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Matthew A. Robbins

Liberty University, mrobbins11@liberty.edu

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Chinese Land Acquisitions: Developing a Strategic Foothold in Natural Resources

Matthew A. Robbins

Over the past decade, the government of China has been acquiring sectors of land in strategically significant areas around the world in order to guarantee a foothold in both natural resource commodities and national food security.

China's population has grown to 1,349,585,838 (July 2013 est.),⁶⁶ making it the most populous country in the world. With a population growth rate of 0.46%, China's population is growing by 6,208,094 individuals each year.⁶⁷ Available natural resources within China's borders are stressed to the limits, and do not fulfill the needs of the Chinese people. A significant population increase affects oil imports as well. China produces 8.992 million barrels of refined petroleum products per day,⁶⁸ while the consumption rate reaches 9.79 million barrels per day.⁶⁹ This creates a continuously growing need for refined petroleum imports. Crude oil import levels are at 5.422 million barrels per day, making China the third highest oil importer in the world.⁷⁰

The need for resources also leads China to address its status of agriculture. China has significantly less cultivable land than the United States, 11.62% compared to the U.S. 16.29% in arable land.⁷¹ Though the U.S. has more farmable land, it has approximately 75% less of a population to feed.⁷² China, with an

estimated population of 1,355,692,576, only owns 9,569,901 sq. Km. of land⁷³; this is compared to the United States' 9,161,966 sq. Km. and 318,892,103 population.⁷⁴ Oliver De Schutter, a Human Rights Council food expert for the United Nations, believes that food security difficulties are probable for China, citing the decrease in arable land, urbanization and rising food prices as the causes.⁷⁵

To minimize the possibility of a food security crisis and a natural resource shortage, the Chinese government is purchasing rights to land in various strategic areas throughout the world. Land acquisitions include mineral mines in Afghanistan and Burma, farmlands in Argentina and Africa, and oil fields in Kazakhstan. Fears of a food security crisis are abundant in areas where the population outgrows the land's ability to produce sustainable food sources, due to the effects of desertification and urbanization. The Gobi Desert is expanding into what were once the grasslands of northern China, creating desertification. A large population migration from rural areas to urban centers has increased the need for processed foods, but decreased the land able to produce due to increased desertification. China's economy is also driven primarily by the large technology industry that has made it the world's leader in production. The occurrences outlined above are leading incentives for China to acquire control of resource-rich lands outside of their borders.

Chinese land acquisitions focused on mineral mining are concentrated in Afghanistan and Burma. Within Afghanistan, China's state-owned company, China Metallurgical Group Corporation (MCC), signed a \$2.9 billion deal

⁶⁶ "China - People and Society," *The World Factbook*, Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed February 14, 2013).

⁶⁷ *Ibid.*

⁶⁸ "China - Energy," *The World Factbook*, Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed February 14, 2013).

⁶⁹ *Ibid.*

⁷⁰ *Ibid.*

⁷¹ "China - Geography," *The World Factbook*, Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed February 14, 2013);

"United States - Geography," *The World Factbook*, Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (accessed February 12, 2013).

⁷² "United States - People and Society," *The World Factbook*, Central Intelligence Agency.

<https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (accessed February 12, 2013).

⁷³ "China - Geography," *The World Factbook*, Central Intelligence Agency.

<https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed February 14, 2013).

⁷⁴ "United States - People and Society," *The World Factbook*, Central Intelligence Agency.

<https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (accessed February 12, 2013)

⁷⁵ "U.N. envoy forecasts food security issues for China," The Hunger Site, December 23, 2010.

<http://thehungersite.greatertgood.com/clickToGive/th/article/U-N-envoy-forecasts-food-security-issues-for-China233;jsessionid=B03381842C7D8793868CE7EB2D3CFF97.xc-a> (accessed February 12, 2013).

with the Afghani government to “extract copper from...one of the world’s largest unexploited copper deposits.”⁷⁶ This deposit is estimated to contain 240 million tons of copper ore.⁷⁷ The Chinese federal government owns 44% of MCC, allowing it to benefit greatly from the copper ore deal.⁷⁸ In Burma, the Letpadaung copper mine, Burma’s largest, is the focus of Chinese resource operations.⁷⁹ Letpadaung is run by a company linked to the Chinese military “in cooperation with the largest Burmese military-owned company,” Union of Myanmar Economic Holdings Company Limited (UMEHL).⁸⁰ China also invested in the Myitsone hydropower dam in Kachin state, operated by the China Power Investment Corporation.⁸¹ However, the Burmese President suspended this project in 2011 after civil society groups protested its impact on the area, which caused “immeasurable” financial losses to the company.⁸² Chinese mining operations abroad have taken advantage of massive copper deposits, creating a useful source for the metal to be mined for decades to come.

