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and its implications for India and Ethiopia

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“The commerce between India and Africa will be of ideas and services, not of manufactured goods against raw materials after the fashion of the Western exploitators.”

Mahatma Gandhi, in Bhattacharya, 2010: 63

TABLE OF CONTENTS

LIST OF TABLES AND FIGURES	1
LIST OF ABBREVIATIONS.....	2
1) Introduction	5
1.1 Method.....	8
1.2 Thesis structure.....	9
2) India path towards industrialization – risks and challenges.....	11
2.1 India’s economic policy and development since independence	12
2.1.1 Economic growth and India’s foreign policy since 2004	16
2.1.2 India’s declining agricultural sector – from Green Revolution to a Fatigue?	18
2.2 India’s population growth.....	20
3) India’s growing resource needs – present and future.....	23
3.1 The concepts of food security and food sovereignty	23
3.2 India’s biophysical economy	27
3.3 Outsourcing India’s food production.....	29
4) India’s engagement with Sub-Saharan Africa – India’s African Safari.....	33
4.1 India’s historical relationship with Africa	33
4.1.1 Indo-African relations since the 1990s	34
4.2 Diplomatic relationship	35
4.2.1 Summits	36
4.2.2 Development Programmes	38
4.3 South-South (Development) Cooperation – from a Washington to a Delhi Consensus?	40
4.3.1 India’s development cooperation structure	43
4.4 Trade and Investment Footprint	46
4.5 The new scramble for Africa?	51
4.5.1 Scramble for Resources	53
4.5.2 India and the new scramble	54
4.6 India’s evolving relationship with Ethiopia	55

5) Land grabbing – causes, impacts, actors, and challenges	59
5.1 Historical dimension.....	60
5.2 Defining Land Grabbing.....	63
5.3 Who are the investors and what are their interests?	65
5.4 Who are the host countries and what are their interests?	67
5.5 Positive and negative impacts of land-grabbing.....	68
6) Case study - Indian land acquisitions in Ethiopia.....	73
6.1 Country context - Ethiopia	73
6.2 Land tenure and land reform in Ethiopia – past and present	76
6.2.1 Agricultural Development-Led Industrialization (ADLI)	77
6.2.2 Investment Climate.....	78
6.2.3 Domestic and foreign land acquisitions in Ethiopia.....	79
6.3 Overview of current Indian land acquisitions in Ethiopia.....	80
6.4 Impacts on the local economy and population in Ethiopia.....	89
6.4.1 Villagization and Resettlement.....	90
6.4.2 Infrastructure Development.....	92
6.4.3 Employment Generation.....	94
6.4.4 Environmental Impacts.....	94
6.4.5 Impacts on Food Security	95
6.5 India’s trade with Ethiopia: an analysis of trade statistics	95
7) Conclusion and Discussion	99
8) BIBLIOGRAPHY	103
9) APPENDIX	113
9.1 Abstract English	113
9.2 Abstract German.....	113
9.3 Curriculum Vitae	114
9.4 Land lease Agreement Karuturi Agro Products Plc	116

LIST OF TABLES AND FIGURES

Figure 1: Composition of selected sectors of India's GDP	11
Figure 2: India's and China's projected population growth	18
Figure 3: India's development cooperation structure	39
Figure 4: India's export/import trade with Africa	42
Figure 5: India's main export destinations a) 2001/02 and b) 2011/12.....	43
Figure 6: India's main import products from Africa, 2004	45
Figure 7: Composition of selected sectors of Ethiopia's GDP	69
Figure 8: Geographical concentration of current Indian land acquisitions in Ethiopia	77
Figure 9: Ethiopia's top 6 products of import from India, 2008	89
Figure 10: Ethiopia's top 6 products of export to India in US\$ millions, 2008	89
Table 1: Land lease rates in selected countries.....	73
Table 2: Overview of current Indian land acquisitions in Ethiopia	75
Table 3: Ethiopia's total trade with the World and India in US\$ millions.....	88

LIST OF ABBREVIATIONS

ADLI	Agricultural Development-Led Industrialization
AU	African Union
BRIC	Brazil, Russia, India and China
CII	Confederation of Indian Industries
CIS	Commonwealth of Independent States
CoC	Code of Conduct
COMESA	Common Market for Eastern and Southern Africa
DMC	Domestic Material Consumption
ECOWAS	Economic Community of West African States
EPRDF	Ethiopian Peoples Revolutionary Democratic Front
FAO	Food and Agricultural Organization of the United Nations
FDI	Foreign Direct Investment
FIAN	Food First Information and Action Network
GDP	Gross Domestic Product
GHG	Global Greenhouse Gas
Ha	hectares
HIPC	Heavily Indebted Poor Countries
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IT	Information Technology
JTC	Joint Trade Committee
LAC	Latin America and Caribbean
LDC	Least Developed Country
MDGs	Millennium Development Goals
MEA	Ministry of External Affairs
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organization

ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
ONGC	Oil and Natural Gas Company
OVL	ONGC Videsh
PDS	Public Distribution System
PIO	People of Indian Origin
PRSP	Poverty Reduction Strategy Paper
TPLF	Tigray People's Liberation Front
UDHR	Universal Declaration of Human Rights
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US(A)	United States (of America)
WFP	World Food Program
WTO	World Trade Organization
%	percent
yr	year

1) Introduction

In the context of globalization and economic growth, we witness the rise and decline of economies. India and China have been in the centre of the global growth debate, both countries witnessing remarkable economic growth rates of around 8 – 10% per year in the last decades. Together, they comprise 36% of the world's population. However, estimates suggest that India will outpace China as the most populous country in the world between 2020 – 2025 (World Population Prospects, 2013; CIA World Factbook, 2013b; Betz, 2012).

Since its economic liberalisation in 1991, India has managed to transform its economy into one of the most powerful ones. Especially the service sector has contributed much to this growth, most notably the IT and software sector. Despite this remarkable growth, India had to deal with a lot of internal problems. Its economic growth comes at the expense of its social development. The CIA World Factbook (2013) ranked India number two, after Timor Leste, having the highest percentage of underweight children under the age of five. Additionally, India needs faster improvement in meeting MDG 4, reducing child mortality; and MDG 7, improving access to improved sanitation facilities. There have been some improvements in providing universal primary education and reducing the proportion of people living under the poverty line. Whereas in 1991, 35% of India's population lived in absolute poverty, in 2001 it decreased to 25% (MDG Progress Report, 2011; Pardesi, 2007; Purushothaman, 2004; Luce, 2006).

Furthermore, the focus on the service and industry sector led to the decline of the agricultural sector. During 1960 and 2011, the agricultural sector's share of GDP decreased from 43% to 17%, whereas at the same time the industry's sector share rose from 19% to 26% and the service's sector share rose from 38% to 56%. However, more than half of India's population works in the agricultural sector and depend on agriculture for their livelihood (Figure 1; Kakarlapudi, 2012). Agriculture has a direct link to poverty reduction, as the majority of the poor people spend most of their income of food. According to Birner et al. (2009) an increase in agricultural productivity has positive spillover effects on reducing poverty.

With the growth of India's economy, total material flows increased by a factor of 3.8 since the 1960s. Particularly, the shares of minerals and fossil materials in total Domestic Material Consumption (DMC) ¹ increased (focus on industry and infrastructure), while the share of biomass in total DMC declined (Singh et al., 2012). If India wants to sustain its economic growth, it must not only look for key energy and natural resources, but also focus on its population, which will in a large part contribute to the success of India's economic growth in the future. Most of India's population is still employed in the agricultural sector or pursues subsistence farming. Yet, parts of India are industrialising quickly causing pressure on the domestic and global environment. As of now, India's biomass demand can keep pace with its population growth, but for how long? Estimates suggest that by 2050, India will have a total population of approximately 1.7 billion. If India would adopt a similar metabolic profile like Japan global material use will grow immensely and will put enormous pressure on India and the world (Singh et al., 2012).

On a national scale India has focused on welfare schemes to improve the access and contribution of food. Regrettably, the results of these schemes were unsatisfactory (Cheriyian, 2006). In 2007/08 the global food crisis has put enormous pressure especially on developing countries, which had to struggle with severe droughts and dramatically high food prices on basic food such as rice, maize, wheat, and soybeans. India is aware of the dangers and impacts another similar crisis can have on its economy. Furthermore, the impacts of global warming and climate change - droughts, less arable land and rising sea levels - and prognosis about increasing food requirements in the future prompt India and other countries to partly move their food production overseas as a safety measure (Montemayor, 2009; Cotula et al., 2009, Anseeuw et al., 2012; Rowden, 2011).

India has identified Africa as a key partner for investments in agriculture, infrastructure, trade, and energy. India is keen to strengthen its diplomatic relationship

¹ Domestic Material Consumption „measures the apparent consumption of materials in an economy and is defined as the sum of domestic extraction and imports minus exports.“ (Singh et al., 2012: 61)

with African countries and to increase its development assistance in order to find loyal friends who back its quest for a permanent seat in the reformed UN Security Council (Bhattacharya, 2010). In regard to agricultural investment, India has started to acquire huge tracks of land in African countries, especially in Ethiopia, to produce biofuels and food crops (Cotula et al., 2009).

Accordingly, the underlying assumption for this thesis is that India is acquiring farmland in Ethiopia to produce natural resources to feed its growing population and to access key energy resources for its economic growth. The phrase to describe the recent rush of (trans) national commercial land transactions has been termed land grabbing. Foreign/national private or state-owned firms buy or lease land (in some cases up to 99 - year leases) mostly to grow food and biofuels for export (Daniel and Mittal, 2009).

Ethiopia serves as a case study to understand the dynamics of Indian land acquisitions. The aim is to understand the motives and drivers for India and Ethiopia as well as the impacts of land deals on the local population in Ethiopia. India is the single largest foreign investor in Ethiopia, having acquired more than 100,000 hectares of land to grow cotton, pulses, wheat, and biofuels. Most land acquisitions made by Indian investors are located in the region of Gambela, where the government offers special incentives, like tax holidays and other preferential treatments and strongly promotes foreign investment. Moreover, land fees are extremely low compared to other regions in Ethiopia. By leasing land to foreign investors the Ethiopian government earns foreign exchange reserves and hopes to contribute to employment generation and food security in the country (The Oakland Institute, 2011; Table 2).

Accordingly the main research question is:

- What is the role of land grabbing in India's Africa strategy?

To answer this question, I want to analyse two hypotheses.

Rowden (2011) and Cotula et al. (2009) claim that India is outsourcing its food production because it lacks the space and fertile soil to cultivate and produce food domestically.

The second hypothesis claims that India's increasing engagement in land grabbing in Africa in general and in Ethiopia in particular is triggered by securing India's resource and energy needs in the future (Cotula et al., 2009; the Oakland Institute, 2011; Rowden, 2011; Smaller and Mann, 2009; Borras and Franco, 2010; and Kugelman and Levenstein, 2009).

1.1 Method

I conducted a literature analysis to analyse my main question and the underlying hypotheses. I mainly retrieved my information from books and academic journals, as well as publications from NGO's, organisations and ministries. Furthermore, I used articles from newspapers in order to take the opinion of media sources into consideration.

In general there was an abundance of available information on India's economic rise, population growth, and resource needs. I collected data from international journals, such as *Global Society*, *Ecological Economics* and *Global economics* and used websites from UN Organizations as a source. The Indian Census (2011) and the CIA World Factbook (2013b) provided general information on India's social indicators and population growth.

There is much literature on land grabbing, mostly papers by organizations like GRAIN (2008), the Oakland Institute (2011), Human Rights Watch (2012), IFAD, FAO, IIED (Cotula et al., 2009) and a collection of papers by the International Food Policy Research Institute. Besides that many authors (Lavers, 2012a; Lavers, 2012b and McMichael, 2012) have published scientific articles in international journals, such as the *Journal of Peasant Studies*. I also collected data from the Land Matrix Portal (<http://www.landmatrix.org>, Anseeuw et al., 2012b) and another internet platform, www.farmlandgrab.org, which provides up-to-date material on the topic.

