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THE GLOBAL CONTEXT OF LAND MARKET LIBERALIZATION IN UKRAINE: OPPORTUNITIES AND RISKS FOR RURAL DEVELOPMENT

The article considers various global factors influencing rural development under the conditions of liberalization of the agricultural land market in Ukraine. The author assesses the impact of global processes and global capital on the development of national farms, income distribution, access to land resources, production processes and equitable development in this country. It is proved that globalization, leading to increased concentration of agri-food production and business and expanding the role of large transnationalized corporations, is primarily aimed at exploiting the country's existing comparative advantages, rather than increasing them, and promotes, in many recipient countries, a model of double economy split in the technological and socio-economic dimensions into qualitatively heterogeneous sectors.

The author concludes that although global factors of agricultural production may have a relatively positive impact in macroeconomic terms, the dominance of multinational (transnational) companies, large exporting companies and financially powerful sovereign welfare funds in the market may create risks and threats of crowding out Ukrainian farmers from the market and blocking the sustainable development of rural areas. At the same time, Ukraine's agricultural sector will be transformed into a raw-material link of global food production chains dominated by large transnationalized entities, and a kind of raw-material enclave of transnationalized production will be created within the Ukrainian economy.

The article argues that in today's global economy, where cardinal transformations are taking place and uncertainty is growing, land will become an increasingly valuable asset, attractive not only to agricultural producers but also to land speculators and those who try to maintain the value of their assets under the conditions of growing global risks. Under such conditions, investment in land will not at all necessarily contribute to the development of agricultural production, because speculative capital in the face of widespread expectations of a long and significant upward trend in land prices will prevail over productive agricultural capital. In general, this might lead to a significant increase in the cost of agricultural production and food prices.

The author proves that the liberalization of the land market leads to increased risks of transfer of the control over Ukraine's land resources to foreigners

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(sovereign financial funds and major international corporations), given their dramatic advantage by available financial resources for land acquisition, compared to those possessed by Ukraine's residents.

The article substantiates a set of policy measures and national policy instruments necessary to minimize the risks associated with the introduction (in the context of globalization) of free purchase and sale of agricultural land, which comply with the regulation principles of the European Union[2]*.*

Keywords: *agricultural land market, rural development, globalization, global capital, multinational (transnational) corporations, sovereign development funds, economic and social risks and threats*

The lifting of the moratorium on the purchase and sale of agricultural land in Ukraine from July 1, 2021 and the launch of the market for these lands have become significant events that are likely to have huge economic and social consequences for this country's development. This issue, which has already become an arena of acute political struggle, provokes at the same time very sharp discussions among economists and sociologists - which is not surprising given the very complex and multifaceted nature of the problem and far from unambiguous historical experience of agrarian change in the territory of today's Ukraine.

For most researchers of this key issue of agrarian reform, the problem of land market is not just a purely economic asset, whose liberalization, according to the reformers, would release the forces of economic development in the Ukrainian countryside and turn Ukraine into a global agricultural "superpower" [1][3]. First of all, this is a value-related issue, which is deeply rooted in the Ukrainian national mentality and culture in its broadest sense. It is a basis of the way of life that determines the prospects of social organization in the Ukrainian countryside.

Given the above, the problem of introducing a market for agricultural land requires a very broad and interdisciplinary, rather than a narrow economic approach. After all, only at the crossroad of different sections of analysis can we see the outlines of a truly socially responsible solution that would lead Ukrainian society towards sustainable development.

An extremely important circumstance in introducing the land market in Ukraine is that this process takes place in the context of the country's inclusion in global economic processes. The latter significantly modify the impact of various mechanisms of distribution and exchange - and without a thorough understanding of these features, we may be exposed to significant risks and threats in the implementation of the guideline of agrarian transformation.

The purpose of this article is to study the above mentioned global factors that can dramatically affect the course of agrarian reform in Ukraine and, ultimately, bring results very different from those expected and promoted to Ukrainian society by its reformers. To a certain extent, the author tries to continue with this study the line of

[2] Prepared within the scientific project on "Spatial justice in land use for sustainable development of rural areas", performed in accordance with the Resolution of the Presidium of the NAS of Ukraine of 23.12.2020 No 296 (state registration No 0120U100816).

[3] Analytical substantiation of this political paradigm is provided in the White Paper "Strategy for the development of land relations in Ukraine" [2].

analysis initiated in Ukraine by socially responsible researchers of land transformation, in particular O. Borodina [3], authors of an informative analytical report on "Land Market: existing threats to Ukraine and necessary safeguards" [4] and other researchers [5].

The impact of global processes and global capital on the development of national farms, income distribution and access to land resources

Since the 1980s, the world has seen an extremely rapid spread of economic globalization, which reached its apogee in the late 1990s. The result was the emergence of global capital as a leading structural factor that had and continues to have a huge impact on the dynamics and characteristics of national economies.

Certainly, this impact is not the same for different sectors of the national economy and is specifically manifested in different areas: it is maximum in the so-called global industries (energy, information and communication technologies, pharmaceuticals and complex medical equipment, automotive, finances, information, tourism, communications, etc.), and to a lesser extent - in areas directly related to the satisfaction of daily basic need. In the latter, demand is largely shaped under the influence of nationally or regionally determined modes of consumption, which, in turn, were formed and consolidated within individual cultural models of societies. The sphere of agricultural production, no doubt, belongs to the second group, where the influence of transnational structures as a rule is relatively small and where national capital largely retains leading positions.

At the same time, it should be kept in mind that in recent years there has been a clear downward trend in international investment. While in 2016 the global annual inflow of foreign direct investment (FDI) exceeded 2 trillion USD, then only four years later (2020) the figure more than halved - to 999 billion USD – that is, to a level by 20% lower than the annual level of investment in the period of recovery from the global financial and economic crisis in 2009 and lower than the level of 2005 [6, p. 2]. This impressive decline can only be partially explained by the corona crisis; it is more profound and essentially reflects the crisis of the very model of neoliberal globalization, in which trade growth had long outpaced GDP growth, and international investment growth had far outpaced international trade growth. This trend no longer works: on the contrary, the fall in international investment during the corona crisis is far ahead of the reduction in trade and GDP.

These new trends are largely due to the significant strengthening of national regulation of international investment. While a few years ago the distribution of national policy measures in international investment was clearly in favor of measures to liberalize investment regimes, now the situation is changing. Only 59% of all national investment policy measures in 2020 were aimed at encouraging foreign investment, while 41% (a record high for all years of observation) - to limit or regulate them: the total number of such measures in 2020 increased more than twice, their main driver being the consideration on the introduction of screening mechanisms for compliance with national security in the so-called. sensitive sectors [6, p. xi], which undoubtedly include sectors related to national food security.

