

Are FDI's by Arab Countries really needed for food security?

Henk C. van Latesteijn

Food security policy is basically a risk management strategy: the risks of yearly supply not matching demand in a given country. And the basic response to risk management should be a portfolio approach. Do not put all your eggs in one basket!

Arab Countries choose from at least four different pathways to deal with the risk that food supply does not cover demand, all with specific benefits and drawbacks. Foreign direct investments are a simple and straightforward way of organizing food inputs, but at high costs and with systemic risks. Outsourcing, or making use of both comparative advantages and skills of trade-partners is also a sensible way to ensure supply, but there are geo-political constraints to be considered. Investing in national natural production capacity by closing the yield gap has long-term benefits but calls for short-term strategic courage. And investing in high-efficient metropolitan agriculture systems needs considerable up-front investments but may prove to be a sound source of production.

In a portfolio approach, spreading investments over at least these four possibilities may prove to be a sound approach. Food security is too important to support it by only one leg. With four legs a much more stable surface will emerge.