The challenge was to filter reliable from unreliable sources. Many internet sources are based on media reports, which should be reflected critically. Another challenge was to go through the huge amount of information and summarize the most important aspects, without forgetting to keep an eye on details. However, by far the greatest challenge was to proof the accuracy of the data. Many sources provide different data, for instance on the number of farmland acquired in Africa or the number of transnational deals. It was necessary to compare different data while providing a table with Indian land acquisitions in Ethiopia. On the one hand, I had data from GRAIN (2012) and the Land Matrix Portal, which is partly based on media reports and on the other hand I had officially documented land lease agreements provided on the homepage of the Ethiopian ministry of agriculture. Apart from that, I searched for additional information on the homepages of the Indian firms involved in these deals.

I spend most time collecting the information and processing the data. I organised the data by assigning it to the different chapters, which made it easier and faster to access papers and articles.

1.2 Thesis structure

In the following chapter I will briefly outline India's path towards industrialization, including India's economic rise, its foreign policy, and population growth in order to define the context. I will draw on existing literature to outline all relevant events and developments that led to India's economic rise.

My starting point for the second chapter is a study by Singh et al., (2012), India's biophysical economy, in which the authors analysed India's present and future resource demands, in light of India's economic rise and its growing energy and material demands. In their study, they focus on four material categories: biomass, ores and industrial minerals, construction minerals and fossil fuels and outline the challenges of future resource availability and pressures on the ecosystem. Next, I will introduce the concepts of food security and food sovereignty - their origins and importance in the debate on food regimes, food crisis, land grabbing, resource availability and distribution. I will look at key documents and conventions where the

right to food is being implemented, including the Rome Declaration, the United Nations Declaration on Human Rights and the International Covenant on Economic, Social and Cultural Rights. I will place the theories in connection to India's food security situation and its strategy to outsource its food production.

In the fourth chapter I will again draw on existing literature to analyse India's current engagement with Sub-Saharan Africa. Two important scholars, who have contributed much to the debate on India's rise in Africa are Fantu Cheru and Cyril Obi, whose publication, *the rise of China and India in Africa*, I have incorporated in this chapter. Moreover, they have published many articles in international journals, which I also considered for my analysis. Another important scholar is Emma Mawdsley who has written much on India's development cooperation to Africa. Together with Gerard McCann, she has published a book, *India in Africa. Changing geographies of power*, which contributed much to my thesis. Apart from that I included articles from international journals and books.

In the fifth chapter I will give an overview of the existing literature on land grabbing, incorporating all relevant actors who have written on this issue, including the Oakland Institute (2011), GRAIN (2008), FAO, IFAD, IIED (Cotula et al., 2009). I will compare different definitions with the aim of providing the reader with various aspects of this topic and of creating my own definition for land grabbing.

The last chapter will be a case study on Indian land acquisitions in Ethiopia. It will provide the reader with a country profile on Ethiopia. Moreover, it will contain an analysis of the motives of the Ethiopian government to lease farmland to foreign investors and the motives for Indian investors to acquire farmland in Ethiopia. Furthermore, I will analyse why Ethiopia is such an attractive option for Indian investors, where most Indian land investments are located, and what Indian investors are producing. The data on the official Indian lease agreements and investments are mainly drawn from the Ethiopian Ministry of Agriculture homepage. Further data from GRAIN, the Oakland Institute and the Land Matrix Portal were taken into consideration.

2) India path towards industrialization – risks and challenges

India is a country in South Asia, bordering Bangladesh, Bhutan, Burma, China, Nepal, and Pakistan situated between the Arabian Sea and Bay of Bengal. With a total population of 1.2 billion (2013) it is the second most populous state in the world and will given its current population growth overtake China as the most populous state by 2020/25 (Figure 2). India is a multifaceted country – it is diverse in its culture, religion and language. 80 percent (%) of India's population is Hindu, 13% Muslim, 2.3% Christian, 1.9% Sikh and 1.9% others. English is the subsidiary official language and Hindi, with 41% the most spoken language. Moreover, many other official languages and various dialects exist (India Census, 2011, CIA World Factbook, 2013b).

India gained independence in 1947 with Mahatma Gandhi playing a key role in the independence movement. A new Constitution was written in 1950 making India a democratic and secular state. Today India is the world's largest democracy (CIA World Factbook, 2013b).

Close to a bankruptcy and crisis in 1991 - India started to liberalise its economy and since then has experienced quite stunning growth rates with an average annual growth rate of 6-7%. The majority of the Indian population works in the agricultural sector. Yet, the service sector where only one-third of the population is employed contributes the most to its economic growth. India's remarkable growth, however, does come at the expense of its social development (CIA World Factbook, 2013b). According to the Millennium Development Goals (MDGs) Progress Report of 2011, India mainly lacks progress in four out of eight goals. In September 2000, 189 signatory states signed the United Nations Millennium Declaration at the Millennium Summit held at the UN Headquarter in New York. They committed to reduce eight MDGs, including 53 indicators, ranging from eradicating poverty and hunger, to empowering women and combating diseases like malaria and HIV/AIDS until 2015.

Goal 1: Eradicate extreme poverty and hunger

Goal 2: Achieve universal primary education

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria and other diseases

Goal 7: Ensure environmental sustainability

Goal 8: Develop a Global Partnership for Development

India approved to adhere to these goals and indicators and to monitor their progress. India's Progress Report of 2011 identified which goals still lack progress. The report states that Goal 1 of the MDGs, "Eradicate extreme poverty and hunger", has not been met because India's progress in eradicating malnourishment is very slow. The report estimates that only four out of 29 regional states of India will meet the target to half the proportion of underweight children under three years of age by 2015. Moreover, faster improvement in reducing child mortality is highly needed (Goal 4). In addition, many households still lack proper sanitation facilities (Goal 7). India is trying to address these problems by introducing various programmes and campaigns, such as the "Total Sanitation Campaign" (MDG Progress Report, 2011: 109), whose objective is to construct sanitary complexes, provide households with latrines and schools with toilet facilities.

Fortunately, India is making great progress in meeting other MDGs, like providing universal primary education (Goal 2) and halving the proportion of people living under the poverty line since 1990 (Goal 1) (MDG Progress Report, 2011).

2.1 India's economic policy and development since independence

In 1947 India's economy was based on agriculture, with 70% of the total workforce employed in the agricultural sector. The agricultural sector contributed to half of India's total national income, whereas the industry sector remained underdeveloped. India had a poor national income as India's industry developed slowly and industrial output was low. At the same time agricultural output and productivity was unsatisfying too. In 1948 Jawaharlal Nehru, India's first Prime Minister, introduced a policy, which was aimed at improving economic development and promoting industrialisation while increasing national savings. The industrial sector, including the private industrial production, was under the control of the state (mining, infrastructure, energy, and communication). The government adopted several

restrictions on imports/ exports and production, high taxes, and fees. These “regulations” posed a threat to the new growth strategy based on industrialisation. This was due to two factors: First, the influence of Russia and its socialist paradigm, which was based on moderate consumption and high public savings, the avoidance to buy luxury goods (televisions and cars), and the discouragement of foreign investment. Second, the focus on national savings and the reduction of imports like energy and industrial goods (machinery). In the 1980s it was clear that the current system was unfeasible as India was close to an economic collapse. The government started to introduce minor liberalisation policies but it was not until 1991 that India was forced to liberalise its economy as the country was caught in a serious balance of payments crisis. Prime Minister Pamulaparthi Venkata Narasimha Rao introduced a new policy, which was aimed at fostering production, opening the private sector, and promoting foreign investments (especially in infrastructure and export-led sectors). Prime Minister Rao reduced tariffs, controls on imports, introduced market-friendly policies and abandoned the famous licence system (licence raj²) (Singh et al., 2012; Luce, 2006; Jalan, 2005/06). These policies improved India’s economic situation. Whereas, India’s economic growth rate was 5.5% per year between 1980 and 1991, in 2004/05 it shifted to 8.5% per year respectively. Today India is the fourth largest economy in terms of purchasing power parity and will according to estimates (Purushothaman, 2004 - estimates on the BRIC States) become the third largest economy by 2040, after China (first) and the US (second). Other estimates predict that this will already happen around 2020/2025 (Jalan, 2005/06).

However, India is still a low-income-economy in *per capita* terms, as a result of its late focus on industrialisation. One-third of the world’s chronically undernourished children live in India. In 2006 the CIA World Factbook (2013) ranked India number two, after Timor-Leste, having the second highest percentage of underweight children under the age of five. There has been a slight progress in the reduction of “people living in absolute poverty³”. Whereas in 1991, 35% of India’s population lived in

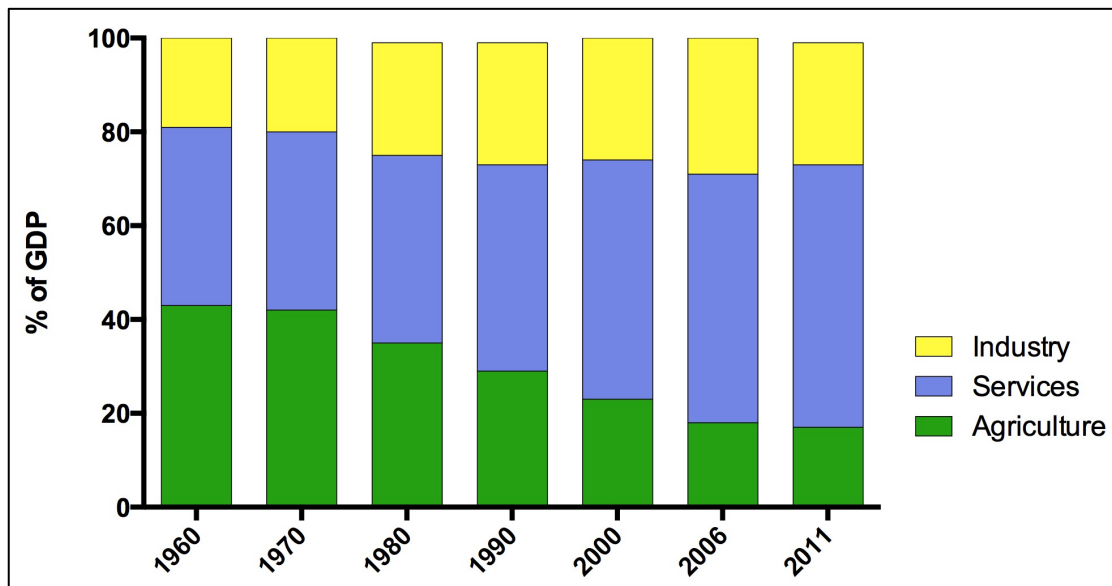
² The licence raj system was adopted after independence, imposing tight regulations and controls on the economy. It foresees that all aspects concerning India’s economy are controlled by the state. In 1990 the licence raj system was abandoned and replaced by more liberal reforms (Luce, 2006).

³ "A condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services." This definition was articulated in the Program of Action of the World Summit for Social Development in Copenhagen, 1995, Chapter 2, Article 19 (World Summit for Social Development Programme of Action, 2000).

absolute poverty, in 2001 it decreased to 25% (Pardesi, 2007; Purushothaman, 2004; Luce, 2006).

The question occurs, why did India experience such a remarkable growth in the last two decades? In 1991 India was close to a bankruptcy as foreign exchanges dropped significantly, triggered by the Gulf war and the rise in oil prices. India was forced to devalue its currency and provide many of its gold reserves as collateral in order to get an emergency loan from the International Monetary Fund (IMF). At that time India agricultural yields were sufficient and the country had enough food due to the positive developments during the Green Revolution of the 1960/70/80s. However, even these positive trends could not prevent the crisis. Prime Minister Rao and Finance Minister Manmohan Singh (now Prime Minister since 2004) introduced economic reforms in 1991, allowing the opening and liberalising of India's economy. Since then India follows a capital-intensive-growth, in contrast to China, which pursues a labour-intensive-growth. India's economy experienced remarkable average annual growth rates of 6-7% between 1991-2006 (Luce, 2006). The highest growth occurred in services, whereas growth in the agricultural sector came to a halt and decreased dramatically from 43% in 1960 to 17% in 2011 (% share of India's Gross Domestic Product (GDP)). In the same period, the industry's sector share increased from 19% to 26% and the service's sector share rose from 38% to more than 56% (Figure 1). Especially the private sector experienced peaks, with remarkable strengths in the IT and software sectors.