Against the background of the reduction in the absolute volume of capital flows, considerable structural changes are taking place in the flows of international investment. In the context of the subject of this study, of interest are certain changes in the process of mergers and acquisitions, because this process is associated not so much with the creation of property, but with its redistribution (change of ownership). Thus, UNCTAD data indicate the following changes in this aspect (Table 1).

Table 1

Net cross-border mergers and acquisitions by sector and selected industries, 2017-2020

Sector/industry	Value, *billion USD*				Number of agreements			
	2017	***2018***	***2019***	***2020***	***2017***	***2018***	***2019***	***2020***
Total	**694**	**816**	**507**	**475**			**7118**	**6201**
Raw materials	24	39	37	25			433	658
Manufacturing	327	307	243	228			1633	1136
Services	343	470	227	221			5052	4407
Industries with the highest cost of mergers and acquisitions (2020)								
Top 10 industries in 2020								
Food, beverages and tobacco	88	55	20	86	227	205	193	136
Information and communication	39	116	25	80	611	1173	1312	1248
Pharmaceuticals	..	58	98	56	..	182	186	211
Electronics and electrical equipment	26	42	21	40	307	257	279	165
Utilities*	54	38	12	33	171	191	190	190
Telecommunication	..	..	6	29	..	..	84	61
Finance and insurance	59	108	49	28	617	599	619	562
Extractive industries	23	38	35	24	466	329	354	527
Real estate	..	..	37	22	..	..	436	327
Trade	12	35	16	18	486	501	575	496
Selected industries from top 10 in 2017-2018								
Business activities	107	87	66	..	1817	1327	1156	..
Chemicals and chemical products	65	119	35	..	198	158	152	..
Transportation and storage	23	46	20	..	306	229	249	..

* in 2017-2018 - "generation and supply of electricity, gas and water".

Source: compiled based on UNCTAD data [7, p. 9; 8, p. 17; 6, p. 12].

The food industry, even with a considerable reduction in the total number of transactions of cross-border asset acquisition in terms of their value, became the leader in total transaction value in 2020, ahead of such global industries as information and communication, pharmaceuticals, electronics and electrical equipment, financial services and insurance. This may seem a paradox, but it's not really surprising. After all, with the acceleration of radical technological change (the Fourth industrial revolution), high-tech global industries are developing mainly not through the acquisition of existing assets, but through the formation of new ones - on a new technological basis, and therefore – rather by greenfield investing in new enterprises than by purchasing old assets.

The food industry's advancement to the first place in terms of mergers and acquisitions is a phenomenon of a special origin, which is not closely linked to technological transformations. It is rather indicative of a growing food shortage in the world, and not so much at the moment (although the COVID-19 pandemic has played a negative role in this aspect) as in the future - due to the entry into the world market of many new importing countries with rising incomes (primarily those from East Asia and, to some extent, Africa and the Middle East) and, above all, due to the increasing climate change, which threatens to aggravate the problems of stability in agricultural production. Given the latter, the considerations of food security, on the one hand, and the possibility of generating additional income from food shortages, on the other hand, dictate an increased interest in acquiring assets in this area. It is clear that this growing interest relates to the entire agri-food sector in a broad sense, not just the industry engaged in processing agricultural raw materials, because in today's world it is difficult to imagine effective business strategies without the formation of stable and resilient value chains.

It should be noted that until recently transnational economic structures (multinational corporations - MNCs, according to the UNCTAD's currently valid definition) did not play a considerable role among the world's largest cross-border operating corporations. However, under the influence of the latest incentives and interests that emerge and intensify in today's crisis world, this situation may change. At the same time, both internationally and within individual countries, there is likely to be a tendency towards a stronger role of large companies with extensive international relations and activities. That is, certain factors will act towards *greater concentration of agri-food production and business and increased role of large corporations* in this area. This trend can already be traced, and it demonstrates the leading role of large US companies (see Table 2).

As can be seen from the table, the vast majority of international companies present in this top list are already actively operating in Ukraine's market. They are becoming real actors in the formation of relevant international production systems, with the inclusion of the corresponding Ukrainian assets in global and macro-regional networks of added value, which can strengthen global competitiveness and maximize profits. It is absolutely clear that among these assets, the most valuable for international capital is Ukrainian land, which, despite many years of barbaric use, still has outstanding natural fertility compared to many other countries.

The very likely strengthening of the role of large transnational capital in the development of agri-food sector would have a significant impact on the place and opportunities for the development of smaller participants of agri-food production, including farms, and would threaten to limit their role in agricultural production under the pressure of price competition advantages, which emerged or strengthened under the influence of better global access to production resources. The accumulated global experience of TNCs (MNCs) shows that their strategies in many cases not only do not support national development priorities, but, on the contrary, can

Table 1

Rank	Name	Income, *billion USD*	Headquarters location	Indicators of transnationalization **	Profile of agricultural activities
1	*Cargill*	114.69	Minnetonka, Minnesota, U.S.	Branches in 66 countries, 25% of total US grain exports	Agricultural services, crop and livestock production, food, healthcare and pharmaceuticals, industrial and financial risk management, raw materials.
2	*The Archer-Daniels-Midland Company (ADM)*	64.34	Chicago, Illinois, U.S.	270 enterprises and 420 harvesting facilities worldwide	Corn syrup, corn syrup high in fructose, feed, ethanol, bioenergy and food.
3	*Bayer*	51.18	Leverkusen, Germany	616 branches, present in 111 countries. One of the world's leading crop companies: more than 35 research sites and 175 plant-growing sites worldwide.	Veterinary drugs, pesticides, seeds, plant biotechnologies. In 2018, acquired *Monsanto*, a leading producer of **genetically engineered** crops, for 63 billion USD. *Bayer CropScience* develops **genetically modified** crops and pesticides.
4	*John Deere*	37.35	Moline, Illinois, U.S.		Agriculture, construction, forestry, consumer and commercial equipment, diesel engines, cars.
5	*CNH Industrial*	28.1	London, United Kingdom	Corporate offices in Amsterdam and Basildon	Agricultural equipment (*Case IH, New Holland*), construction equipment, trucks and commercial vehicles, buses, special vehicles.
6	*Syngenta*	23	Basel, Switzerland	Third place in the world for sales of seeds and biotechnologies. Has eight major product lines that develops and sells worldwide.	**Genomic research**. Company's five lines of pesticides include selective herbicides, non-selective herbicides, fungicides, insecticides and seed care. The three seed product lines include corn and soybeans, other field crops and vegetables.
7	*DuPont*	21.57	Wilmington, Delaware, U.S.	277 branches with a presence in 58 countries. DuPont is one of the world's largest chemical companies in terms of sales.	Chemicals for the agricultural sector.
8	*Nutrien*	19.6	Saskatoon, Saskatchewan, Canada	World's largest producer of potash products and the third largest producer of nitrogen fertilizers.	Fertilizer production.
9	*Yara International*	12.9	Oslo, Norway		Chemical company producing nitrogen fertilizers, nitrates, ammonia, urea and other nitrogen-based chemicals.
10	*BASF*	6.8	Ludwigshafen, Germany	666 branches, presence in 93 countries. The largest producer of chemicals in the world. Management of six integrated production sites and 390 other production centers in Europe, Asia, Australia, America, and Africa.	Production of chemicals, plastics, chemicals, catalysts, coatings, crop technologies.