The Chinese government’s top priority is securing access to oil fields and transportation avenues from Central Asia to the Middle East, due to rising needs for crude oil and natural gas imports. New deals with Russia, acquiring strategic pipelines in Kazakhstan, exploiting natural gas in Burma, and gaining control of a port in southern Pakistan are the most significant steps China is taking to ensure control of sufficient quantities of oil and natural gas. Russia is currently

⁷⁶ Charles Wallace, “China, Not U.S., Likely to Benefit from Afghanistan’s Mineral Riches,” *Daily Finance*, June 14, 2010. <http://www.dailyfinance.com/2010/06/14/china-us-afghanistan-mineral-mining/> (February 13, 2013).

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Daniel Schearf, “Burma Authorities Accused of Fraud, Coercion at China-Backed Mine,” *Voice of America*, February 14, 2013. <http://www.voanews.com/content/Burma-authorities-used-coercion-at-china-backed-mine/1603549.html> (February 16, 2013).

⁸⁰ Ibid.

⁸¹ “Burma ‘Latest Flashpoint’ in Global Land Grabbing Epidemic,” *Democratic Voice of Burma*, Global Policy Forum, February 11, 2013. <http://www.globalpolicy.org/component/content/article/217-hunger/52258-burma-latest-flashpoint-in-global-land-grabbing-epidemic.html> (February 12, 2013).

⁸² Ibid.

preparing to sign a new set of agreements with China regarding energy resources.⁸³ Specifically, the contracts would enable greater purchases of natural gas from Russia and mutual development of nuclear power production projects that would benefit both states.⁸⁴

In the resource-rich state of Kazakhstan, China holds a “50-100% stake in 15 companies working in Kazakhstan’s energy sector.”⁸⁵ The Chinese government is also purchasing existing energy companies that are already established in the area, as exemplified by the \$2.6 billion acquisition of Kazakh oil producer MangistauMunaiGaz by the China National Petroleum Corporation (CNPC).⁸⁶ Similarly, the China Investment Corporation spent \$939 million for 11% of the KazMunaiGaz Exploration and Production Company.⁸⁷ Agreements between the two governments include the development of joint uranium production projects and expanding the partially CNPC-owned, Kazakh-China oil pipeline by 762 kilometers. The pipeline currently stretches from the Caspian Sea to China’s Xinjiang province.⁸⁸

China’s pursuit for natural gas reaches into Burma’s reserves as well. A 30-year deal signed in December of 2008 between Burma’s military government and the People’s Republic enables the pumping of natural gas from fields off of Burma’s northwestern coast into southern China.⁸⁹ This deal will allow China to pipe gas from reserves off the coast of Burmese state Rahkine to supply China’s National United Oil Corporation.⁹⁰

In Pakistan, China is taking a different approach to establish control over natural resources. The Pakistani government

⁸³ “Russia looks to new set of agreements with China – official,” *Voice of Russia*, *Turkish Weekly*, February 25, 2013. <http://www.turkishweekly.net/news/147522/> (February 11, 2013).

⁸⁴ Ibid.

⁸⁵ Rayhan Demytrie, “Struggle for Central Asian energy riches,” *BBC News*, Almaty, June 3, 2010. <http://www.bbc.co.uk/news/10175847> (February 12, 2013).

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Demytrie, “Struggle for Central Asian energy riches.”

⁸⁹ “Firms to pipe Burma gas to China,” *BBC News*, December 29, 2008. <http://news.bbc.co.uk/2/hi/asia-pacific/7802713.stm> (February 13, 2013).

⁹⁰ Ibid.

transposed operational control of an advantageously placed deep-water port in Gwadar over to China.⁹¹ Gwadar is located on the coast of the Arabian Sea in Pakistan's Balochistan province, only 180 nautical miles from the Strait of Hormuz.⁹² Chinese control of the port in Gwadar is seen as "the westernmost link in the 'string of pearls'" ⁹³ strategy employed by China to expand the range of the Chinese Navy. Control of this port also creates an extremely important connection of Middle Eastern oil exports to Chinese markets. Chinese endeavors for oil and natural gas acquisition are no longer centrally focused on Central Asia, as illustrated by the transfer of power in Gwadar.