Figure 1: Composition of selected sectors of India's GDP



Source: World Bank, 2013
<http://www.worldbank.org/>

According to the World Bank Data in Figure 1 during the years 2000 – 2011 the service sector contributed to more than half of India's economy, with agriculture and industry sharing almost equal proportions. The advantage of India's service sector compared to other countries (for example China) is English, being one of the quasi-official languages in India. India's tertiary education is well established and when it comes to information technology (IT), India has one of the best engineering universities, with the Indian Institutes of Technology among the best worldwide. The admission is highly competitive and graduates are playing key roles in the Silicon Valley. At the same time as the service sector, the software sector increased and reached its peak in 2003. Triggered by its expanding IT and software sector, India's manufacturing sector has also experienced growth, especially in the areas of biotechnology and pharmaceuticals (Luce, 2006).

Accordingly, the top priority of the Indian government is economic development and when looking at the outstanding growth in its software and IT sectors, the creation of a knowledge economy. India's current strategy marks the shift from an idealist to a more pragmatic approach. These two approaches that could not be more different from each other are based on one mutual principle: security. Whereas the idealist approach, resting on pillars like self-reliance and non-alignment, was intended to support India's peaceful rise as a respected power and to cover its military weakness,

the pragmatic approach targets security on another level. India engages with neighbouring countries in order to keep peace, security, and stability while additionally undermining China's influence in the region (Betz, 2012).

2.1.1 Economic growth and India's foreign policy since 2004

Chilamkuri Raja Mohan, Distinguished Fellow at the Observer Research Foundation in New Delhi (as cited in Narlikar, 2010), identified five changes in India's foreign policy since the end of the Cold War (mid 1980s until the beginning of the 1990s). First, India shifted from a socialist to a capitalist paradigm. Second, India focused more on its economy than its politics. Third and Fourth, India's third-world interests (idealism) were gradually replaced by its self-interests (pragmatism). At last, India refused an "anti-western mode of thinking" (Narlikar, 2010:453). These broad changes in India's foreign policy mark India's wish to become a respected global power⁴. Narlikar (2010) states that Mohan's analysis is partly correct, as India's opening is driven by a capitalist rhetoric and economic imperatives. However, India is still keen to keep its third-world paradigm and rhetoric of mutual benefit and co-development. For instance, India blocked the Doha negotiations at the World Trade Organisation (WTO), whose objective was to lower trade barriers worldwide. India stood up for fairer trade and market access and the dismantling of agricultural subsidies favouring the North. In this regard, India is better known as being the "voice of the voiceless" (Narlikar, 2010: 455).

In recent years and especially since 2004 India has defined its goals more precisely. According to Betz (2012) the new policy approach pursues different goals. The first and foremost priority is to maintain the high economic growth rate of around 8% per year. However, growth implies that certain people (middle and upper class before low caste (dalits)) or sectors (service sector before agriculture) will reap the fruits, while others will be at disadvantage. The second goal is to promote further liberalisation and deregulation strategies as the government declared that it helped to broaden the middle class and attract foreign direct investment (FDI). The third goal for India is not only to become a global economic power and a respected nuclear power but also to

⁴ for a more detailed analysis on India's foreign policy please refer to Mohan's book, *Crossing the Rubicon: the shaping of India's new foreign policy* (Mohan, 2003).

turn into a knowledge economy. India already is a forerunner in the IT sector. To be able to keep this advantage India needs to ally with the United States (US) in order to get access to state-of-the-art technology. The fourth goal foresees an increased strategic partnership with other global powers, especially the US, which helps to finance India's infrastructure. The Indian diaspora in the US certainly is important to further strengthen bilateral relations. The fifth goal is to secure energy supplies, which India's economy needs for its massive growth. This includes the expansion of nuclear facilities and closer cooperation with energy exporting nations. The sixth goal is to increase cooperation with India's immediate neighbours Pakistan and Afghanistan and its close neighbours the South East Asian States (Look East Policy). The seventh goal is to promote democracy and human rights, alongside its economic interests. Last but not least the eighth goal is to gain a permanent seat in the UN Security Council. At last it is important for India to maintain military power for security reasons and to be acknowledged as a global nuclear power (Betz, 2012).

These goals are certainly all designed to promote India's economic growth and political power and not to target and combat regional problems like poor education and health. The progress in these and other social parameters, such as the reduction of poverty, malnutrition, infant and maternal mortality, and improvements in primary education have been extremely low compared to its economic growth. Furthermore, bad governance and corruption in certain states of India, poor expenditures in health and education and the lack of reforms in agriculture, make any prospects for progress bleak. Still, most of the population is employed in the agricultural sector and India's immense population growth asks for more jobs.

“Fewer than one million Indians annually produce more in IT and software export revenues than several hundred million farmers earn from agricultural exports”, states Edward Luce, author of *“In spite of the gods. The strange rise of modern India”* (Luce, 2006: 56f).

The agricultural sector cannot absorb more labour and the service sector only asks for high-skilled labour (Betz, 2012). Accordingly, the greatest challenge for India in the future will be: first to modernise its agricultural sector and second to provide more jobs for the less skilled and under-employed peasantry (in the manufacturing sector) (Luce, 2006).

2.1.2 India's declining agricultural sector – from Green Revolution to a Fatigue?

“We clearly need a second green revolution that is more broad-based, more inclusive and more sustainable; we need to produce more without depleting our natural resources any further,” says Indian Prime Minister Manmohan Singh in an interview with The Hindu in July 2011.

Whereas the service sector experienced high growth rates, the agricultural sector has been abandoned. In the 1960s the agricultural sector contributed 43% to the overall GDP, in 2011 it was only 17% (Figure 1). Yet, more than half of India's population is employed in the agricultural sector and hence depend on agriculture for their livelihood (Kakralapudi, 2012). Moreover, agriculture has a direct link to poverty reduction, as the majority of the poor people spend most of their income on food. According to some studies, raising agricultural productivity has positive spillover effects on reducing poverty (Birner et al., 2009).

After independence in 1947 the agricultural sector was booming and accounting for 48.1% of India's GDP. In 1956/66 severe droughts hit the country and India had to change its agricultural policy and start to introduce new technologies, such as seed-fertilizers. The expansion of tube wells helped to improve irrigation. However, the agricultural boom was confined to wheat and certain provinces in India, like Punjab and Haryana in the North. Hence, these growth effects did not benefit the whole country and failed to raise income and the standard of living of the rural population. This period is better known as the “first wave of the Green Revolution”. During this period, India almost attained food self-sufficiency. Still the country as a whole lacked foreign exchange, suffered from the “lost (agricultural) period” before the 1960s and was dependent on imports of food and fertilizers for several years (Fujita, 2010; Thakur, 2012).

The second wave of the Green Revolution hit India in the 1980s and the agricultural sector witnessed high growth rates, which spread over the whole country and did not only target wheat, but also rice, pulses, maize, sugarcane, and other important crops. Most importantly rice production increased substantially, which is the main staple food in India. As a result of the government's efforts to invest in agricultural technologies (like irrigation and rural infrastructure) and to provide subsidies, India's

food grain productivity rose. Given India's scarcity of land, its yield increase was remarkable. The second wave of the Green Revolution helped to raise income in rural areas and to lift some people out of poverty (Fujita, 2010).

With India's economic opening in the 1990s, a policy shift towards the promotion of rapid industrialisation led to the neglect of the agricultural sector and to serious social problems. During this period the *per capita* consumption for cereals decreased and India had an excess of rice. In the mid-1990s India became a major exporter of rice and quite recently of wheat as well. The government increased its subsidies for agriculture but only targeted advanced agriculture and wealthy farmers, at the same time as reducing its public investment in agriculture. Despite this food glut, part of the population continued to suffer from malnutrition because the production of coarse grain, which is the main food for the poorer population, increased only little and rice and wheat were too expensive and unequally distributed (Fujita, 2010; Gupta, 2008).

There are various explanations why the agricultural sector suffered so much. Depending on the region, different factors contribute to the overall agricultural production decline. First, there are certainly structural constraints such as poor public investment and lack of available credit for smallholders. Some argue that the lack of state intervention is one of the main constraints, whereas others criticize the intervention of the state to react to market failures. Second, there are constraints on infrastructure, such as poor electricity coverage, bad conditions of roads, and poor communication infrastructure. Third and most importantly ecological constraints are hampering agricultural productivity, including soil erosion, degradation as a result of heavy rainfall, the increasing use of fertilisers and chemical inputs, and groundwater depletion. Moreover, in India the land holding size is small (less than two hectares (ha)) and some provinces lack of property rights. Of course the overall reasons for the agricultural decline are a much more complex set of factors but the factors mentioned above certainly belong to the gravest. India's agricultural production clearly lags behind its actual potential (Kakarlapudi, 2012; Tharkur, 2012; Gupta, 2008; Birner et al., 2009). According to a study by Birner et al. (2009) there are different areas for increasing overall agricultural potential: potential by crop, livestock production, geographic/climate region, and type of investment. The study reveals that the potential for increasing certain crops in India is huge, especially for rice, maize, cotton, sunflower, sorghum, and groundnut. The potential for raising livestock production lies in the dairy production, especially in the increase of milk production

per cow. Further, India can be divided into different agro-ecological zones, characterized by the soil quality, growing and rainfall seasons. Each of these regions have, according to their characteristics, different potential in regard to agricultural intensification, agricultural diversification, productivity, and agricultural research (Birner et al., 2009).

India addresses its agricultural policy through its Five Year Plans, the latest being the Eleventh Five Year Plan (2007-2012). Its follow up, the Twelfth Five Year Plan (2012-2017) is available as a draft version on <http://12thplan.gov.in/>. Each plan sets new targets for the agricultural sector, for example investing in infrastructure, focusing on the promotion of specific agricultural products, and defining the role of the state (intervention versus deregulation). In light of the food crisis of 2007/08 the attention has been focused again on the debate on food self-sufficiency and agricultural diversification. Some scholars argue that the crisis has triggered a policy shift in direction of focusing on staple crops (Birner et al., 2009).

Given India's availability of food grains, it should be no constraint to feed its population, yet insufficient government policies are hindering any progress. It is clear that in a country like India, with more than one billion people and more than half of them employed in the agricultural sector, this sector will play an important role in the future and will affect economic development. Inadequate nutrition certainly has an impact on the future productivity and hence India's economic growth.

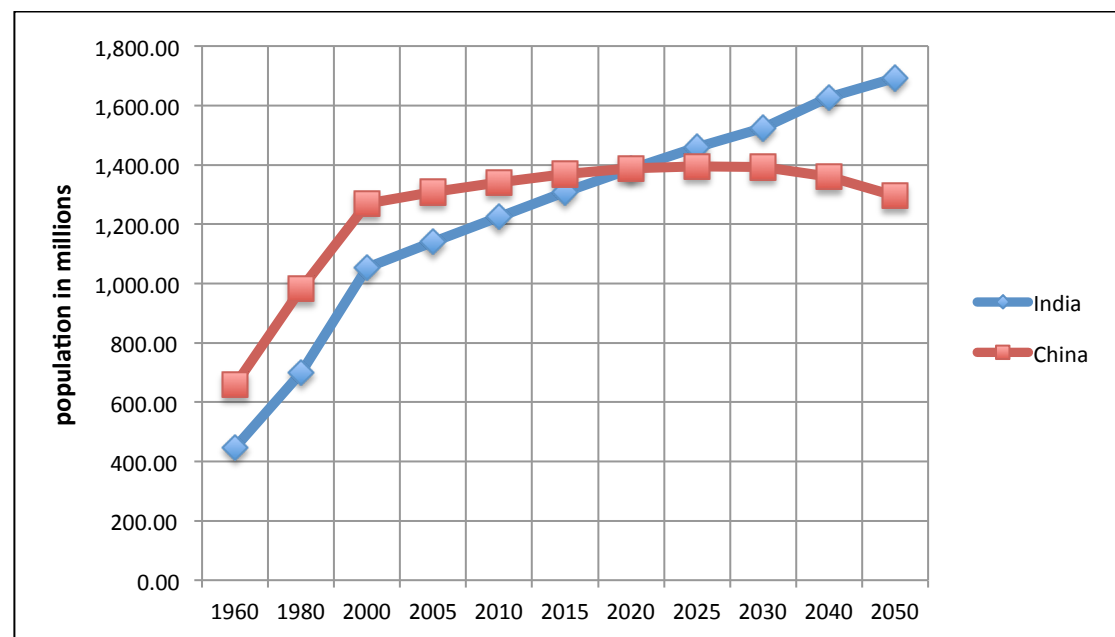
2.2 India's population growth

According to the Indian Census 2011, India's total population was 1.2 billion in 2011 compared to approximately one billion in 2001. After China, India is the second most populous country in the world, accounting for 17.5% of the total global population in 2010, which means that one out of every six persons is Indian. With just 2.4% of the world's surface area India has to sustain more than one billion people, whereas in contrast the US, which accounts for 4.5% of the world surface area has to sustain 308.7 million people (2010). The average growth rate of India's population was 1.64% between 2001-2011, compared to China's much lower rate of 0.53% between 2000-2010. According to the World Population Prospects (2013), India will overtake China as the country with the largest population in the world in 2020/25 (Figure 2).

