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Global Land Deals and its Impact

Asha Agnihotri

Head of Economics Department, Yeshwant Mahavidyalaya, WARDHA- 442001, MS, India

*Corresponding author: anil_asha14@rediffmail.com

Abstract

Over the past decade, there has been a massive increase in large-scale land deals, often from public lands to the hands of foreign or domestic investors. Popularly referred to as 'global land grab', new land acquisitions are challenging the nature of both governance and government. It is inferred that 'the state' is often invoked as a key player in land grabbing but states never operate with one voice; rather we need to unbundle the state, to see government and governance as processes, people and relationships. To develop this approach, focus is on territory, sovereignty, authority and subjects not as static objects but as relationships in place, property, power and production. Understanding the dynamic nature of these relationships is critical for the highly variable form and content of large-scale land deals in different settings around the world.

In just one year, from March 2008 to April 2009, an estimated 40 million hectares of land changed hands. These deals have been done with wide range of purposes, including Production of food, fuel, bio-fuel production, tropical forest products and plantation forestry, access to water or hydropower, precious minerals and metals, oil and global biodiversity According to Deininger, 78 per cent of the land acquisitions were not under production — and these deals will be used for production for external markets thereby neglecting of local communities and that will result in displacement of residents with informal or traditional land rights.

Keywords: Land deals, oreign or domestic investors, production, biodiversity

Land grabbing is the continuous process of large-scale land acquisitions, the buying or leasing of large pieces of land by domestic and transnational (extending beyond national boundaries) companies, governments, and individuals. While used broadly throughout history, land grabbing as used in the 21st century primarily refers to large-scale land acquisitions following the 2007-2008 worldwide crisis in food prices. By providing food security within the developed world and new found economic opportunities for agricultural investors, the food price crisis resulted in dramatic hike in large-scale agricultural investment and in the Global South for the purpose of industrial food and bio fuels production. Although hailed by investors, economists and some developing countries as a new pathway towards agricultural development, investment in land in the 21st century has been criticized by some non-governmental organizations as having a negative impact on local communities.

The term "land grabbing" is defined as very large-scale land acquisitions, either buying or leasing. The size of the land deal is multiples of 100,000 hectares (250,000 acres) and thus much larger than in the past. In 2011, Borras, Hall and others wrote that "the phrase 'global land grab' has become a catch-all to describe and analyze the current trend towards large scale transnational commercial land transactions. The international community became aware of land grabs in March 2009. It was observed that the land deals themselves did not draw international attention till the fall of the Ravalomanana government when it attempted to lease almost one third of the country's arable land to a South Korean firm. Land has been grabbed before, especially in Africa, and even the size of the Madagascar land deal might not have provoked particular concern, but when a state falls, it becomes an international matter / issue.

The analysis suggests that land grabs were happening in states where 'governance of the land sector and tenure security are weak' . States like Madagascar, Sudan, Ethiopia, Cambodia and Vietnam were depicted as unable to provide the kind of tenure security or formal land markets or even social safety nets that would generate order and protect the national territory. These were the states described as fragile, disorganized or ungovernable because the rule of law appeared not to cover the full extent of their territories. There are number of arguments about global land grabs and the states. The concept of land grabs should not only focus on land acquisition rather we have to analyze a number of processes like technology transfer and industrial development policy.

Transnational Land Dealings : Situation in the 21st century

While the nature of so-called 'land rush' is a matter of debate from different perspectives, the contents of global land grab are increasingly questioned. There is no doubt that something important is happening and we still require a better framework for an understanding of how land deals are shaping in 21st century.

Land Area , Value and Destinations

The Overseas Development Institute reported in January 2013, that with limited data available in general and existing data associated with NGOs, interested in generating media attention in particular, the scale of global land trade may have been exaggerated. They found the figures below provide a variety of estimates, all in the tens of millions of hectares.

- The International Food Policy Research Institute (IFPRI) estimated in 2009 between 15 and 20 million hectares of farmland in developing countries had changed hands since 2006.
- As of January 2013 the Land Portal's Land Matrix data totaled 49 million hectares of deals globally, although only 26 million hectares of these are transnational.

- A 2011 World Bank report by Klaus Deininger reported 56 million hectares land deals worldwide.
- Friis & Reenberg (2012) reported in 2012 between 51 and 63 million hectares in Africa alone was dealt with.
- The GRAIN database published in January 2012, quantified 35 million hectares, although the in-depth analysis of more developed economies such as Australia, New Zealand, Poland, Russia, Ukraine and Romania, the amount in the GRAIN database reduces to 25 million hectares.

