

## Chapter 5

# Foreign Direct Investment in Land Acquisitions in India: Evidence and Challenges

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### ABSTRACT

*There has been large-scale Foreign Direct Investment (FDI) in land in India for promotion of Special Economic Zones (SEZs). The key drivers of land acquisitions are food security, the bio-fuels boom, growing business opportunities, and policy reforms. Increased foreign land investment may increase economic growth and raise government revenues and create new livelihood opportunities through new capital, technology, know-how, infrastructure, and better market access. At the same time, foreign land acquisitions may result in local people losing access to the resources. Therefore, there is a need for wider public consultation involving all stakeholders to ensure improved livelihoods and food security. The creation of robust institutions and social and environmental impact assessments of FDI in land acquisitions are called for to promote inclusive growth through more job creation, infrastructure development, public revenues, environmental protection, and to protect local food security, particularly in times of food crisis. This chapter explores FDI in land acquisition in India.*

### INTRODUCTION

There has been increasing pressure on land resources to meet increasing demand for food, biofuels, minerals and environmental services. About 40% of the Earth's land surface is used for agriculture (Turner et al., 2007). The human-land relations are changing due to dynamic interaction between socio-economic and bio-physical drivers. The land of the developing countries is consid-

ered as a potential source of meeting increasing demand for biofuels, food crops, mineral deposits and reservoirs of environmental services. The rapid population growth has increased pressure on agricultural land to increase productivity. Currently, the increase in agricultural productivity has failed to keep pace with the demand for food. There has been huge demand for investment in agriculture in developing countries. Therefore, private investment in agriculture has been an

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option to meet food demand in post-food crisis period. Agricultural land acquisitions take place ignoring the livelihood rights of affected communities undermining national and local food security in developing countries (von Braun & Meinzen-Dick, 2009; Daniel & Mittal, 2010). The comprehensive data on regional or national land acquisition is scanty (Taylor & Bending, 2009). The governments play an active role in large-scale land acquisitions both domestically and internationally, even though the unoccupied arable land available for acquisition is very small and statutes and constitutional provisions also prevent large-scale land acquisition. The International Financial Institutions (IFIs) influence large-scale land acquisition by financing land acquisition projects and suggesting guidelines and policies (Cotula, 2012). However, the IFIs have failed to protect the rights of the poorest communities and most vulnerable from food insecurity and hunger.

The demand for land is increasing (Haberl et al., 2009) in both developed and developing countries to meet growing demand for food, biomass and fibers. Agricultural investment in the past mainly came from Western countries and companies seeking comparative advantages in their production for the global market. The current land deals are increasingly driven by the desire to secure rights to land and fresh water for the domestic food and energy needs of the investor (Smaller & Mann, 2009; United Nations, 2010). The “new” investors are predominantly oil-rich but food-insecure Gulf States like Saudi Arabia, Qatar and the United Arab Emirates and populous but capital strong countries in Asia like China, South Korea and India (Gorgen et al., 2009; Smaller & Mann, 2009; von Braun & Meinzen-Dick, 2009). Moreover, Western companies are still investing in land in Africa for bio-fuel production or investment objectives.

The international trade in biofuels is increasing to meet growing demand for energy (Erb, 2004; Erb et al., 2009). The local land use changes in developing countries are also influenced by

increased global demand for products. There are causal relations between land uses over large geographical distances due to growing global trade of food, biomass and fibers (Haberl et al., 2009). Numerous studies von Braun and Meinzen-Dick (2009), Cotula et al. (2009), Gorgen et al. (2009), Mbow (2010), and Smaller and Mann (2009) see increased economic opportunity for local communities from the leasing or selling of the land. There has been growing trend in the land acquisitions by foreign investors, which is termed as “land grabbing” in developing countries. The land investment is termed as land grabbing if there is a purchase or lease of vast tracts of land by wealthier, food-insecure nations and private investors from mostly poor, developing countries in order to produce crops for export (Daniel & Mittal, 2009). The “land grabbing” took place if the investment exceeds 1000 ha. The economic and political significance of the land dispossession is generally increasing and becoming one of the major global issues (Amanor, 2012; Hall, 2012; Lavers, 2012; Woodhouse, 2012).

## **DRIVERS OF FOREIGN LAND ACQUISITIONS**

The foreign land acquisitions are an old phenomenon in developing countries (Kugelman, 2009; Songwe & Deininger, 2009; Taylor & Bending, 2009). Nearly 15-20 million hectares of farmland have been acquired by foreign investors between 2006 and 2009 globally (von Braun & Meinzen-Dick, 2009). The principle origins of demand are from the Gulf States of Saudi Arabia, UAE, Qatar, Kuwait and Bahrain, China, South Africa, Japan, Russia, South Korea, the US, and UK and other EU members (Cotula et al., 2009). There are various types of buyers, including state-owned enterprises, sovereign wealth funds, foreign and domestic private sector investors, and central government agencies. The key drivers of foreign land acquisitions include rapid population growth, demand for

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