As population growth is steadily declining in the European Union (EU), the US and other major industrialised nations, developing countries will be responsible for the population growth in the future. In most parts of Europe, governments have introduced family friendly policies, encouraging woman to have more children. The challenge in developing countries is to raise the standard of living, provide proper sanitation, distribute birth controls, and empower women (India Census, 2011).

Between the first Indian Census in 1901 and the most recent one in 2011, the population grew from 23.8 million to 1.2 billion people. Although India's population is rising, the actual pace of population growth is decreasing (India Census, 2011).

Figure 2: India's and China's projected population growth



Source: World Population Prospects, 2013
<http://esa.un.org/unpd/wpp/index.htm>

Figure 2 illustrates that India's population is increasing steadily, whereas China's population is declining. Until 2020 China will be the most populous state in the world. However, between 2020 and 2025 India will outpace China as the most populous state. In 2025, India will have an estimated total population of 1,458,958,000 and China a total population of 1,395,256,000. In 2050 India's total population will rise to 1,692,008,000 whereas China's total population will decline to 1,295,604,000.

Based on the 2003 Brazil, Russia, India and China (BRIC) report by the Goldman Sachs Global Research Centre, India's potential as a BRIC state is as follows (Purushothaman, 2004):

- India's population will overtake China in 2034. According to the World Population Prospects (2013) it will be around 2020/25.
- India will become the third largest economy by 2040, after China (first) and the US (second).
- India will be the only BRIC state, whose economy will rise above 5% over the next 45 years.
- India's per capita income will rise by a factor of 35 (35 times), but will be comparably low to other BRIC states.

3) India's growing resource needs – present and future

3.1 The concepts of food security and food sovereignty

Food security

The concept of food security first originated at the first World Food Conference in Rome in 1974. It was based on two principles – the availability of food and the price stability of food. In 1986 the World Bank's report on Poverty and Hunger introduced the concepts of chronic food insecurity and transitory food insecurity. The former is defined by continuing levels of poverty and low incomes, whereas the latter appears temporarily caused by natural disasters or economic crisis. The most influential definition so far has been adopted at the World Food Summit in Rome in 1996:

“Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.” (World Food Summit, 1996 as cited in FAO, 2006)

According to the Food and Agricultural Organization of the United Nations (FAO) (2006) this definition has four dimensions: food access, food availability, utilization and stability. Food access is defined by the entitlement of individuals to have access to appropriate quantity and quality of food. Food availability is defined by the availability of adequate quantity and quality of food, provided either by domestic production or imports, including food aid. Utilization implies that clean water, proper sanitation, and an adequate diet should be provided. At last, the term stability can be referred to the World Bank's term “transitory food security”. A population should be able to have access to food, even if temporary shocks like natural disasters or economic and financial crises destabilise a country.

The signatory members of the Rome Declaration, which was adopted at the summit, affirm that they will halve the number of chronically undernourished people by 2015 (FAO, 2006).

Today, this definition is still the starting point for discussions about food security but also new dimensions, such as human rights and food insecurity on a social and political scale, have gained attention. The right to food is not a new concept as it is already implemented in the United Nations Declaration on Human Rights (UDHR) 1948, Article 25:

“Everyone has the right to a standard of living for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services (...).” (UDHR, 1948, Art. 25 (1))

Article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) 1966 emphasized the right to food more strongly:

“The State Parties recognize the right of everyone to (...) adequate food, (...) to be free of hunger (...) and to improve methods of production, conservation and distribution of food (...).” (ICESCR, 1966, Art. 11)

Currently over 40 countries have adopted the right to food in their constitution. India is a state party to the ICESCR and hence obliged to respect and promote the right to food. India’s Constitution does not explicitly recognise the right to food but similar principles are adopted in the fundamental rights articles and the Directive Principles of State Policy (Article 27) (Cheriyian, 2006).

Food sovereignty

The international peasant movement La Via Campesina first introduced the term food sovereignty. In an interview Dena Hoff, North American coordinator for La Via Campesina, explains the concept of food sovereignty. According to her, food sovereignty defines that the individual is the sole person responsible for creating his/her own food policies, in regard to the decisions what to eat, what to produce, and where to produce. The system of food sovereignty encompasses the concept of sustainability, the respect to human rights and the respectful treatment of the environment (World Watch Institute, 2013).

In 2007, at the Forum for Food Sovereignty, which was held in the town of Nyéléni, in the province Sélingué (Mali), the Declaration of Nyéléni was adopted. In the Declaration of Nyéléni (2007: Para 3) food sovereignty is defined as

“the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts the aspirations and needs of those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations.”

In light of the food crisis of 2007/08 and the increasing attention given to land grabbing there has been an ongoing debate about the concepts of food security and food sovereignty. Especially in Ethiopia, where the country has leased millions of hectares of land, most of the population is food insecure. In 2011, the town of Nyéléni again became the centre stage of another important conference: the first international peasants conference against land grabbing (Cochrane, 2011; Reisenberger and Suárez, 2011).

Accordingly, food sovereignty is as vital as food security. Whereas food security includes the access and availability of food, food sovereignty refers to the right of people to define their own food systems, without the influence of corporations and market institutions. Food sovereignty goes one step further than food security, including the questions of regional distribution. When thinking about the Green Revolution in India, the productivity of crops increased but the distribution was insufficient and could not provide everyone with enough food (Cochrane, 2011).

The Indian case

In 2006, 43% of the India's children under the age of five were underweight, only Timor-Leste reports a higher percentage (CIA World Factbook, 2013b). India is slow in targeting MDG one, “Eradicate extreme poverty and hunger”, which is also an indicator for food insecurity. Target two of MDG one demands to “halve, between 1990 and 2015, the proportion of people who suffer from hunger.” (MDG Progress Report, 2011:15). In 1990, 52% of the children below three years suffered from

underweight. The target for 2015 is to reduce this number to 26%. Estimates suggest that if the current speed of reducing this rate persists, still 33% of children below three years will be underweight by 2015. Although India has a food-surplus, millions still suffer from malnutrition (MDG Progress Report, 2011).

In India hunger has a gender and regional/geographical dimension. The majority of the population who lack of proper nutrition are women, suffering from maternal undernourishment or anaemia. Hence, their babies are underweight or die early. The decline of agriculture and low productivity, partly caused by unfavourable price conditions, led to waves of migrations to cities. Moreover, suicide rates among farmers have increased, especially in Andhra Pradesh and Maharashtra. It seems that lack of availability of food grains is not a problem *per se*, the problem is an institutional one. India has several welfare schemes⁵ targeting poverty and hunger but lack of political will and poor implementation make them insufficient. One of these programmes is the Public Distribution System (PDS), which targets the household level and provides people in need with rice, wheat, sugar or oil. The program has been criticised for its characteristics for the identification of the poor and vulnerable. The PDS chooses the poor on the basis of the absolute poverty line and excludes the larger section of the poor, who have low or variable incomes. The failure of the government has not gone unnoticed and civil society has started a nationwide public campaign to address the right to food. So far the campaign has achieved some minor success, especially in Rajasthan where the government started to implement midday meals in primary schools and promote school enrolment. But in general, these welfare schemes have not archived any favourable results so far (Cheriyen, 2006). In May, 2013 India's president, Pranab Mukherjee, approved an ambitious food subsidy program - the National Food Security Bill - which provides and guarantees cheap food grains for over hundred millions of poor people (around two-third of India's population). Critics condemn the program, saying that it is too costly and a burden for India's economy. Supporters, on the other hand, claim that it will benefit the poor and malnourished Indians. The National Food Security Bill combines various food programs and includes the reform of the PDS. The PDS has been criticized because it targets only one-third of the population, which lives below the poverty line and excludes many poor people who have low incomes. Some states like Tamil Nadu,

⁵ for example the Public Distribution System, Mid-day Meals Scheme, Annapoorna Yojana or Antyodaya Anna Yojana (Cheriyen, 2006).

Andhra Pradesh and Chhattisgarh have targeted a larger share of the poor with impressive results. The National Food Security Bill can be seen as an opportunity to strengthen these efforts. Under the bill, two-thirds of India's population are entitled to five kilogram of subsidized grain per month. Jean Drèze, former National Advisory Council member, criticizes the bill as the identification of the households is under the responsibility of the government, which is very discrete and non-transparent. However, Drèze also asserts that the distribution will be more efficient, increasingly targeting poorer states of India. All in all, it will be interesting to follow future developments more closely (the Canadian Press, 2013; Drèze, 2013).

3.2 India's biophysical economy

The assumption is that India is actually food secure, in terms of available grain stocks. As they are not even equally distributed at the moment, will they be sufficient for India's growing population in the future? Singh et al. (2012) did a study on the present and future resource demands, focusing on four material categories: biomass, ores and industrial minerals, construction minerals, and fossil fuels. They outline the challenges of future resource availability and pressures on the ecosystem.

With the growth of India's economy, simultaneously the share of fossil fuel consumption and the share of minerals and ores in total Domestic Material Consumption (DMC)⁶ increased, whereas the share of biomass growth in total DMC was comparably low between 1961 and 2008. In general India's economy is largely based on domestic consumption and less on imports and exports, although especially since the 1990s both imports and exports have increased (Singh et al., 2012). According to India's Export Import Bank (EXIM Bank) India's export destinations have changed, increasingly favouring Asian and African countries, with declining exports to North America and Europe. The latter is, however, still India's largest export market. The top three export items are petroleum products, gems and jewellery, and pharmaceutical products. The top three import items are petroleum crude, gold and silver, and electronic goods (EXIM Bank, o.J). During the period 1960-2011, India's monetary economy, accounting for over US\$37 billion in 1960

⁶ Domestic Material Consumption „measures the apparent consumption of materials in an economy and is defined as the sum of domestic extraction and imports minus exports.“ (Singh et al., 2012: 61)

and over US\$1 trillion in 2011, grew much faster than its physical economy (natural resources, population,..). Whereas the use of mineral and fossil fuels grew in proportion to its GDP, biomass consumption declined. However, it is biomass, which provides raw materials, food, feed, and fuel (wood). The latter makes out the largest part of total biomass extraction. In the 1960/70s India needed to import crops. In 2008 India has become an exporter of primary crops, except for wood, which it still needs to import as domestic extraction can not meet the demand for timber (Singh et al., 2012).

In general agricultural production depends on two factors: yield and area. As already mentioned, during the Green Revolution from the mid-1960s to the 1980s, the introduction of fertilizers and new irrigation technologies, led to a yield increase especially in rice and wheat. Further, the introduction of electric pumps for the supply of water increased yields. In the last years, India started to produce fertilizers and today is the fifth largest producer worldwide. Also the total irrigated area increased during this period. However, domestic biomass consumption was lower than population growth, although production increased and exports were low (Gupta, 2008; Singh et al., 2012).

In general, domestic consumption of cereals, sugar crops and fruit increased and India was able to sustain food availability for its growing population. The rise of non-grain foods like sugar crops and fruit indicates that India's population changed its diet favouring higher quality food. The only exception is meat, which has a low importance in India, as most of the population follow a vegetarian diet. This is one reason why India's biomass system is so efficient as meat is a biomass-intense food (Singh et al., 2012; Macroeconomic Handbook 2011/12).

In the future, India's resource demands will rise even more. India's growing population, accompanied with changing diet patterns and higher incomes will boost demand for biomass products. Moreover, for its growing economy India needs energy carriers (oil, coal, natural gas, but also industrial minerals for infrastructure development). Now, the question that arises is how India will meet its increasing resource demands in the future. There is a shared consensus that India has not used its full potential – better management, the right amount of fertilisers and improvements in India's irrigation system can help to increase yields. Moreover, the distribution of biomass is a major concern. The majority of biomass extraction is used to feed animals, which in turn contribute a low amount to food security (Singh et al., 2012).

