Mozambique and the DRC.

For the moment, only two Chinese agricultural enterprises – ACE Agriculture and Aquaculture in Mozambique and ZTE Agribusiness Congo in the DRC – have been affected by the problem of poor infrastructure. However, this does not mean that poor infrastructure are not a significant issue for Chinese agricultural enterprises operating in these two countries. The number of Chinese agricultural enterprises operating in Mozambique and the DRC is still small. Therefore, one should anticipate that as the number of Chinese agricultural enterprises operating in Mozambique and the DRC continues to increase over the next years, the issue of inadequate infrastructure will become a significant impediment for many of them. This will especially apply to Chinese agricultural enterprises that will evolve outside the aid projects funded by the Chinese government, as these enterprises will require large tracts of land that are likely to be located further in the countryside.

² Interviews with local researchers, Maputo, 8 April 2011 and 14 April 2011.

³ Interview with the General Director of Congo Agriculture Biotechnology, Kinshasa, 13 June 2011.

Conversely, weak political institutions have also prevented the National Land Cadastre to guide agricultural investors with proper information. Indeed, the poor performance of the National Land Cadastre in this particular regard is partly due to the absence of a comprehensive strategy for the organisation, staff shortages – especially at the district level – and inadequate material resources, such as transport and communication equipment (Chemonics, 2006).

CONCLUSION

Chinese agricultural enterprises operating in Mozambique and the DRC have been exposed to unfavourable environments. These have been characterised by difficult access to land, poor infrastructure, lack of guidance for agricultural investments and frequent conflicts over land control. Chinese agricultural enterprises have responded in various ways to these challenges: with some of them abandoning their investment projects while others adopting specific business model or shifting to new line of business.

While the institutional contexts prevailing in the rural areas of Mozambique and the DRC are generally unfavourable, two issues constitute major impediments to Chinese agricultural investments: underdeveloped infrastructure and complex access to land.

In this perspective, the upgrading of infrastructure and the simplification of the process of access to land are essential in ensuring the success of Chinese agricultural investments and in enabling Mozambique and the DRC to benefit from such investments. However, achieving these objectives will entail an extensive reform of the state.

Such reform should in part aim to enhance the ability of provinces and the local state to deliver services in the rural areas. In addition to that, the reform should also aim at reducing the grip of customary land laws on modern land laws in order to ease the process of accessing land. This last objective can be achieved through comprehensive reforms of the land and forest laws. In this perspective, one solution could be the establishment of different types of forests: community, commercial and protected. Under this scenario, community forests would be destined for local communities for their subsistence, cultural and commercial activities. These forests would be governed and managed by local communities, preferably at the village or sub-county level, according to their own choices and based on circumstances prevailing on the ground. In this sense, land rights and access to land in these forests would continue to be based on customary laws. However, commercial forests would be solely reserved for commercial activities: industrial logging and commercial agriculture. In these forests,

rights to land use and occupancy would be solely based on modern laws in order to encourage corporate investments. Finally, protected forests – which already exist in Mozambique and the DRC – should continue to consist of national parks and protected areas. Therefore, human and commercial exploitation should still be highly discouraged or prohibited in these forests.

The establishment of different types of forests should be preceded by countrywide scoping studies to determine the amount, type and availability of natural resources – with a special focus on land – as well as mathematical modelling approaches that provide accurate estimates of the amount of different types of land needed by each country in order to meet its goals regarding food security, industrialisation, agricultural exports and protection of the forests.

By reducing the grip of customary land laws on modern land laws, the proposed reforms would also pave the way to significant declines of conflicts over land control – by removing local communities and tribal chiefs from the equation of land ownership in commercial forests. Nevertheless, the above reforms can only be set into motion by reform-minded leaders who clearly acknowledge the necessity and benefits of disentangling land ownership from customary land laws.

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