Most data is nearly seem to around 20-60 million hectares. The total global farmland takes up just over 4 billion hectares, these acquisitions could equate to around 1 per cent of global farmland. However, in practice, land acquired may not have previously been used as farmland, it may be covered by forests, which also equate to about 4 billion hectares worldwide. The land database often relies on one or two media sources and may not track whether the investments take place, or whether the full quantity reported takes place. For example, a number of deals in the GRAIN database appear to have stalled including:

- 1 million hectares taken between US firms Jarch Capital and Nile Trading and Development Inc in South Sudan
- 400,000 hectare deal between China and Colombia that seems to have stalled
- The 325,000 hectare investment by Agrisol in Tanzania
- 324,000 hectare purchase of land by the UAE in Pakistan
- A suspended 320,000 hectare purchase by Chinese investors in Argentina.

These data could be checked and already amount to nearly 10 per cent of the GRAIN database transnational land acquisitions. Deals are reported that estimate of the full extent of land that the firm expects to utilise. For example,

- Indian investment in Tanzania is reported at 300,000 hectares, currently operating on just 1,000 hectares
- Olam International's investment in Gabon reported at 300,000 hectares, currently operating on just 50,000
- Three investments amounting to 600,000 hectares in Liberia, with Equatorial Palm Oil's deal reported at 169,000 hectares, despite their plans to reach just 50,000 by 2020.

Land Value

It has been found difficult to get the value of transnational land acquisitions. Media reports usually just give information on the area and not on the value of the land transaction. They found a number of reports in land databases are not acquisitions, but are long-term leases, where a fee is paid or a certain proportion of the produce goes to domestic markets. For example:

- An Indian investment in Ethiopia, where price per hectare ranged from $1.20 to $8 per hectare per year on 311,000 hectares
- Indian investors paid $4 per hectare per year on 100,000 hectares.
- Prince Bandar Bin Sultan of Saudi Arabia was reported to be paying $125,000 per year for 105,000 hectares in South Sudan, less than $1 per year on a 25-year lease.
- A South Korean investor in Peru was reported to be paying $0.80 per hectare.

The GRAIN database indicates:

- United States, the UAE and China all constitute around 12 per cent of deals
- India with 8 per cent
- Egypt and the UK with 6 per cent
- South Korea with 5 per cent
- South Africa, Saudi Arabia, Singapore and Malaysia all with 4 per cent.

Both the Land Portal and the GRAIN database show that the UK and the US are major players in transnational land acquisitions. This is agribusiness firms, as well as investment funds, investing mostly in sugar cane, palm oil. This trend has clearly been driven by the biofuels targets in the EU and US, and greater vertical integration in agribusiness in general.

Land destinations

Land Portal's Land Matrix database shows 49 billion hectares of land deals, and found that Asia is a big centre of activity with Indonesia and Malaysia counting for a quarter of international deals by hectares. India contributes a further 10 per cent of land deals. The majority of investment is in the production of palm oil and other biofuels.

The largest destination countries include

- Brazil with 11 per cent by land area
- Sudan with 10 per cent
- Madagascar, the Philippines and Ethiopia with 8 per cent each
- Mozambique with 7 per cent
- Indonesia with 6 per cent

Notable Cases

- In Madagascar, the anger among the population about land sales led to violent protests. The South Korean corporation Daewoo was in the process of negotiations with the Madagascar government for the purchase of 1.3 million hectares, half of total agricultural land, to produce corn and palm oil. This investment led to protests against the government.

- In South Sudan, numerous large-scale land acquisitions have taken place in spite of the country's unresolved political and security situation. One of the most prominent, involving a former AIG partner named Philippe Heilberg, garnered attention in *Rolling Stone* for his provocative pursuit of land in conflict-ridden regions. Heilberg, who is planning to invest in 800,000 ha of land in partnership with many of South Sudan's top generals and civilian officials criticism.

Indian Scenario

A recent study by Land Matrix , a global land monitoring body that keeps track of land dealings worldwide , placed India Eighth in the list of countries by the amount of land acquired abroad. Two of the government's programmes, "Make in India" and "Skill India", imply massive investments in industry and the education system. While these schemes are very much part of the economic diplomacy followed by Central government. One may wonder why India is not relying more on its own forces.