In summary, India is in a transition from an agrarian to an industrial country. However, when compared to other industrialising countries like China, India's demand for mineral and fossil materials and its average *per capita* consumption of all materials is low. Most of India's population is still employed in the agricultural sector or pursue subsistence farming. Yet, parts of India are industrialising quickly causing pressure on the domestic and global environment. Currently, India is the third largest emitter of carbon dioxide and will given its population and economic growth cause further environmental problems. India's biomass system will suffer from population growth and decreasing land availability. As of now, India's biomass demand can keep pace with its population growth, but for how long? Estimates suggest that by 2050, India will have a total population of approximately 1.7 billion. If India would adopt a similar metabolic profile like Japan global material use will grow by 34% and will put enormous pressure on India and the world (Singh et al., 2012).

Apparently, India needs key (industrial) materials and resources for its economic growth. However, to sustain its economic growth, one major challenge is to erase its social problems, combat poverty and provide enough resources (food) to raise the quality of life. Another challenge is to do it in a sustainable way. Whether India provides its economy and population with natural resources domestically or internationally, it should do so in a way that both the environment takes no harm and that meets the demand of future generations (Betz, 2012; Singh et al., 2012).

Regarding its food production, India has chosen a rather problematic approach.

3.3 Outsourcing India's food production

India certainly addresses food problems on a domestic scale via its welfare schemes, but in recent years, India has adopted another key component of its food security strategy: outsourcing its food production.

Triggered by the food crisis of 2007/08 many countries, including India fear the negative impacts of another crisis. Moreover, the volatility of prices for key crops such as wheat and rice on the global markets is another factor of concern. In order to bypass these price volatilities, countries have decided to take direct control over their food production and not depend on global markets. As a consequence, India has

started to acquire farmland abroad to produce crops and biofuels, mainly to export their harvest back to India (Rowden, 2011).

There are several driving factors behind India's need to outsource part of its food production. Rowden (2011) has termed the decline of India's agriculture a "Green Revolution Fatigue", given India's stagnant agricultural productivity. At the moment India grain production, along with its in-stock reserves are sufficient. Currently, India's annual food grain production meets its demand with about 230 million tons per year. In the last decades, however, India witnessed a stagnation of its national food grain production – yet, the Planning Commission estimated that by 2020, 240 million tons per year are needed. Another worry is India's pulses production. It is expected to increase in the following years, but demand will rise even faster. Moreover, the imports for vegetable oil increased due to rising demand (Rowden, 2011).

Furthermore, the impacts of land conversion in favour of industrialisation, commerce, transportation, and housing leaves part of the land unsuitable for agriculture. India already has limited farmland capacities and constraints with access to water, as a result of climate change and erratic rainfall. Consequently, these factors combined will not increase agricultural yields, which the country desperately needs (Rowden, 2011).

Another structural challenge is the Indian government's lack of support for small farmers and the underinvestment of the agricultural sector in general. Also the PDS, which should promote food security, is exposed to corruption and poor implementation. Poverty and lack of access to land are further setbacks (Rowden, 2011, Cheriyan, 2006).

One pillar of India's foreign policy is to establish good relationships with major powers, like the US and China, and to increase the engagement with its immediate and close neighbours. India's foreign policy mainly rests upon security concerns and economic motives. While traditional security concerns are among others lowering the risk of wars and avoiding border disputes, other security concerns are food constraints. Accordingly, India is also interested in arranging bilateral trade agreements with major grain exporters, such as Kazakhstan, the US, and Russia (Rowden, 2011; Betz, 2012).

Of course food security concerns are not the only motive why more and more Indian businesses are acquiring farmland abroad. In Africa land lease rates are low (Table 1)

compared to India and arable land is abundant (at least this is what African governments say). Mostly agri-business firms are seeking opportunities for large-scale investments to grow biofuels or food crops. They complain that in India the average land holding size of around two ha is too small and fragmented, and consequently not suitable for large-scale commercial investment. Nevertheless some foreign companies are acquiring farmland in India, mainly to build Special Economic Zones, which are industrial cluster intended for the promotion of export, the attraction of FDI, the creation of employment and the construction of infrastructure. However, many Indian peasants are reluctant to give away their land and even if some are willing to sell their land, there may be many others who could refuse. Accordingly, it can take years to build a case in the over-bureaucratic system in India (Levien, 2012)⁷.

Compared to India, the average land holding size by Indian firms in Ethiopia is around 17,000 ha, excluding the 100,000 ha lease from Karuturi Agro Products Plc. in Gambela regional state (Table 2; Thakur, 2012; Rowden, 2011). Certainly, the Indian government and the Ethiopian government provided incentives for investment in Ethiopia (see Chapter 4.4). Further support comes from Indian Business Associations, like the Confederation of Indian Industries (CII) and the Federation of Indian Chambers of Commerce and Industries (Rowden, 2011).

In general India's engagement with Africa has increased in various areas, including diplomatic relations, development assistance, trade, and investment in infrastructure and agriculture.

⁷ please refer to Levien (2012): the land question: special economic zones and the political economy of dispossession in India for a detailed analysis of land grabbing and spezial economic zones in India.

4) India's engagement with Sub-Saharan Africa – India's African Safari

4.1 India's historical relationship with Africa

India and Africa share a long history, based on trade relations and the battle against colonialism. Trade between India and Africa dates back to the fourteenth century. However, material evidence in the form of Mohenjodaro coins and the port of Lothal in Gujarat suggest that seaborne trade even dates back 4,000 - 5,000 years. There is also a shared consensus that in these early times migration took place. Tribes in Sudan claim to have Indian ancestors and India's ethnic group Siddi originally came from Africa and settled in western India (Bhattacharya, 2010).

India's engagement with Africa since the colonial times is better documented. India and Africa share the same colonial powers being Great Britain, France, and Portugal. Under British rule, thousands of Indian's were sent to Africa to work on plantations. As a consequence, today more than two million people of Indian origin (PIO) live in Africa, playing a vital role in India's foreign policy to engage Africa. Today many Indian professionals like doctors or engineers are working throughout Africa (Bhattacharya, 2010).

A key figure in Indo-African relation is India's first Prime Minister Jawaharlal Nehru. Nehru not only supported the struggle against colonialism, imperialism and discrimination, but also inspired PIO to engage with local communities and meet them on equal terms. Africa acknowledged the efforts of Nehru's and Gandhi's liberation struggles. Gandhi's principles of non-violence and passive resistance inspired many black leaders in Africa. Nehru is also famous for his efforts in the Non-Aligned Movement (NAM). The movement emerged after the Bandung Conference in 1955, where most newly independent African and Asian states gathered to intensify their relations and together spoke out against colonialism and imperialism. In this regard it is evident that Indo-African relations at that time were shaped by ideological motives. India supported liberalisation movements through multilateral organisations like the United Nations (UN), the Organisation of African Unity, NAM and the Commonwealth (Bhattacharya, 2010, Beri, 2003, Naidu, 2010).

After the end of Nehru's tenure Indo-African relations were at a low point, due to the Sino-Indian war in 1962 (also known as Sino-Indian border conflict) and India's position in it. In the 1960s, under Indira Gandhi, Indo-African relations intensified and as early as 1964 the Indian Technical and Economic Cooperation (ITEC) programme was established, providing scholarships to Africans and offering training programmes in various fields, ranging from telecommunication, engineering, and education, as well as offering courses in consultancy and project assistance. In the 1960/70s India helped to fight the apartheid regime in South Africa and Namibia, mostly through the UN and NAM (Beri, 2003).

4.1.1 Indo-African relations since the 1990s

Whereas for several decades Indo-African relations were based on ideological motives, the 1990s witnessed a shift to a more pragmatic approach, coinciding with India's liberalising policies and economic opening. India's particular interest is rooted in its rising energy and resource needs, which the country needs for its growing economy and population. Well aware of the fact that an engagement solely on economic terms will turn out to be unfeasible in the long-term, India has pursued a strategy based on a mix of ideological and pragmatic principles.

"Security has become the new mantra under globalization." (Bhattacharya, 2010:68). Indeed, India has identified Africa as one of the main pillars of its food security strategy and recently also energy security, as India wants to bypass the problems in the Middle East – India's traditional supplier of oil. India now turns to oil-rich countries like Angola and Sudan. Another key security concern is maritime security-the Indian Ocean Rim. The shipping lane for imports and exports from India and Africa is a key geostrategic element in India's security concerns. Africa has an abundance of resources, which India needs - in return India provides Africa with cheap pharmaceuticals and offer its expertise in infrastructure building, technology, telecommunications, and agriculture (Naidu, 2010; Bhattacharya, 2010).

India's relations with Africa are pursued under the name of South-South Cooperation. The paradigm behind South-South Cooperation is solidarity, respect, non-interference in domestic affairs and sustainable development. African countries increasingly regard India and China as an alternative to the Western development assistance.

Africa is still traumatised by the negative impacts of the structural adjustment programmes of the World Bank (WB) and International Monetary Fund (IMF) during the 1970s and the 1990s and relies on Chinese and Indian aid, which is said to be unconditional (Bhattacharya, 2010, Cheru and Obi, 2010b; Southall and Melber, 2009). But is South-South Cooperation really a partnership on equal terms and is China's and India's development assistance a real alternative? (see Chapter 4.3).

Nonetheless, India not only has economic interest in the continent. On a political scale, India has organised various meetings with its African partners (India-Africa Summit in 2008 and 2011), has opened embassies in many Sub-Saharan African countries, and has organised official state visits. India hopes to acquire loyal friends in Africa, who help back India's quest for a permanent seat in the reformed UN Security Council. To date, China is the only Asian State represented in the Permanent Five⁸. India needs to seek crucial allies to boost its image as a global power and to increase its voice in WTO or UN (Bhattacharya, 2010; United Nations, 2013).

4.2 Diplomatic relationship

As part of India's multilateralism strategy, the country is keen to solidarize with developing countries to fight global inequality and "*to project itself as the spokesperson of the global South.*" (Taylor, 2012:783). This has earned acknowledgement by many African states, also in regard to India's competition with China on the continent. However, India's diplomatic strategy is at least as much driven by ideology as by pragmatic goals. India is keen to acquire new markets, secure natural resources and find loyal friends, who back its accession to the UN Security Council. Whereas in the 1990s India was forced to shut down diplomatic missions in Africa, by 2012 India has opened 33 embassies and high commissions with many to follow suit. Moreover, the Indian Ministry of Foreign Affairs has established three joint secretaries to manage the three regional divisions in Africa. Following China's lead in successfully launching a Forum on China-Africa Cooperation in 2006, India launched its own India-Africa Summit in 2008. One of India's goals was to gain recognition by the international community, promote its

⁸ The permanent five in the UN Security Council are: the US, United Kingdom, France, Russia and China (United Nations, 2013).

political standing, and to demonstrate that it has risen from being a recipient of aid to a donor (Taylor, 2012; Naidu, 2010).

Trade is also an important element in India's multilateralism strategy. India's membership in the India, Brazil, and South Africa Dialogue Forum (IBSA) and its cooperation with African countries at the Doha debate highlights this fact. Further, intensifying trade relations was always a key priority in discussions at important meetings and summits (Taylor, 2012). In regard to trade, one key advantage for China is its permanent membership in the UN Security Council. Hence, India is keen to acquire a permanent seat as well and is hoping for support from African countries.

4.2.1 Summits

The most important summit for Indo-African relations to date is the India-Africa Summit, held in April 2008 in New Delhi, India. The summit was the result of the India-Africa Partnership Project, jointly organised by India's EXIM Bank and the CII in association with the Ministry of Commerce, the Ministry of External Affairs (MEA), and the African Development Bank. Before and since then similar high-level business conclaves took place on a regular basis in November 2005, October 2006, March 2008, and March 2009. In March 2005, 160 delegates from 32 African countries discussed more than 70 projects worth over US\$5 billion under the title "Expanding Horizons". In October 2006 the number of representatives doubled - more than 300 representatives coming from Africa and approximately 400 coming from India to seek business opportunities. Most African delegates came from Togo, followed by South Africa, Ghana, and Nigeria. In March 2008 a business conclave was held in New Delhi with more than 500 delegates from India and Africa, discussing over 130 projects worth around US\$10 billion. The CII and the Ethiopian Leather Industries Association signed a deal to export Ethiopian leather to India. For this cause, the EXIM Bank of India provided a credit line worth US\$30 million to the African Export-Import Bank. One month later, in April 2008 the first India-Africa Summit was held on 8/9th April in New Delhi, India (Naidu, 2010; Mawdsely and McCann, 2010).