* In the table, in line with the OECD approach, the term "agricultural company" is interpreted broadly and includes companies operating not only directly in agricultural production, but also in agriculture-related industries.

** Included data from the OECD database - OECD-ADIMA-FY2019-Indicators (03.06.21) [9].

significantly change the national economic environment and its structure, having a significant impact on the flow of goods and services. capital, labor, as well as on the size and structure of income sources. At the same time, as a rule, international corporations *do not seek to develop the host country's competitive advantages, but rather exploit the existing ones*, which, in the case of regions of less developed countries, are primarily related to the availability of relatively cheap natural or labor resources. The policy of these companies in building global value-added chains is aimed at securing the most profitable parts of these networks, where the bulk of value-added is produced, for the TNC (MNC) base countries. As a result, economic growth in host countries in most cases speed up, but such growth is not always followed by a corresponding diversification of national production structures and a rise to higher levels of value added generation. Hence a paradoxical model of *growth without development* arises, which leads to increased lag behind the most developed countries. And only those countries that are able to pursue active structural policy of development (as, for example, East Asian countries did and continue to do now) are able to use the TNCs (MNCs) activities in their territory in favor of long-term national development strategies.

Indicative in this sense is the development of organic agriculture, which is based on modern agrarian technologies and can provide opportunities for selling products at much higher prices, and thus for bringing incomes that are significantly higher than average. The pioneer countries in this area are high-income European countries, where the share of land under organic agriculture in 2018 was: in Germany - 7.34%, Denmark - 10.45%, Switzerland – 10.60%, Finland - 13.09%, Sweden - 20.24%, Austria - 24.09%, while in Ukraine, which pretends to be " Europe's granary", this share only was 0.75% [11]. In the above mentioned European countries leading in the spread of organic agriculture, success was attained not nearly due to large transnationalized agricultural companies. After all, what these technologies most require is not cheap resources, but high qualifications; they are labor-intensive and require constant supervision over production processes.

One cannot deny that the reliance on large agricultural corporations can have a temporary economic effect in the form of capital inflow, increased sales abroad and thus increased incomes. However, it should be borne in mind that the networks of internationalized production and sales created by TNCs (MNCs) in many third world countries tended to create a kind of enclaves in the national economy. Incomes generated in these enclaves are largely confined inside them and distributed mainly among the beneficial owners of international corporations. They are very hardly diffused in favor of a wider range of national economic entities - due to the fact that the owners of these companies are usually not very interested in national producers of goods and services (except for the producers of public infrastructure services like energy, water, and gas).

It is exactly the reason why the development of these international structures creates the so-called *dual economy effect*[4], "thanks" to which a limited number of the owners of

[4] The concept (or model) of "dual economy" is based on the presence, in the country's economy of two different sectors that differ significantly in levels of development, technology and demand structures. This concept was originally developed in the 1950s as part of development economics research. One of

large export-oriented and internationalized companies prosper, while large numbers of small and medium-sized production structures, which employ most of the country's population, can degrade or stagnate, preserving archaic socio-economic structures.

The spread of TNCs (MNCs) in less developed areas may result not at all in accelerated development, as advocates of neoliberalism allege, but in *a split of the economy, in its technological and socio-economic dimensions, into qualitatively heterogeneous sectors with a very weak interaction between each other*. Such a dual and structurally fragmented economy denies, in principle, any efficient accumulation and market distribution of resources, as purely market criteria will encourage investment only in the more developed and more internationalized areas and sectors, while backward regions and sectors will not be able to generate any considerable savings. This phenomenon is of a general economic character, and fully applies to the agricultural sector.

Thus, *the policy of attracting foreign capital and large multinational corporations must be accurately balanced and built-in into the national priorities of socio-economic development* and be firmly embedded in the national mechanisms that ensure the priority of national strategic interests.

Global factors of conditionally positive impact of land market liberalization on domestic agricultural production and on fair spatial development of rural areas in Ukraine

Liberalization of the land market - regardless of the intentions of the authors of this reform - creates *opportunities for the concentration of land in the hands of big export-oriented agricultural corporations*. This is confirmed by practical experience of many countries, and Ukraine is hardly to be an exception. As a result, these big corporations will receive considerable additional resources to increase their exports of agricultural products to foreign markets, thus shaping this country's agricultural trade profile in the world economy. However, Ukraine's specificity here is that while the formation of such agricultural export-oriented models in the world occurred predominantly in the context of the transition from archaic traditional structures of communal or tribal economy of the "third world" countries, in Ukraine it is taking place in the context of deindustrialization, that is *a reverse movement from industrial to agricultural economy*. For most countries of the "third world", even those confined in the "dual economy" model, such structural evolution still meant a certain progress, as it led to the opening to the outside world of stagnant traditional economic structures, unable to develop, with subsequent accumulation of resources in some of them, which later could be used for a breakthrough in development (as evidenced by the cases of East Asian countries, for example Indonesia, on whose materials the concept of a dual economy was originally formulated).

its founders is considered to be Julius Herman Boeke [12], who in his work described, on the example of Indonesia a model of the coexistence of modern and traditional sectors in the colonial economy. These starting points were developed by the future Nobel Laureate (1979) Arthur Lewis [13], who formulated the postulates of the "dual-sector model". And although subsequent empirical studies did not always support this effect, the very possibility of such a paradigm cannot be denied if national development policy is weak and government only relies on the "invisible hand of the market."

For Ukraine, however, the situation appears quite different: agrarization of this country's international trade profile, which once belonged to the world's elite countries capable of producing aircraft and space rocketry, demonstrates a structural simplification and reduction of the potential to accumulate resources for development, making this country a permanent client (rather a chronic patient) of international financial organizations.

Undoubtedly, the opening of land market will have certain positive macroeconomic effects of a temporary nature. After all, strengthening the formation of agricultural specialization creates a basis for growing foreign exchange earnings to Ukraine's economy and mainly acts towards achieving and maintaining external equilibrium of the economy, and stability of its balance of payments. Because it is exactly the agri-food components of Ukrainian exports that have become most important export drivers in recent years and still compensate, to some extent, the loss of markets for other items (see Fig. 1).