Since the 1991 reforms, India has been trying to attract foreign direct investment for its development whereas recently the outward flow of FDI by Indian corporate houses is rising. According to the OECD, between 2006 and 2012, FDI outflow was about $103.30 billion, while inflow was merely double that number ($212.70 billion). This is an ongoing trend. Last year, while the GDP grew by about 5 per cent, the overseas FDI (OFDI) from India increased by 8 per cent. Most of this OFDI is in the form of mergers and acquisitions.

The outbound acquisitions made by India in the decade since 2003 was found to be worth $126 billion. In the manufacturing sector, $21 billion has been invested by Indian companies abroad between 2007-14. Indian companies also need to acquire foreign competitors in order to learn from their technology and thereby save years of research and development .The annual investment ceiling for Indians investing abroad to establish joint ventures and subsidiaries has now been raised from $75,000 to $1,25,000 making investment abroad easier.

India needs to secure sources of energy— hence the purchase of oil and gas fields, as well as coal mines overseas. Recently, three large Indian companies initiated major deals in Australia's coal industry

- Lanco Infratech acquired Griffin Coal for A$730 million,
- GVK acquired Hancock Coal and Infra for $1.21 billion and
- The Adani Group, which is acquiring Abbot Point for A$1.8 billion, is in negotiations to invest in the Carmichael coal mine, which could be worth over A$7 billion.

Popular destinations of Indian companies have been Cambodia, Indonesia, Madagascar, Kenya and Ethiopia, where India is the biggest investor in land. In Ethiopia, Indian companies have acquired 6,00,000 hectares, that is, 70 per cent of the land acquired by foreigners since 2008. The Indian government, which has acquired over 4.8 million hectares worldwide in a series of nine deals since 2000, also has a large presence in the land market, especially in East Africa.

In the domain of real estate, the amount of money invested abroad by rich Indians continues to rise as given under :

- Indians are the largest non-Arab investors in Dubai, having put in $12 billion in the city's realty in the last three years.
- Most of the acquisitions continue to take place in the West. British land registry records show that Indians have spent over £450 million on prime central London property in 2013-14.
- The Lodha Group recently purchased land worth £306 million in the upmarket Grosvenor Square. It plans to buy and develop land in London at a total cost of over £5 billion in the coming years, which will be the largest FDI in real estate that the UK will have ever received.
- Indians have spent $5.8 billion in one year, from April 2013 to March 2014, in American cities to acquire properties in the US (against $3.9 billion the year before), which puts them in fourth place after the Canadians, Chinese and Mexicans.

In India the urban development ministry is pushing for retrospective application of a significant change proposed in the foreign direct investment (FDI) policy for construction sector, which will allow foreign investors to purchase farm land in India. The Department of Industrial Policy and Promotion (DIPP) has also proposed to relax the FDI rules for construction and housing. FDI in land as such is not a part of FDI policy; it is purely a FEMA (Foreign Exchange Management Act) issue. If it has to be done retrospectively, then the provision has to be built into the law.

As per the proposal for FDI in housing, the minimum floor area for construction development will be cut to 20,000 sq mt from 50,000 sq mt in cities having a population of more than 100,000 as per the 2011 census. Under current rules, 100% FDI is allowed through the automatic route in development of townships, housing and built-up infrastructure, subject to stringent conditions. Between April 2000 and October 2013, construction development, including townships, housing and built-up infrastructure in the country, received FDI worth $22.77 billion, or 11% of the total FDI attracted by India during the period.

Similarly in the field of higher education, which is part of the "Skill India" programme. While the Indian university system remains severely underdeveloped, big Indian companies are investing in American universities, including Harvard, Cornell, Yale and Stanford, which are already among the richest in the world. The total amount of Indian endowments that have been made to the Ivy League and elsewhere in the West stands above $120 million. This export of money can be explained by the prestige it generates for companies that are image-conscious. It may also be because of the fact that the generous donors are alumni of these universities.

Types of land investment

Investors can be generally of three types : agribusinesses, governments, and speculative investors. Governments and companies in Gulf States have been very prominent along with East Asian companies. Many European- and American-owned investment agencies and agricultural producers have initiated investments as well. These actors have been motivated by a number of factors, including cheap land, potential for improving agricultural production, and biofuel prices. Based on these motivations, investments can be divided into three main categories: food, biofuel, and speculative investment.

Food:

Food-driven investments, which comprise roughly 37% of land investments worldwide, are undertaken primarily by two sets of actors: agribusinesses trying to expand their holdings and government-backed investments, especially from the Gulf states, as a result of fears surrounding national food security. Agricultural sector companies most often view investment in land as an opportunity to leverage their significant monetary resources and market access to take advantage of underused land, diversify their holdings, and vertically integrate their production systems. The World Bank identifies three areas in which multinational companies can leverage economies of scale: access to cheap international rather than domestic financial markets, risk-reducing diversification of holdings, and greater ability to address infrastructural prolems.