First India-Africa Summit 2008

On April 8/9th, 2008 the first India-Africa Summit was held in New Delhi, gathering 14 African Heads of the State, all leaders of Africa's eight regional groupings and representatives of the African Union (AU) and the New Partnership for Africa's Development (NEPAD). The summit was a platform for discussing future cooperation in areas like agriculture, trade, development cooperation, peace and security, and technology. The first India-Africa Summit closed by releasing the Delhi Declaration and the Africa-India Framework for Cooperation (Naidu, 2010; Cheru and Obi, 2011; Mawdsley and McCann, 2010). Some of the most important initiatives and commitments were (Naidu, 2010: 42):

- “doubling India's financial credits to Africa from US\$2 billion to US\$5.4 billion by 2013.
- allocating US\$500 million for development projects, capacity building, training programmes and human development.
- establishing a duty-free tariff preference scheme, providing preferential market access to 34 Least Developed Countries (LDCs) in Africa for products like cotton, sugar cane, cocoa, cashew nuts, aluminium ores, and clothing.
- doubling trade to US\$50 billion by 2011.
- promoting Africa's regional integration through financial support given to the AU and regional groupings.
- supporting communication technology and research and development through development assistance.”

Second India-Africa Summit 2011

The follow up of the first Indian-Africa Summit in 2008 was held in Addis Ababa, Ethiopia on May 24/25th, 2011 at the headquarters of the AU, titled “Enhancing Partnership: Shared Vision“. Jean Ping, Chairperson of the African Union Commission, stated in a press release that the duty-free tariff preference scheme has already benefited Africa's LDCs and that the implementation of the Pan African E-Network project, which provides satellite linkages between India's schools and hospitals across Africa, thus promoting tele-medicine and tele-education, achieved

favourable results. Moreover, Ping emphasized the recent positive developments in Indo-African relations by highlighting the establishment of new institutions of cooperation, such as the India-African Institutes of - Information Technology, - Foreign Trade and - Educational Planning. Ping, along with Prime Minister Singh stressed that the priority areas for future cooperation between the two countries are regional integration, capacity building, infrastructure development, human resource development, agriculture, technology, and knowledge building (Ghattacharya, 2010, NEPAD, 2011). Singh suggested establishing an Indian-African virtual university for which he would provide 10,000 scholarships for African students. In order to support security and peace he announced to provide additional US\$2 million for the AU Mission in Somalia. Moreover, India will allocate US\$300 million for the Ethiopia-Djibouti railway (NEPAD, 2011).

Two documents were adopted at the Second India-Africa Summit 2011 – the Africa-India Framework for Enhanced Cooperation and the Addis Ababa Declaration (NEPAD, 2011). The Addis Ababa Declaration emphasizes the importance given to multilateralism and South-South Cooperation, the need to expand the UN Security Council, the fight against terrorism, piracy, climate change, and the achievement of the MDGs. On the other hand, the Africa-India Framework for Enhanced Cooperation is the follow up of the Africa-India Framework for Cooperation, adopted in 2008, and aimed at strengthening agreements set in the 2008 Framework as well as demonstrating India's and Africa's growing relationship (Dogra, 2011).

4.2.2 Development Programmes

India has established various programmes to strengthening and promoting mutual cooperation.

Focus Africa Programme

The Focus Africa Programme was established by the EXIM Bank in 2002 to provide development assistance to trade organizations and councils. The overall objective of the programme is to deepen and widen India's trade with Ethiopia. The programme covers 24 states in Africa. A total of US\$550 million has been extended to regional

blocs like the Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of West African States (ECOWAS). The financial assistance given to ECOWAS has helped to boost India's exports to its member states by offering export subsidies.

ITEC and SCAAP

Through the Indian Technical and Economic Cooperation (ITEC) and the Special Commonwealth Assistance Programme (SCAAP) India provides scholarships to African students to study in India, organises training programmes, study tours and project assistance. The former was launched as early as 1964 (Naidu, 2010). As India, is keen to become a respectable knowledge society in the future, the ITEC programme is well suited to spread India's know-how across the continent. As one Indian journalist stated when asked about India's competition with China in Africa: "*We have the concept of teaching them how to fish rather than to give them fish.*" (Narlikar, 2010: 456).

Team 9

The Techno Economic Approach for Africa-India Movement, in short Team 9, which was launched in 2004, is a capacity building initiative with eight francophone African states being Burkina Faso, Chad, Côte d'Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali, and Senegal. Through the Team 9 initiative US\$500 million have been provided for projects in rural development, agriculture, pharmaceuticals, energy and telecommunication, and technology transfer. The Team 9 initiative indicates that India is not only interested in East and South Africa but increasingly keen to invest in West Africa. It does not come as a surprise that all of these countries happen to be energy and resource rich, given India's growing demand for oil, biofuels and food crops (Cheru and Obi, 2010b; Bhattacharya, 2010; Katti et al., 2009; Mawdsley and McCann, 2010).

The Pan African E-Network project provides satellite linkages between India's schools and hospitals across Africa. Moreover it promotes tele-medicine, tele-education and e-commerce via lines of credit (LOCs). The pilot project was set up in Ethiopia in 2007. 26 students from Addis Ababa University and Harmaya University were allowed to enter an MBA programme at the Indira Gandhi National Open University in New Delhi. On a larger scale this project should help meeting Africa's MDG's in health and education (Bhattacharya, 2010; Katti et al., 2009; Naidu, 2011).

4.3 South-South (Development) Cooperation – from a Washington to a Delhi Consensus?

In the 1960/70s both India and Africa were confronted with post-independence challenges. Both India and a number of African countries, which were part of the Group of 77, made the unequal terms of trade favouring the North responsible for their problems. Accordingly, they demanded a just international economic trade. For the first time the term South-South solidarity was voiced, yet it was still more of a rhetorical metaphor than a practical reality. India and Africa, due to their own developmental challenges, were forced to continue trade relations with the North. In other areas India and Africa did cooperate. The ITEC programme was established in 1964 and India participated in UN Peace-keeping missions in Africa (Bhattacharya, 2010).

South-South Cooperation is manifested by an increasing relationship between developing nations in regard to trade, diplomacy, and investment. India and China have been playing a key role in promoting this relationship under the pillars South-South solidarity, mutual respect, non-interference in domestic affairs, and respect of sovereignty. African countries increasingly regard India and China as an alternative to the Western development assistance. Africa is still traumatised by the negative impacts of the structural adjustment programmes of the WB and IMF and relies on Chinese and Indian aid, which is said to be free of conditions. India and China both portray themselves as being equal partners with Africa (Bhattacharya, 2010, Cheru and Obi, 2010b; Southall and Melber, 2009).

“Granted, that there is more to the rhetoric that the eye can see, but this is music to the ears of the majority of African leaders and elites, who are weary of Western paternalism.” (Cheru and Obi, 2010b:4)

Traditionally Western countries allocate development assistance and channel their financial assistance from North to South via the Organisation for Economic Cooperation and Development (OECD). The OECD’s Development Assistance Committee (DAC) has grouped the world’s largest and powerful donors, has organised their aid-related activities, and has set up new regulations and norms regarding foreign aid. The DAC has 24 Member States and is currently providing the largest amount of official bilateral aid. Yet, at least 27 non-DAC donors provide substantial amounts of aid as well, including newly emerging powers like China, Brazil, India, and South Africa. Mostly triggered by China’s rise, these countries have gained increased attention in the aid landscape and have raised concern of many Western countries over their aid activities (Mawdsley, 2011).

Non-DAC Donors are carefully emphasizing their potential *vis-à-vis* the DAC Donors. They highlight the notion of mutual benefit, which implies that their development assistance benefits not only the recipient but also the donor - at the same time as providing financial assistance to the recipient, the donor benefits from new investment opportunities, new markets, and resources. Whereas the Western symbolic act of aid giving is often characterised as charity, South-South Development Cooperation is presented as an opportunity. These opportunities are expressed in various summits, where the rhetoric of friendship and equality are deepened further. Emma Mawdsley, University Professor at the Geography Department in Cambridge, acknowledges that Western Donors as well as Southern Donors have similar motives in regard to their development assistance. She states:

“Whereas the West deploys a symbolic regime of charity and benevolence to obscure the truth, the southern development partners invoke a rhetoric of solidarity and shared identities to do the same.” (Mawdsley, 2011: 180)

In regard to India she comments:

“The vision of development that is articulated by India is unabashedly capitalist and modernist – economic growth equates development.” (Mawdsley, 2011: 180)

We are well aware that development comes at a price. India’s immense growth and quite successful path in recent years has come at the expense of the environment and the lower castes of society. However, it is important to take a closer look before condemning India’s development assistance to Africa too hastily.

In 1951 shortly after independence, India started to provide development assistance to its immediate neighbours. India’s development assistance to Africa started in 1964 with the establishment of the ITEC programme. The objective was to level with China’s increasing presence on the African continent. Back then India was still a recipient of aid. In June 2003, the Indian government announced that in the future it would only accept bilateral aid from the following countries, being the United Kingdom (UK), the US, Russia, Germany, Japan, and some other EU countries. Further it asked 22 bilateral donors to provide their assistance through Non Government Organizations (NGOs) or UN organisations. Moreover, India will repay its debts to its bilateral donors and cancel all debts owned by seven Heavily Indebted Poor Countries⁹ (HIPC). Furthermore, it announced the establishment of the India Development Initiative to provide bilateral aid to Africa and other developing countries. One of the main reasons behind this change in foreign policy is that India wants to portray itself as a strong and independent country and being classified as aid receiving certainly creates another picture. The same explanation applies to India’s decision to repay its debts – India wanted to prove its growing strength (Sinha, 2010; Price, 2004).

In 2004 one of the largest undersea earthquakes took place. It triggered a tsunami, which hit hardly on the coasts of India, Indonesia, Sri Lanka, and Thailand. Several thousand people died and the tsunami left a scenery of horrible destruction behind. The Andaman and Nicobar Islands, which are part of India, were some of the islands most heavily affected by the tsunami. However, the government of India refused aid for disaster relief (Sinha, 2010).

⁹ Ghana, Guyana, Nicaragua, Mozambique, Tanzania, Uganda, and Zambia (Price, 2004).