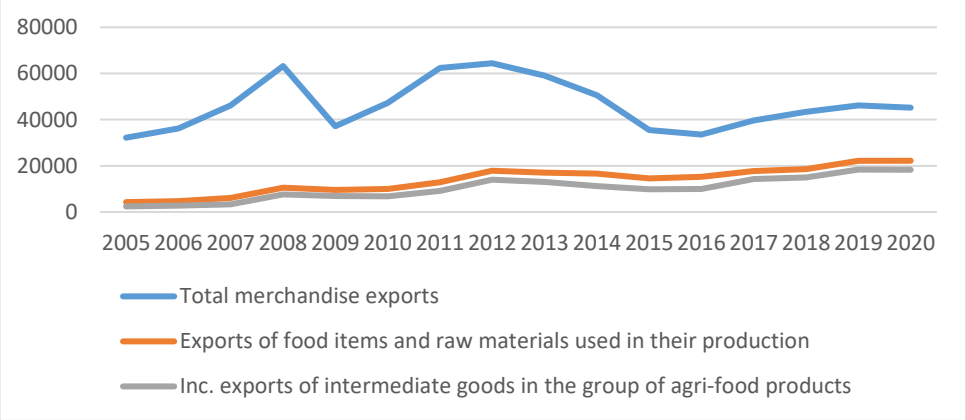


Figure 1. Dynamics of Ukraine's commodity exports, 2005–2020, *million USD*
Source: compiled according to NBU statistics [14].

The formation of the model of export-oriented agri-food growth in Ukraine is mainly based on the tandem of big agribusiness, that is, large agricultural holdings of Ukrainian origin and foreign multinational companies operating in agriculture that increase investments in Ukrainian agricultural sector. The scale of their dominance is illustrated by the data of Table 3.

Table 3

Top 10 Ukrainian exporters among agricultural holdings, 2018

Place	Name	**Land Use,** *thousand hectares*	**Product specialization**	**Exports, 2018,** *billion USD*	**Share in Ukraine's agrarian exports,** *%*	**Owners and their wealth,** *million USD*
1.	KERNEL	600	Sunflower oil, cereals, corn	2.5	12.5	Andriy Verevskyiy (420), Vitaliy Khomutynnyk (390)

Table 3 (end)

2.	ADM TRADING Ukraine	n. a.	Corn, oilseeds	1.2	6.0	Archer Daniels Midland Company (**USA**)
3.	BUNGE UKRAINE	n. a.	Cereals, corn, soybeans, oilseeds	1.1	5.7	Bunge (USA)[5]
4.	CARGILL UKRAINE	n. a.	Soybeans, oilseeds, cereals	1. 1	5.3	Cargill (**USA**)
5.	Agroindustrial Holding MKhP (Myronivskyi khliboprodukt)	370	Poultry, cereals, oilseeds	1.0	5.1	Yuriy Kosiuk (908)
6.	COFCO AGRI UKRAINE	n. a.	Oilseeds, cereals, corn	1.0	4.9	COFCO International (**China**)
7.	NIBULON	83	Cereals, corn	0.9	4.7	Oleksiy Vadaturdskyi (549), Andriy Vadaturdskyi
8.	GLENCORE AGRICULTURE UKRAINE	n. a.	Corn	0.6	2.8	GLENCORE (**Switzerland**)
9.	LOUIS DREYFUS COMPANY UKRAINE	n. a.	Cereals, corn	0.6	2.7	Louis Dreyfus Company Holdings (**Netherlands**)
10.	AGROPROSPERIS	396	Cereals, corn	0.4	1.9	NCH Capital Inc. (**USA**)

Note: the companies highlighted in grey are among the top ten global multinational corporations (MNCs) in the agricultural and agro-industrial spheres.

Source: according to Dragon Capital, Latifundist, Landlord, Novoe Vremya [15].

No doubt, in case of the reliance on small farms, it is impossible to attain such an external (in currency terms) effect in the short run, because for most farms the entry to foreign markets is associated with considerable additional costs and risks, especially given the absence or extreme limitation of civilized forms of support for export activities in new markets and corresponding credit and insurance institutions in Ukraine. Creation and implementation of modern environmentally sustainable technologies of agricultural production also require time and significant initial expense. This path is only attractive to those who are able to think and act for the future, and do not chase exclusively for quick profits.

Unfortunately, in Ukraine, with its acute lack of strategically oriented business behavior, it is exactly these positive short-term macroeconomic effects of export growth, complemented by the effects of capital inflow into the economy to acquire control over land[6], that may be the main driver. And these easy-to-take and temporary

[5] The company's market value at the beginning of 2021 was 9.159 billion USD.

[6] The current formal ban on the purchase of agricultural land by foreigners and the postponement of the possibility of such purchase for Ukrainian legal entities should not be misleading. Only people who are unfamiliar with the peculiarities of the modern network economy and those who do not realize the availability of an extensive arsenal of means to control economy on the part of modern capital,

gains may *disguise the real loss of development opportunities in the longer run*, which will be due to structural simplification and limitation, as well as to the fragmentation of economic space in the Ukrainian village. Such a model may be *temporarily profitable, but will fail to ensure sustainable development and growth.*

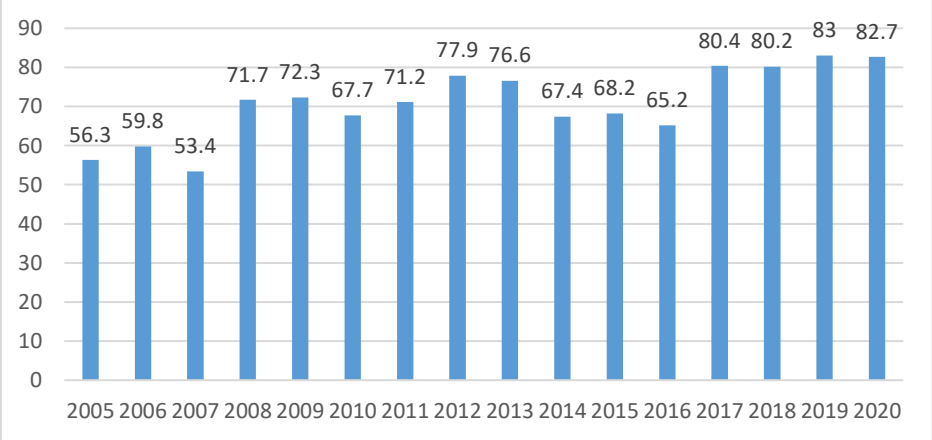


Figure 2. The share of intermediate goods in Ukraine's total exports of agri-food products, 2005-2020

Source: compiled according to NBU statistics [14].