Biofuels :

Biofuel production, currently comprising 21% of total land investments, has played a significant role. The use and popularity of biofuels has grown over the past decade, corresponding with rising oil prices and increased environmental awareness. The total area under biofuel crops has doubled between 2004 and 2008, expanding to 36 million ha by 2008. This rise in popularity is in line in April 2009, which set 10% mandatory targets for renewable energy use, primarily biofuels, out of the total consumption of fuel for transport, by 2020. Rise in biofuels popularity being environment friendly, its production is more attractive than food production resulting in diversion of land from food to biofuel production.

Governing Land Deals :

In relation to the role of the nation ,state in land deals, there are four vital observations:

First, they suggest that states are not simply passive victims in these deals; they are not only interested in generating foreign capital by selling off pieces of their national territory to more powerful economic or political players. Instead, many states are active, calculating partners in land deals, negotiating the costs and benefits of the contemporary moment in order to maximize returns on such deals.. The example of Brazil is a good one.. Michael Levien argues that in India dispossession has been a ‘constitutive feature of the socio-spatial transformations and the dispossession has changed over time and place. (e.g. Rajasthan)

Second, states do not divide clearly into those acquiring land and those being acquired. Agencies within countries are exploiting unevenness they often acting against each other in an attempt to mediate access to land. For example, the inequality within Mozambique is at least as important as inequality between countries for determining the outcome of large-scale land deal. In Madagascar, state representatives generally welcome agribusiness investments, but they compete over the corresponding benefits and, more significantly, over land management authority.

Third important observation in this context is that governments around the world have very different responses to land deals. Brazil, for instance, has reinstated more strict regulations on foreign land ownership whereas other governments, such as Mozambique, have embraced large-scale land deals with foreign buyers. And some countries have resisted formal land title in favour of community ownership until pushed by the international community.

Fourth and finally, the issue highlighted is the articulation of different kinds of power within the state; government leaders call on the military, the police and the courts to carry out the implementation and regulation of land deals. For instance, in Colombia where the president, on one hand, enacted the Victims' Law to grant compensation to victims of the long-lasting armed conflict, yet simultaneously encouraged the rapid development of oil palm plantations, most of which are supported by some narcotics traffickers and paramilitary groups who perpetuated the violence on smallholding peasants.

In these four observations, the focus is on several key components of governance more broadly understood: territory, or the legal extension of state power on the ground; sovereignty, or the capacity of rulers to control the conditions of their own reproduction; authority etc. These components are difficult to analyze; they are not 'things' with fixed, identifiable natures and responsibilities. Rather, they are relationships and, as such, shaped by constant struggle embodied in everyday practices prevailing in formal institutions.

Conclusion

Large-scale investments in land since 2007 have been scrutinized by civil society organizations, researchers, and other organizations because of issues such as land insecurity, local consultation and compensation for land, displacement of local peoples, employment of local people, the process of negotiations between investors and governments, and the environmental consequences of large-scale agriculture. These issues have contributed to critics' characterization of much large-scale investment since 2007 as "land grabbing," irrespective of differences in the types of investments and the ultimate impact that investments have on local populations.

While commonly required by law in many host countries, the consultation process between investors and local populations have been criticized for not adequately informing communities of their rights, negotiating powers, and entitlements within land transactions. Consultations have been found extremely problematic due to the fact that they often reach just village chiefs but neglect common villagers . World Bank researchers noted that "a key finding from case studies is that communities were rarely aware of their rights and in most of the cases they lacked the ability to interact with investors or to explore ways to use their land more productively." When consultations were even conducted, they often did not produce written agreements and were found to be superficial glossing over environmental and social issues.

In India, Urbanisation is a trend which probably can not be reversed or avoided. Having realized the potential and need for urban development strategy, the Government has taken concrete steps by allocating significant amount of funds towards urban infrastructure, the outcome of which in now visible. The constant focus on development is expected to support a strong growth for the real estate sector. As a growth enabler, it is essential to develop the real estate sector to support the growth of over 300 other sectors and employment. However, a key challenge is the lack of technology and funding, where a massive gap exists. Realising the challenge at hand, several reforms have been introduced recently prompting Land Deals and many more are lined up to improve global inflow of funds to promote growth and development of Infrastructure and advanced Manufacturing system in the country.

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