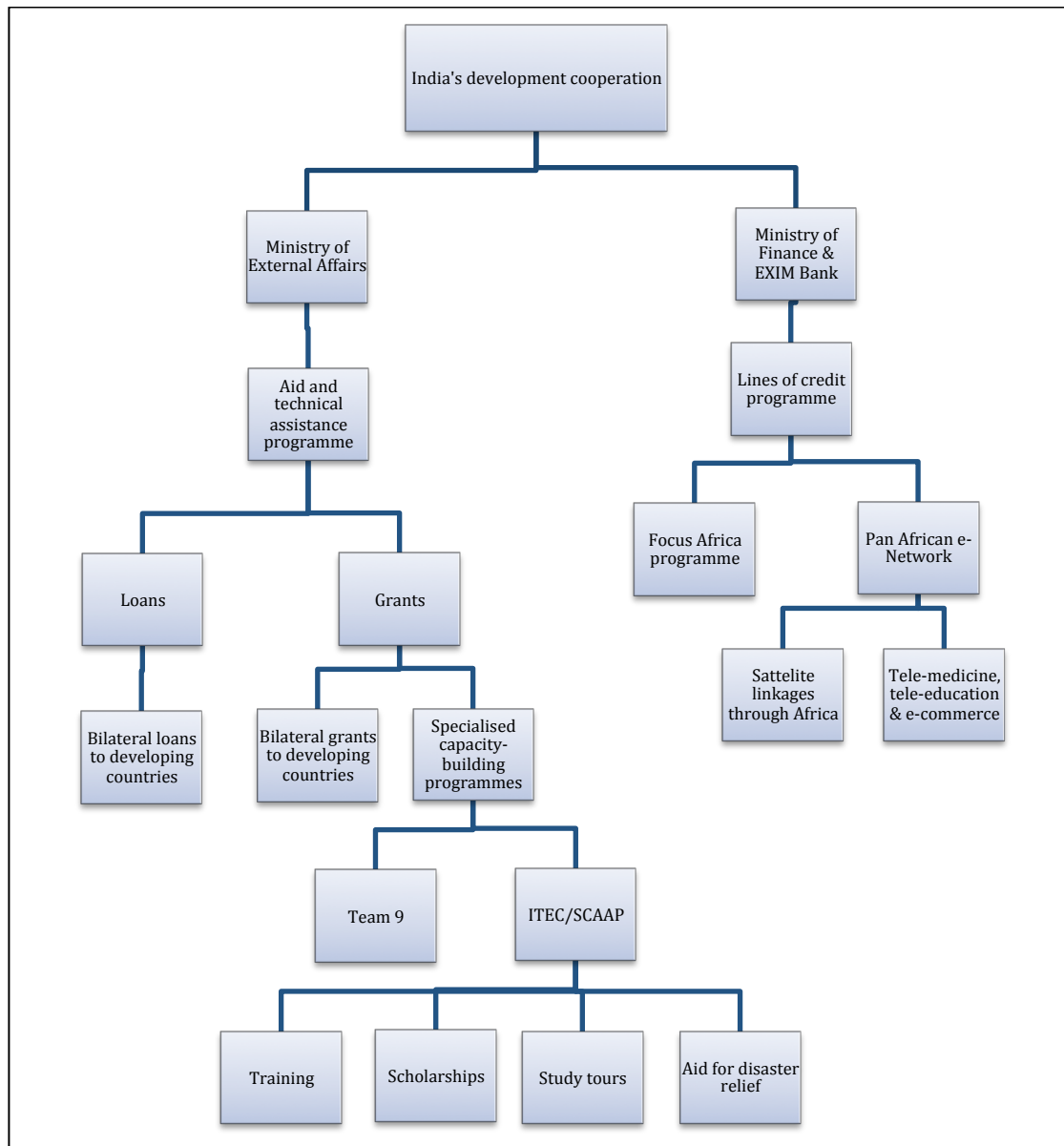
In 2007/08 India announced the establishment of the Indian International Development Cooperation Agency, which would be responsible for all aid-related activities. However, until today no central development agency exists and India's development assistance stays fragmented under the responsibility of different ministries (Sinha, 2010).

In contrast to the OECD - DAC, India has no guidelines and norms for its aid activities. Until 2003/04 the Ministry of External Affairs (hereafter MEA) and the Ministry of Finance were responsible for India's aid activities. Since then the majority of responsibilities were handed over to the EXIM Bank, with the MEA and the Ministry of Finance still playing a key role (Sinha, 2010; Katti et al., 2009).

4.3.1 India's development cooperation structure

The two key instruments through which India channels its development assistance is the "Aid and technical assistance programme" and the "Lines of credit programme". The former is organised by the MEA, the latter by the Ministry of Finance and EXIM Bank (Figure 3).

Figure 3: India's development cooperation structure



Source: Sinha, 2010: 81 and author's compilation

Aid and technical assistance programme

MEA is responsible for the aid and technical assistance programme which covers the areas of bilateral aid and the capacity building programmes. Some Indian agencies have implemented aid programmes like Rail India Technical and Economic Services or National Small Industries Corporation (Sinha, 2010).

India's capacity building programmes include the ITEC and SCAAP project. Participants can apply for a scholarship through their domestic ministries or foreign office, which will forward their application to the embassy in the particular country or

to the Indian High Commission. If the scholarship has been granted applicants can choose various institutes, such as army colleges, centres for UN Peacekeeping Missions or take part in training programmes ranging from diplomacy and foreign trade to agriculture and rural development (Sinha, 2010).

Lines of Credit (LOC) programme

The larger proportion through which India channels aid is the LOC programme, established and supervised by the EXIM Bank. The EXIM Bank extends its loans to foreign governments, banks, funds, and financial institutions, such as Africa's EXIM Bank or PTA Bank. A line of credit should not be confused with foreign aid, as per definition a line of credit is:

“A line of credit is not a foreign aid instrument, but rather an instrument for promoting international trade. It is used as a tool not only to enhance market diversification but also as an effective market entry mechanism for small and medium Indian enterprises.” (Sinha, 2010: 84)

Indian LOC's allow African partners to purchase goods on deferred credit terms. One condition is that Africa needs to purchase 85% of good and services from Indian businesses. In 2009, 60% of EXIM's LOC budget was extended to North and Sub-Saharan Africa, with prospects of doubling the current amount in the following years (Sinha, 2010). An applicant for a LOC has to write a proposal to the diplomatic mission in India, which will be screened by the MEA, the Ministry of Finance, and the EXIM Bank¹⁰.

Are Indian LOCs comparable to ODA?

The main purpose besides providing development assistance is predominantly the promotion of trade. Hence, the question occurs if India's LOCs are an instrument to provide aid or facilitate trade? Another interesting question is if Indian LOCs can be counted into the category of Official Development Assistance (ODA).

¹⁰ for a detailed description on the application process of LOCs please refer to Sinha (2010) pages 84-87.

The OECD states that ODA is carried out by official agencies, being the government or executive agencies to countries that are listed in the DAC list of ODA recipients. Its main objective is to promote and strengthen economic development and welfare in developing countries. ODA is “*concessional in character and conveys a grant element of at least 25%.*” (OECD, 2013: para. 1)

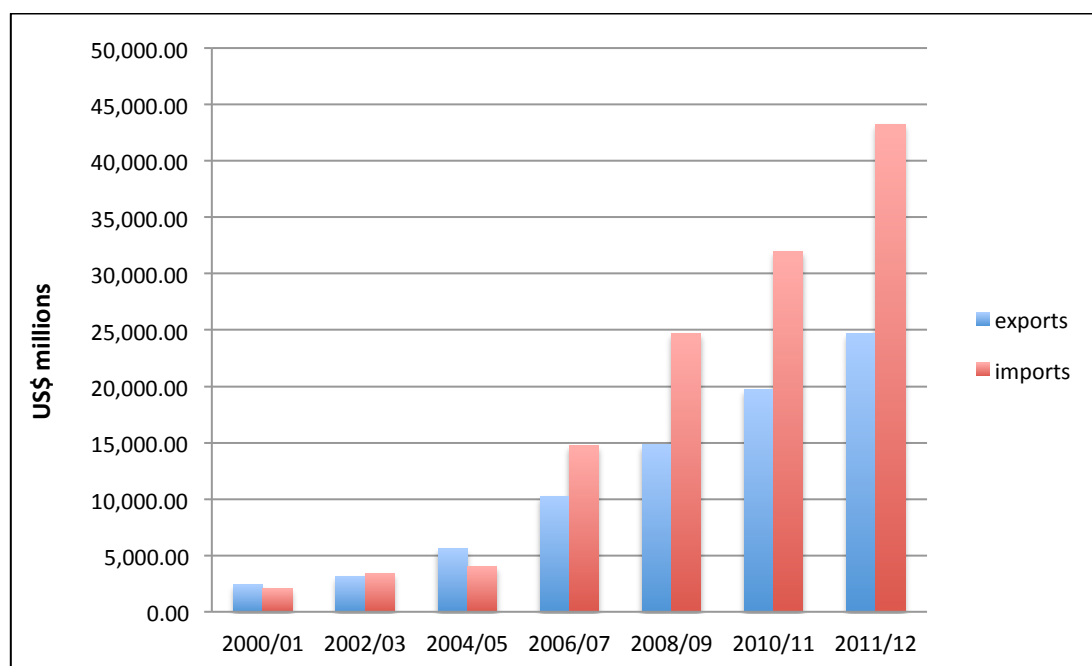
In regard to its concessional element Indian LOCs can indeed qualify as ODA, because for instance Indian LOCs to HIPC countries convey a grant element of 41.25%. Another arrangement under the OECD is the “officially supported exported credits”. As one of the main purposes of the LOC programme is to promote trade through financing exports, they may fall into this category. Nevertheless, the DAC guidelines define that the lending of credits solely for the purpose of trade and export promotion, may not fall into the category of ODA. However, “official supported export credits” according to the OECD are not concessional in nature if both parties abide by the agreement (Sinha, 2010).

Accordingly, it is difficult to place India’s LOCs in one of the above-mentioned categories. Indeed, India is not interested in being put into any category as it provides development assistance or rather lines of credits for the purpose of exports under the name of South-South Development Cooperation (Sinha, 2010).

4.4 Trade and Investment Footprint

India’s trade with Africa has also experienced remarkable growth. Whereas in 1991 India’s trade with Africa accounted for US\$967 million, in 2011/12 it accounted for over US\$68 billion. Both India’s imports from Africa and exports to Africa increased, with a higher increase in imports from Africa. Some programmes initiated by India promote Africa’s exports to India by offering tax incentives for African low value-added primary products. As a result India’s imports from Africa increased from US\$573 million in 1991 to over US\$14 billion in 2006/07. India’s exports to Africa increased from US\$393.3 million in 1991 to over US\$10 billion in 2006/07 (Naidu, 2010, Figure 4).

Figure 4: India's export and import trade with Africa



Source: Indian Ministry of Commerce and Industry
<http://commerce.nic.in/eidb/default.asp>

Although India's trade is shifting southwards - trade with Africa is only a small fraction of India's overall foreign trade composition. The bulk of India's trade is with Asia, Europe, and the US.

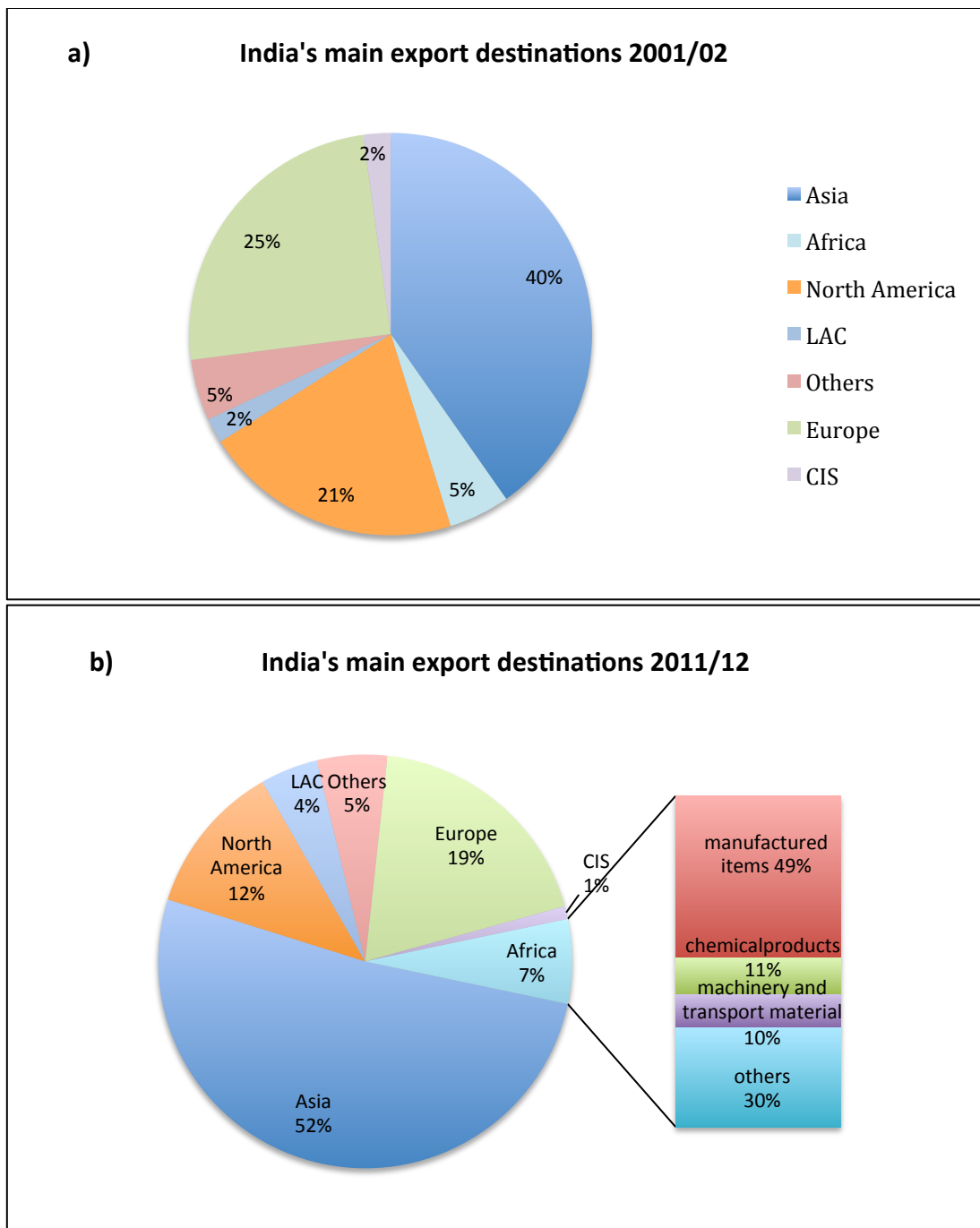
Also in comparison to China's trade with Africa, India's trade is relatively modest. Whereas China's trade with Africa reached US\$73 billion in 2007 and US\$91 billion in 2009, for the same period India witnessed an increase from US\$35 billion to US\$40 billion (Naidu, 2010; Naidu, 2011, Figure 5).