Under the influence of the formation of the distorted model of export-oriented large agrarian business, which is in the state of hypertrophied dependence on foreign markets and foreign capital, Ukraine demonstrates a growing *distortion in the production structure of the agricultural sector, which is becoming clearly raw-material based* (see Fig. 2). Thus, while in the middle of the first decade of the 2000s the share of intermediate goods in the group of agri-food products did not reach 60% (although even this level is too high for a country claiming the place of "Europe's granary"), then due to the efforts of our agricultural reformers this figure was brought to the level of 83%. This convincingly indicates the *conversion of Ukraine's agricultural sector into a raw-material link in the global food production chains* controlled by large transnationalized structures.

It is actually a question of creating a kind of *raw material enclave of transnationalized production* within Ukraine's economy, which is only nominally connected with the economy as a whole. Nominally - because for all its main components, it is clearly different and separated from the internally oriented sectors of the national economy:

- its main factors of production (agricultural machinery, combine harvesters, fertilizers, chemicals, seeds) are mainly imported;
- a lion's share of its products is exported as raw materials;
- revenues of operators in this market segment are noticeably higher than the average in the economy and are largely held in foreign currency, including outside

may think that this is an impassable barrier to concentration of real control over land by large corporate entities of Ukrainian and foreign origin.

Ukraine (primarily in the so-called offshore jurisdictions), and are withdrawn from Ukraine by foreign MNCs as income on invested capital[7].

Precisely because of the above mentioned, despite trade and economic consequences of the land market opening in Ukraine might have positive effect, they should be considered only as *conditionally positive*, as they will be limited and neutralized by negative effects of a structural origin.

The main risks and threats to Ukrainian farming and rural areas from global capital and multinational (transnational) companies

When we assess the effects of the introduction of a free land market, we should not consider this issue only in a narrow economic context. This issue has a much broader socio-economic context and can *significantly impact the overall socio-institutional environment of the country in general and rural areas in particular*.

In this context, we should understand that the world has now entered a very complex period of its evolution, which is characterized by a significant exacerbation of contradictions and the need for significant transformations of a systemic nature. These inevitable changes *significantly increase the degree of uncertainty* in the development of the Ukrainian countryside and this country's economy in general and make them particularly vulnerable, given the *asymmetry* of the existing dependencies: a minimal impact of Ukraine's economy on global processes with a huge impact of global processes on Ukraine's economy. In this context, special attention should be given to the following risks.

First, there are significant shifts towards strengthening the global combat against shadow capital flows and tax evasion. These trends have greatly intensified in the context of the struggle against socio-economic consequences of the COVID-19 pandemic, because the leading countries are actively looking for sources to cover the unprecedentedly high public spending. The world's leading countries (G20 and G7), international organizations (especially the OECD) are taking increasingly rigorous measures to increase the transparency of trade and capital transactions, to restore order in the activities of global financial centers and to reduce negative effects of the so-called offshore zones. In this context, it is worth mentioning, in particular, the BEPS *(Base Erosion and Profit Shifting)* project on developing measures to counteract the erosion of the tax base and income tax evasion. Another example is a decision taken by the United Kingdom to demand its overseas territories (such as the Cayman Islands and the British Virgin Islands) to disclose the secret information about the property of the companies registered in these offshore jurisdictions.

These developments pose a significant challenge to many owners of illegally earned capital, which is kept in the shadows, including foreign offshore jurisdictions. It is clear that the owners of such assets are facing serious risks of exposing the illegality of their

[7] According to the NBU balance of payments statistics, an the aggregate income of 7775 million USD was transferred abroad under this item in 2000, while a year earlier - 11351 million USD (which is several times more than the amount of lending that Ukraine asks from the IMF). And although not all of this amount can be attributed to foreign agri-business present in Ukraine, it is nevertheless clear that it has a significant share in these repatriated profits.

assets (and possibly their seizure or confiscation), and therefore are interested in transferring their offshore hard currency to a more secure asset.

Added to this risk is the currency risk associated with the future of the US dollar, which is challenged not only by the Chinese yuan, but also by the plans to create alternative payment systems related both to the growing digitalization and to the conclusion of regional settlement agreements (such as for example, the one between Russia and China).

Land is an ideal option for such cases of "restructuring" of illegally earned fortunes, as well as for the protection against exchange rate risks and asset depreciation. The growing global food needs, on the one hand, and the increasing negative climate impacts on agricultural production, on the other, are turning agricultural land into a *scarce resource* of economic development, with its price demonstrating *a long-term upward trend*. This means that investments in land (*exactly in land and not necessarily in the development of agricultural production*)[8] are becoming an extremely interesting object of operations for numerous owners of monetary assets and capital market operators.

The state can provide significant support to this group of owners in converting their dubious assets through the mechanisms of "capital amnesty", "zero declarations" and other instruments that recently have been introduced in Ukraine's legislation and will allow unhindered investment of shadow funds in absolutely legal land ownership.

If this scenario comes true, the efficiency of Ukraine's agricultural sector will not increase. Rather, we will witness a rapid emergence of *a latifundist system* in Ukraine - with dramatic social consequences, as evidenced by the "experience" of some Latin American countries, including Brazil[9].

Second, the opening of land market creates new *risks of expanding the space for speculative market operations* aimed at rising land prices, which will be a likely result. This is convincingly evidenced by various statistical data and calculation indices compiled on the subject.

Thus, in particular, Table 4 convincingly demonstrates that in the context of the liberalization of domestic markets combined with the accession to the EU's single European space, all new EU member states without exception face the reality of *a significant increase in average prices for agricultural land*: in the period starting in

[8] In this context, the logic of today's Ukrainian land reformers is not based on real facts. Indicative in this respect are the conclusions in the World Bank report of 2010 [16], which summarized the results of a comprehensive study conducted in many less developed countries (especially in Africa) on large-scale acquisition and investment of agricultural land. The preface to this report, in particular, noted (Juergen Voegele, Director of the World Bank's Department of Agriculture and Rural Development, p. xiv) that in many cases the announced land acquisition deals were never implemented due to high risks, unrealistic objectives and price changes. and inadequate infrastructure, technologies and institutions: in fact, only 21% of the announced deals started farming. Moreover, even some profitable projects "do not generate satisfactory local benefits".

[9] In this country, land reform encouraged the expansion of export-oriented production (including soybean production), but led to mass landlessness of peasants, their migration to large cities and resettlement in the so-called "favelas" - centers of drug addiction and organized crime. This was due to failures in land policy and large-scale subsidy programs for large producers, which stimulated the spread of mechanized rather than labor-intensive production, which (combined with factors of low quality land records and limited protection of land rights) led to the withdrawal of small farms from the market and the concentration of land in farms that owned more than 1 thousand hectares. The environmental consequences were also very negative: accelerated deforestation in the Amazon Basin (these are the conclusions of the aforementioned World Bank report of 2010 [16, p. 17]).

