

Foreign Direct Investment and Agricultural Systems of Production – A Medium Term Perspective

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In the classical economic sense, production results from the successful combination of productive factors. Considerations of productive factors, and more generally factor endowments, for agriculture tend to focus on the land/labor ratio. In such settings, particularly in smallholder settings in least developed countries, the role of capital investment and its productivity enhancing potential for local systems of production can be neglected. It is the intention of this paper to bring greater clarity to the issue of foreign direct investment in agriculture, by assessing patterns of investment and their impact on local production systems over the medium term.

The debate around the benefits or otherwise of foreign direct investment in developing countries is extensive. Seen by some as a vital source of financial capital accumulation, technology transfer and human capital enhancement (and by definition productivity improvement), it is alternatively seen, particularly in an increasingly globalising world, as a potential source of unwanted foreign influence in immature economies - a risk to national sovereignty and the nation-building enterprise – and a means by which the livelihoods of the people are relegated behind the profit-drive of multi-national corporations.

In Africa, this debate is increasingly evident in such conceptualizations as 'the new scramble' for African natural resources and 'land-grabbing' in the context of agriculture in particular, where there exist perceptions of a recent influx of investment in the traditionally capital-poor sector. Using Zambian data for 1992-2010, in comparison with other Southern African countries, the paper seeks to challenge the myths of detrimental foreign investment and the 'new' land-grab by mapping agricultural investment over time and space. Is one person's land-grabbing another's productive investment, and in what ways and to what extent has such investment impacted on local systems of agricultural production?