The significance of food security in China is growing continuously as well. In order to cultivate enough food to sustain the 6,208,094 new Chinese citizens each year, the government has purchased land in Argentina, the Philippines, Africa, and Kazakhstan. The action of buying agricultural land and sending workers to cultivate the land is known as China's "go-out policy."⁹⁴ In Argentina, near the Patagonia region, the Chinese state-owned company Beidahuang has signed an agreement with the government of the Rio Negro province to acquire 790,000 acres of private farmland.⁹⁵ The same company also purchased 494,000 acres in the Philippines for the Chinese government.⁹⁶ Land purchases are primarily made by government-linked businesses such as Beidahuang.

China is acquiring land in other regions as well, including Sub-Saharan Africa and Kazakhstan. Although China is not purchasing

as much land in Africa as the governments of South Korea, India, the U.S., or Arab nations, roughly a million Chinese farmers have relocated to Africa to cultivate land for their nation.⁹⁷ In the Democratic Republic of the Congo, China purchased about 7 million acres for a biofuel palm plantation.⁹⁸ This is the largest and most significant acquisition of land in Africa made by the Chinese. In Central Asia, the state of Kazakhstan is not only making deals with the Chinese to expand their oil and natural gas relations, but also developing a relationship over land control bonds. These bonds created by Kazakhstan allow Chinese businesses to rent roughly 250 million acres of land. This enables the Chinese businesses to grow much-needed crops with a relatively short distance to travel overland into China.⁹⁹ Food grown in these areas will be utilized not only to feed Chinese citizens but also to develop biofuel technology, raise livestock, and develop agriculture transportation capabilities.

The effects of Chinese land acquisitions reach far beyond the simple goal of China accruing a greater quantity of agriculture and oil. It results in developed relationships with foreign governments, a changed outlook on the Chinese from foreign citizens, and the consequences of a distant government owning the resources that are needed by local citizens. By signing contracts and deals with states such as Kazakhstan, Russia, Burma, and Pakistan, China is building bridges with the governments of these states. This developing bond could lead to further partnership in other endeavors, possibly even an alliance in future combat operations. This would be a difficult hurdle for the United States and other western governments if conflict ever were to arise in Central Asia. Whether or not potential conflicts arise, these loose alliances could make dealing with China and these other nations very difficult in the future. One aspect of these relationships that could benefit the West is that Chinese land acquisitions, especially in Kazakhstan and Argentina, seem to have incensed the local

⁹¹ Sampath Perera, "Pakistan transfers strategic Gwadar port to China," International Committee of the Fourth International, February 26, 2013. <http://www.wsws.org/en/articles/2013/02/26/gwad-f26.html> (February 12, 2013).

⁹² Ibid.

⁹³ Ibid.

⁹⁴ Richard Spencer, "China looks abroad to grow its own food," *The Telegraph*, May 9, 2008. <http://www.telegraph.co.uk/news/worldnews/asia/china/1942254/China-looks-abroad-to-grow-its-own-food.html> (February 14, 2013).

⁹⁵ Felicity Lawrence, "Global food crisis: China land deal causes unease in Argentina," *The Guardian*, June 1, 2011. <http://www.guardian.co.uk/global-development/2011/jun/01/china-land-deal-unease-argentina-agribusiness> (February 12, 2013).

⁹⁶ Ibid.

⁹⁷ David Smith, "The food rush: Rising demand in China and west sparks African land grab," *The Guardian*, July 3, 2009.

<http://www.guardian.co.uk/environment/2009/jul/03/africa-land-grab> (February 14, 2013).

⁹⁸ Ibid.

⁹⁹ Demytrie, "Struggle for Central Asian energy riches."

populaces. Public demonstrations in Kazakhstan protested Chinese involvement in their country; banners stated, "Kazakh land is not for sale."¹⁰⁰ In Argentina, environmental groups and constitutional experts do not wish to see Chinese control of Argentinian lands; one lawyer, Eduardo Barcesat, states "We need our own people to eat well first, and after that we can feed the rest of the world..."¹⁰¹ Citizens of these nations might be influenced to accept greater trade with the West as an alternative to Chinese land acquisitions.

Governments have accepted Chinese land purchases across the globe, but private citizens have opposed the acquisitions. Although many individuals are against their involvement, China will continue to acquire control of strategic land throughout the world in order to guarantee their food security and ensure the natural resource needs of their nation are met. Recent land purchases, control of strategic areas, and long-term developments built in resource-rich states by China confirm that they are indeed ensuring their strong foothold in natural resource commodities and protection against a food security crisis.

¹⁰⁰ Ibid.

¹⁰¹ Lawrence, "Global food crisis: China land deal causes unease in Argentina."