2011 (100%), in Latvia, the price index in 2019 was 168%, in Poland - 226%, in Hungary - 233%, in Bulgaria - 255%, in Estonia - 326%, in Lithuania - 327%, in Romania - 391%, and in the Czech Republic - 441%. This happened despite the fact that these countries, unlike Ukraine, are not of big strategic interest to global agricultural corporations-exporters and land investors.

Table 4

Average national agricultural land prices in EU member states, *euros per hectare*

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019
Belgium	…	…	36591	38496	…	…	…	…	…
Bulgaria	2112	2843	3175	3620	3891	4131	4622	5011	5382
Czech Republic	1836	3264	3662	4282	4775	5463	6448	7594	8095
Denmark	17476	17562	15708	17209	18752	17584	17328	17724	17580
Estonia	1062	1265	1865	2426	2567	2735	2890	3174	3461
Ireland	...	...	26366	23449	23594	18141	19903	27457	28068
Greece	15393	14968	13907	13276	12633	12272	12264	12387	12604
Spain	...	12005	11910	12192	12574	12522	12827	13023	12926
France	5390	5440	5770	5940	6000	6070	6030	6020	6000
Croatia	...	...	...	...	2726	2835	3005	3282	3395
Italy	34257	39342	32532	39247	40153	33193	31731	30569	34156
Latvia	2336	4475	4980	2552	2654	2917	2975	3856	3922
Lithuania	1212	1527	2009	2330	3089	3516	3571	3890	3959
Luxembourg	23648	24230	26621	27438	27738	26030	35590	35110	37300
Hungary	2089	2380	2709	3042	3356	4182	4368	4662	4862
Netherlands	50801	52716	54134	56944	61400	62972	68197	70320	69632
Poland	4855	6080	6275	7723	9220	9083	9699	10414	10991
Romania	1366	1666	1653	2423	2039	1958	2085	4914	5339
Slovenia	...	...	15545	16009	16071	17136	16876	18460	18752
Slovakia	11375	9650	5575	11442	24175	28217	3009	3432	3789
Finland	8210	8047	8461	8090	8138	8326	8718	8380	8686
Sweden	6811	7043	6797	7408	7751	7921	8708	8842	9019
United Kingdom	18885	21905	23283	26634	30292	25730	23450	23412	...

Source: Eurostat database (16.04.21) [17].

Data in a broader global context, which follow from the calculations of the so-called Global Farmland Index, indicate that it is exactly the region of Central Europe that has shown the most significant increase in prices for agricultural land (Fig. 3).

It is clear that in the modern economy, where expectations play an extremely important role in shaping market behavior, *it is exactly the expectations of a long and significant upward trend that create a very favorable foundation for speculative operations*. Such operations used to be hindered under concealed purchase and sale of land, which was widespread in Ukraine under the moratorium on the purchase and sale of agricultural land. But it is clear that a fully legalized and unrestricted (the real effectiveness of control procedures in a country affected by corruption is minimal) right to buy and sell land makes it is possible to conduct large-scale speculative operations – playing on land appreciation.

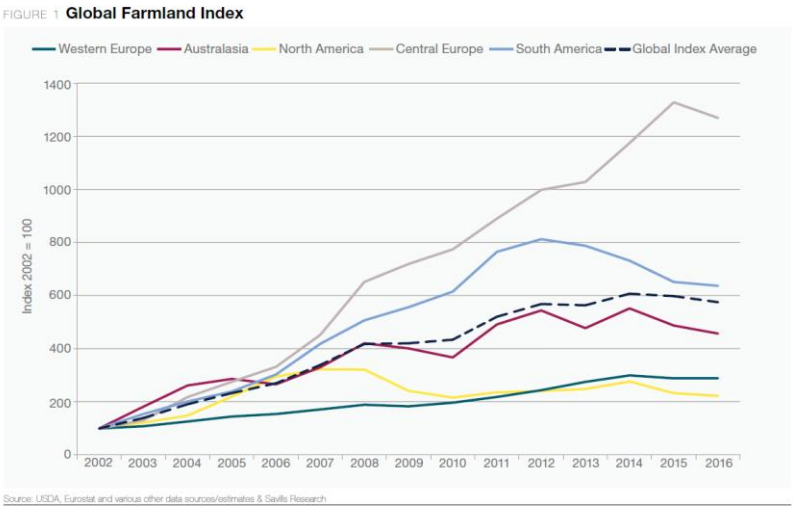


Figure 3. Dynamics of Global Farmland Index, 2002–2016

Note: based on data for 15 countries: Argentina, Australia, Brazil, Canada, Denmark, France, Germany, Hungary, Ireland, New Zealand, Poland, Romania, the United Kingdom, the United States and Uruguay.

Source: [18].

The arguments of the supporters of free land trading that it will form "market land prices" are highly doubtful, as they are based on extremely abstract economic models that have little to do with the real practice of imperfect competition on oligopolistic markets. Because, in the presence of an oligopoly combined with political power (which, unfortunately, is the norm in Ukraine), *big players will obtain considerable opportunities to determine price trends in a direction favorable for them*. Instead of "market" prices, we will most likely get *monopolistically high land prices*. And such a phenomenon will not contribute to the development of agriculture, because the rate of return for those engaged in production activities will decrease.

Opportunities for land speculation may even increase if appropriate preconditions are created on the markets of financial derivatives (i.e. futures, options), which are known to be not only instruments for hedging market risks but also important means to conduct speculative financial transactions. As soon as the free circulation of land is introduced, it will become possible to standardize the relevant market transactions, and hence to issue the relevant "land securities" as a new type of financial derivatives. In this case, one cannot exclude an increase in liquidity, which would have an explicitly inflationary macroeconomic effect, while in the microeconomic dimension it would encourage the growth of land prices.

Liberalization of trade in agricultural land can create preconditions for *speculative capital to prevail over that directly involved in agricultural production*. This process is likely to become a basis for a *significant increase in the cost of agricultural production and, consequently, in food prices.* The inevitable further strengthening of the export orientation of Ukraine's agricultural sector will act along the same lines. But with the presence of a large stratum of impoverished population in this country, such a path creates *huge socio-political risks.*

Finally, it should be noted that liberalization of the agricultural land market *significantly aggravates the risk of transfer of control over Ukraine's land resources to foreigners*. The probability of this is significantly increased by the fact that Ukrainian entrepreneurs will not be able to obtain proper access to the land market because *this country's small and medium-sized agricultural businesses lack the amount of financial resources owned by, for example, sovereign wealth funds* of some Persian Gulf states or China, or private business of USA or Russia.

Thus, net current income/mixed income in Ukraine's agriculture, according to the State Statistics Service data for 2018 (latest currently available data) [19], amounted to 247 billion UAH, which at the average hryvnia exchange rate for 2018 made about 9.1 billion USD. This amount covers total income of all entities, including first of all incomes of large agricultural companies from highly profitable agricultural exports. The amount of potential financial resources for the purpose of land purchase can usually be only a certain percentage of this aggregate income. But even the entire $ 9 billion USD is only slightly over 1% of the average assets of the world's ten largest sovereign wealth funds (see Table 5), most of which are located in wealthy countries of the Middle East and East Asia that have significant interest in food security and can be real participants in the games on Ukraine's land market - if not directly (the law currently does not allow it), then indirectly, through residents dependent on them.

Table 5

The world's largest sovereign wealth funds

Rank	Name of sovereign wealth fund	Total assets, *million USD*	Number of branches	Region and country
1.	Norway Government Pension Fund Global	1 289 460	21	Europe, Norway
2.	China Investment Corporation	1 045 715	33	Asia, China
3.	Abu Dhabi Investment Authority	649 176	49	Middle East, UAE
4.	Hong Kong Monetary Authority Investment Portfolio	580 535	21	Asia, Hong Kong (China)
5.	Kuwait Investment Authority	533 650	9	Middle East, Kuwait
6.	GIC Private Limited	453 200	89	Asia, Singapore
7.	Temasek Holdings	417 351	121	Asia, Singapore
8.	Public Investment Fund of Saudi Arabia	399 451	10	Middle East, Saudi Arabia
9.	National Council for Social Security Fund of the People's Republic of China (NSSF)	372 068	4	Asia, China
10.	Investment Corporation of Dubai	301 527	19	Middle East, UAE
11.	Qatar Investment Authority		65	Middle East, Qatar
12.	Turkey Wealth Fund		2	Middle East, Turkey
13.	Mubadala Investment Company		34	Middle East, UAE

Source: [20].

The total annual income of the entire Ukraine's agricultural sector cannot even be compared with the annual income of Cargill and ADM from the U.S., which earned in

2020, respectively, 115 and over 64 billion USD. And these companies are not just potential participants in Ukraine's market, but its current actual leaders, who, of course, seek to strengthen the property guarantees of their presence in Ukraine.

The formal ban on the purchase of land by foreigners cannot be considered a reliable barrier to the transfer of real ownership of land in favor of foreigners. This is clearly evidenced by the experience of shadow operations with land plots in Ukraine during the formal existence of the moratorium. The increased propensity of public officials to corruption against the backdrop of the general weakness of state law enforcement institutions, supported by the modern facilities for the formation of informal networks of economic relations, open up wide opportunities for effective circumvention of the existing prohibitions.

To assess possible consequences of the introduction of free land market in Ukraine, one can use the experience of the European Union in this area as a rather spectacular example. This example is all the more interesting as Ukraine is trying to implement EU laws into its legislation. However, according to official EU documents, this experience is far from being problem-free.

Thus, in 2015, the European Economic and Social Committee, an EU's advisory body, issued a document entitled *"Land grabbing - a wake-up call for Europe and an imminent threat to family farming"* [21]. This document, which is ought to be studied by Ukrainian young reformers-libertarians, noted that as of 2013 in 27 EU member states only 3.1% of the total number of farms controlled 52.2% of all farmland in Europe, while 76.2% of farms accounted only for 11.2%. The Committee noted that this trend of land concentration "runs counter to the European sustainable, multifunctional agricultural model, in which family farms are an important feature". Guided by this document, the European Parliament in April 2017 adopted a resolution aimed at facilitating access to land plots for farmers [22]. In this case, he referred, in particular, to the decision of the German Constitutional Court adopted on 12 January 1967 (1 BvR 169/63, BVerfG 21, 73-87) that "…trade in rural land need not be as free as trade in any other capital, because land is unrenewable and indispensable, and an equitable legal and social order requires the public interest in land to be taken into account far more than in the case of any other property…"

But if even in the European Union, with its developed social institutions and transparency standards coupled with a huge financial support for farming, such problems arise, then what can be expected in Ukraine? Various case studies conducted in different countries indicate a real danger of large-scale seizure of land by a small number of owners, including participation of multinational companies[10]. And this problem must be clearly understood in Ukraine and become a basis for the development of a series of preventive mechanisms that would prevent realization of the risks arising from land liberalization under the conditions of not permanently favorable and very uncertain and ambiguous global environment.

[10] See, in particular, [23] (example of Ecuador), [24] (example of Romania), [25] (review of Central and Eastern Europe).

Recommendations on measures to counteract the risks and threats to equitable spatial development of rural areas in Ukraine in the context of globalization

Given the principles of conservation and management of agricultural land and regulation of market transfer of farmland developed in the European Union and reflected in the synthesized form in the above-mentioned European Parliament Resolution as of 2017, it is necessary to consider in Ukraine the following political measures and implement the following regulatory mechanisms:

1. *Create a number of institutions for efficient regulation of land market operations*:

- *Land Market Surveillance Service* to collect and process information on the level of concentration and ownership of agricultural land, including accounting of purchase prices and rents, assessment of market behavior of owners and tenants, surveillance of the loss of ownership of agricultural land, monitoring soil fertility and land erosion. The function of this service should include registration and publication of information on the cases of speculative land purchases;

- a permanent high-level *Interagency Working Group to study the problem of agricultural land concentration*, to investigate the effect of economic and legal policy measures on land concentration and agricultural production, as well as to analyze the risks of land concentration to food supply, employment, environment, soil quality, and rural development;

- *an integrated national information system* for collecting, processing and systematizing data on rent levels, land prices by land quality categories, and land purchase transactions through different transaction options, with special emphasis on the purchase of large land plots, loss and infringement of property rights and speculative surges on the land market;

- *a system of statistical surveillance of land transactions* based on relevant digital technologies, including provision of a close link between this system and relevant cadastral data on agricultural land, with a guarantee of open universal access to such data - to ensure transparency of operations and to facilitate monitoring of major market trends by independent researchers (experts).

2. Introduce *the practice of regular government reports before the parliament on the land use situation*, changes in the land use structure, price dynamics and the degree of implementation of the main of agricultural policy objectives and the effectiveness of legal provisions in this area (taking into account the trends in the factors of global and national food security).

3. Establish legal *mechanisms that would prevent excessive concentration of land*, including:

- *priority rights to purchase land* for entities that develop their own farms, primarily for small and medium-sized local producers, young farmers, especially in the context of possibile growing demand for land from non-farm buyers, who are often driven by purely speculative purposes. At the same time, it is necessary to proceed on the recognition of the importance of small family farms for rural life, preservation of cultural heritage and social development and rational use of natural resources;

- application with regard to agricultural land transaction of *prior verification procedures* of compliance with national land legislation on various changes of ownership (mergers, acquisitions, divisions, creation of funds), assuming that such a policy should help *prevent the establishment of dominant positions in land markets*;

- use of *instruments to regulate land market* such as state licensing of land sales and leases, the tenants' commitments on running the farms, creation of a land bank, price indexation with regard to farm incomes, etc.

4. Introduce measures to *regulate land markets in order to avoid speculative land transactions*, involving tax legislation, and public oversight in the field of land management.

5. Introduce *efficient investment and credit mechanisms for land market*, which would include:

- using *investment funds based on the principle of solidarity*, which allow the investors to invest their funds in order to help young people who lack sufficient resources to acquire land and start a farming career;

- providing access to *sustainable lending* for acquisition or ownership of land, especially for new market participants and young farmers.

6. Provide a *systematic approach to the organization of control over land market operations*, which would cover not only the agriculture, but also other areas that affect its development, that is, the energy sector, environment, regional development, mobility, finance and investment. Such control should be exercised with participation of farmers and their organizations, as well as other entities of civil society.

Conclusions

1. The processes of globalization contribute to increased concentration of agri-food production and business and strengthen the role of large transnationalized corporations, which do not seek to develop competitive advantages of the host country, but exploit its existing comparative advantages, leading to the emergence of a dual economy model in many host countries, which is split into qualitatively heterogeneous sectors that very weakly interact with each other. Therefore, the policy of attracting foreign capital and large multinational corporations should be extremely cautious and integrated into national priorities of socio-economic development.

2. Liberalization of the land market creates preconditions for the concentration of land in the hands of large export-oriented agricultural corporations. Under this process, Ukraine's agricultural sector will be transformed into a raw-material link in the global food production chains, managed by large transnationalized structures, and a sort of raw-material enclave of transnationalized production will emerge within Ukraine's economy. Although this could have certain positive temporary macroeconomic effects, such benefits will be offset by negative structural change and will mask a real loss of development opportunities in the longer term.

3. Acquisition of land is an ideal option for the "restructuring" of illegally acquired fortunes, and a protection against exchange rate risks and asset depreciation. This makes land investment an extremely attractive object of operation for many money

holders and capital market operators, whose interests will not necessarily include the development of agricultural production.

4. The opening of the land market increases opportunities for speculative market operations focused on rising land prices, which will become a reality with widespread expectations about a long and notable upward trend in land prices. Under such conditions, speculative capital would prevail over productive agricultural capital, which could lead to a significant increase in the cost of agricultural production and in food prices.

5. With the liberalization of the agricultural land market, the risks of transfer of the control over Ukraine's land resources to foreigners (sovereign financial funds of countries and leading international corporations) increase because of their overwhelming predominance in the amount of available financial resources for land acquisition over those of Ukrainian residents.

6. It is necessary to implement in Ukraine systemic policy measures to regulate land market operations, taking into account the principles of conservation and management of agricultural land and regulation of market transfer of land developed in the European Union and synthesized in the relevant resolution of the European Parliament as of 2017.

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ГЛОБАЛЬНИЙ КОНТЕКСТ ЛІБЕРАЛІЗАЦІЇ ЗЕМЕЛЬНОГО РИНКУ В УКРАЇНІ: МОЖЛИВОСТІ ТА РИЗИКИ ДЛЯ СІЛЬСЬКОГО РОЗВИТКУ

У статті розглядаються глобальні чинники впливу на сільський розвиток в умовах лібералізації ринку землі сільськогосподарського призначення в Україні. Визначається вплив глобальних процесів та глобального капіталу на розвиток національних фермерських господарств, розподіл доходів та доступ до земельних ресурсів, процеси виробництва та справедливого розвитку. Доведено, що процеси глобалізації, зумовлюючи посилення концентрації агропродовольчого виробництва та бізнесу і збільшення ролі великих транснаціоналізованих корпорацій, спрямовані насамперед на експлуатацію вже наявних порівняльних переваг країни, а не їх нарощування, і зумовлюють становлення в багатьох приймаючих країнах моделі подвійної економіки, розщепленої в технологічному та соціально-економічному вимірах на якісно неоднорідні сектори.

Автор доходить висновку, що хоча глобальні чинники аграрного виробництва і можуть чинити умовно позитивний вплив в макроекономічному аспекті, домінування на ринку багатонаціональних (транснаціональних) компаній, великих компаній-експортерів та фінансово потужних суверенних фондів добробуту може створювати ризики та загрози витіснення з ринку для українського фермерства та призводити до блокування сталого розвитку сільських територій. При цьому відбуватиметься перетворення агросектора України на сировинну ланку глобальних ланцюгів виробництва продовольства, керованих великими транснаціоналізованими структурами,

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створення всередині економіки України своєрідного сировинного анклаву транснаціоналізованого виробництва.

У статті стверджується, що в сучасному світовому господарстві, де відбуваються кардинальні трансформації та зростає невизначеність, земля ставатиме дедалі ціннішим активом, привабливим не лише для аграрних виробників, а й для земельних спекулянтів та загалом тих, хто намагається зберегти вартість своїх активів в умовах зростаючих глобальних ризиків. За таких умов інвестиції в землю зовсім не обов'язково сприятимуть розвитку аграрного виробництва, оскільки спекулятивний капітал в умовах поширення очікувань щодо тривалого та істотного підвищувального тренду цін на земельні ділянки братиме гору над виробничим аграрним капіталом. Загалом це може призвести до істотного зростання вартості сільськогосподарського виробництва і цін на продовольство.

Автор доводить, що лібералізація земельного ринку зумовлює зростання ризиків переходу контролю над земельними ресурсами України до іноземців (суверенних фінансових фондів держав, провідних міжнародних корпорацій), зважаючи на їх кардинальне переважання за обсягом доступних фінансових ресурсів для придбання землі, порівняно з тими, які мають резиденти України.

У статті обґрунтовується комплекс політичних заходів та інструментів національної політики, необхідних для мінімізації ризиків, пов'язаних із запровадженням в умовах глобалізації вільної купівлі-продажу землі сільськогосподарського призначення, що відповідають принципам регулювання Європейського Союзу[12]*.*

Ключові слова: *ринок землі сільськогосподарського призначення, сільський розвиток, глобалізація, глобальний капітал, багатонаціональні (транснаціональні) корпорації, суверенні фонди розвитку, економічні та соціальні ризики і загрози*

[12] Підготовлено у рамках наукового проєкту "Просторова справедливість у землекористуванні для сталого розвитку сільських територій", який виконується відповідно до Постанови Президії НАН України від 23.12.2020 р. № 296 (державний реєстраційний № 0120U100816).