Exports to Africa

According to India's EXIM Bank, in 2011/12 more than half of India's exports went to Asia (51,6%), followed by Europe (19%), North America (11,9%) and Africa (6,6%). In 2001, the composition looked quite different with Asia, Europe and North America more strongly represented. Accordingly, with declining exports to Europe and North America - Asia and Africa could attract more exports (EXIM Bank, o.J).

Export items to Africa mainly include manufactured items (49%), chemical products (11%) and machinery and transport material (10%) (Figure 5). South Africa, followed by Kenya, Nigeria and Mauritius are the main export destinations for India.

Figure 5: India's main export destinations a) 2001/02 and b) 2011/12



Source: EXIM Bank India (o.J) and Naidu (2010:39)

LAC=Latin America and Caribbean

CIS=Commonwealth of Independent States

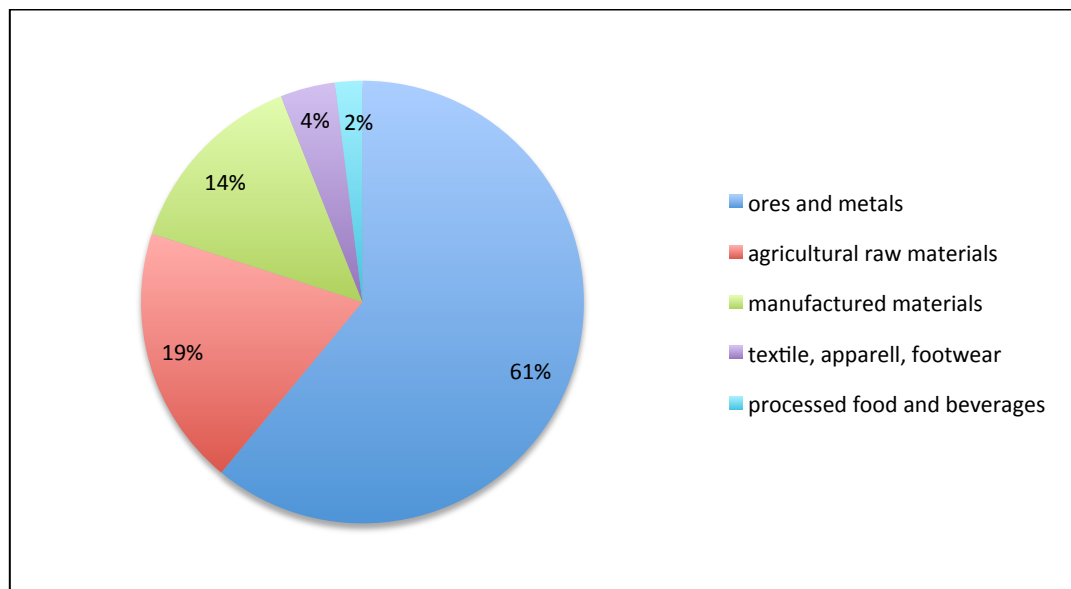
Another important export item to Africa are generic drugs – these are pharmaceutical products identical to a brand named product, produced and marketed after the patent of the brand named product expires. Generic drugs are much cheaper than brand named products and therefore highly demanded in the African market. Pharmaceuticals are the third largest export item from India to Africa, accounting for 8% of India's total

exports to Africa. In Ethiopia, India's exports account for 21% of total pharmaceutical imports. First and foremost generic drugs are used to combat HIV/AIDS and other diseases. However, especially the EU is keen to undermine efforts to increase production of generic drugs because it wants to shield its own pharmaceutical production from competition. Accordingly, it demands longer patent periods and stricter examinations and testing of generic drugs. African NGO's and the public health sector hopes that the EU is not successful in imposing restrictions on generic drugs because African and other developing countries need access to cheap pharmaceuticals to continue their efforts in combating diseases. A landmark event that took place just a month ago, on April 1st, 2013 was the decision of the Indian Supreme Court in New Delhi to reject the petition of the Swiss firm Novartis to patent the Indian cancer drug Glivec, which is used to treat leukaemia. The success of India was described by various newspapers around the world as a victory for Indian generic drug companies who distribute cheap pharmaceuticals all around the world. The decision of the court has implications beyond this specific trial – it gives hope to millions of people who are in desperate need for cheap pharmaceuticals worldwide (Sreelata, 2013; Modi, 2010).

Imports from Africa

India's imports from Africa have experienced remarkable growth rates in the last decades. India's main import products from Africa are primary products, mainly oil, gold, and other minerals. In 2004 ores and metals made up the lions share of Indian imports from Africa, followed by agricultural raw materials (19%), manufactured materials (14%), textiles, apparel and footwear (4%) and processed food and beverages (2%) (Figure 6). India's main import partner is Nigeria, followed by South Africa, Egypt, and Morocco (Naidu, 2010).

Figure 6: India's main import products from Africa, 2004



Source: Broadman, 2007:81

Furthermore, investments in various other sectors have increased – in 2008 total official investments accounted for US\$2 billion. The bulk of India's investments in Africa are private sector-led. The Tata Group, Kirloskar Brothers Ltd., and the Mahindra Group are the most famous investors. The Tata Group started operating in Africa in 1976 and today has investments in various African countries like South Africa, Ghana, Uganda, and Namibia and operates in different sectors like infrastructure, energy, communication, and hospitality services. The company asserts that it employs over 700 Africans (Naidu, 2010; Modi, 2010). The private sector has been predominantly active since 2004, promoting public private partnerships and joint ventures between Indian and African businesses. These partnerships have been strengthened through the India-Africa Project Partnership Conclaves (Naidu, 2010).

Mauritius and South Africa are seen as the two main points of departure for Indian investments. Indeed, Mauritius is India's largest offshore investor for FDI. Between 2000 and 2009 almost half of India's total FDI (42%) has been channelled through Mauritius to India. The advantage of channelling FDI through Mauritius is that India and Mauritius signed a Double Taxation Avoidance Agreement. As Mauritius has no capital gains tax, many investors are taking the route via Mauritius to India to avoid taxes. Triggered by India's concerns over the misuse of the current agreement, official talks between the two countries have been taking place in April 2013 to re-model the tax treaty (Taylor, 2012; Ramachandran, 2013).

Another key role in boosting Indian trade with Africa is India's diaspora. Indian diaspora is mostly well integrated in Africa, many Indians having taken African nationality. New Delhi has identified them as the new agents for Indian economic interests (Taylor, 2012).

4.5 The new scramble for Africa?

Africa has gained renewed interest in the twenty-first century, manifested by increasing investment flows, booming local stock exchanges, increasing FDI-inflows, increasing export outflows, accompanied by the attention on African markets. In recent years Africa's economic growth has experienced increases (Southall and Melber, 2009b).

There is a shared consensus among scholars that higher economic growth is directly or indirectly caused by rising global demand for Africa's resources, mainly oil and gas. Most of this demand is caused by China, followed by India and Brazil. In regard to China's engagement with Africa, many Western countries see China as a competitor in their own quest for Africa's resources. Moreover, they fear that China's laissez-faire approach in regard to its engagement with odious regimes and corrupt leaders (for example Darfur¹¹) pose a threat to their human rights efforts on the continent. Accordingly, many authors (Southall and Melber, 2009b; Cheru and Obi, 2010b; Naidu, 2011; Taylor, 2012) have titled this new engagement "the new scramble for Africa" (Southall and Melber, 2009b).

"The new scramble for Africa" derived from the colonial times, where Africa was literally split into pieces owned by Britain, France, Germany, Italy, Portugal, and Spain. There are several reasons for the invasion into Africa, among the most prominent ones - expanding one's empire, acquiring natural resources, permeate new

¹¹ Triggered by conflicts between one African and one Arabian ethnic group fighting over land and water, in light of famines and the destruction of the local ecosystem, the Darfur issue slowly began to emerge. The conflicts between those ethnic groups was further complicated because the government in Khartoum in the North politically excluded southern Sudanese people. The Khartoum government further imposed the strict Islamic sharia law across the whole country, including the South. As a consequence, armed resistance movements from the South demanded political autonomy. Finally in 2005, a peace agreement was signed. Soon afterwards, the conflict in Darfur emerged. Arab militias (Janjaweed) started to commit severe crimes against civilians, but the Sudanese government failed to take action and prevent further crimes. As a result Darfurians established two military fronts to fight against the Arab militias. Western governments and humanitarian groups accused the government of complicity in genocide. Moreover, China was being accused to ignore the situation in Darfur altogether, only pursuing its own interests (oil) and ignoring human rights violations (Wenping, 2008).

markets, and finding investment opportunities. Further, political factors (nation pride) and religious factors (bringing Christianity to Africa) played a key role. The economic approach derives from Karl Marx's ideas, where capitalist powers seek investment opportunities and resources and the second approach stems from David Livingstone's tradition, in which the colonial powers pursued four C's – Commerce, Christianity, Civilisation and Conquest (Southall and Melber. 2009b).

Roger Southall and Henning Melber analysed this new phenomenon in their book "the new scramble for Africa?" which was published in 2009 and provides a collection of essays on this highly important topic for international relations.

They have drawn the conclusion that the assumption that a new scramble for Africa is underway remains highly contested for several reasons. First of all, scholars have been suspicious of any new developments taking place in Africa, given the continent's past. Moreover, it seems too early to make any conclusions as developments are relatively new and whereas scholars agree upon the huge impact China and India have on the continent it is yet not clear what the long-term effects may be (Southall and Melber, 2009b).

There are currently two prominent approaches to the "new scramble for Africa" debate, one highlighting the fact that the "current scramble" is comparable to historical incidents. The other approach recognises that the "new scramble" is a "scramble for Africa's natural resources" but that it cannot be compared to the late nineteenth century (Southall and Melber (2009b).

The first approach is based on the idea that current involvement with Africa by a variety of actors can increase Africa's dependency on external actors. Whereas in the colonial times, Germany and Italy posed a threat to traditional colonial powers like Great Britain and France, scrambling for Africa's possessions and gaining political control over an empire, today China and India are challenging traditional Western powers in Africa in their quest for natural resources and influence (Southall and Melber (2009b).

Another view is that the "new scramble" is only the result of growing demand for natural resources, which both China and India need for their rapidly growing economies. Western dominance in Africa in the areas of oil, finance or manufacturing is being challenged by the emergence of new global powers. In a global perspective this implies that American dominance in the world is slowly declining. This view acknowledges that many actors are pursuing short and long-term investment and

business interests in Africa. However, their actions are not imperialist and it is difficult to compare the “old and current scramble” with each other (Southall and Melber, 2009b).

4.5.1 Scramble for Resources

The Scramble for Resources is the most important aspect of the “new scramble”. China and India are looking for key energy resources like oil, gas, and food crops to cover the demand of their growing economies and rising population. India’s, China’s, and Western countries traditional oil supplier are Middle Eastern countries and Russia. As a result of the instabilities in the Middle East, due to odious regimes and rebellions, and declining oil production in Russia - Europe, the US, China, and India are looking for new reserves to minimise their dependency on this region. The US Department of Energy stated that in 2004, Africa had 7% of the world’s proven oil and gas reserves. Natural gas reserves supply is expected to rise annually by 5% until 2030. North African countries, such as Sudan, Algeria, Chad, and West African countries along the Gulf of Guinea, such as Angola, Nigeria, and Equatorial Guinea are the major sides of investment and have attracted oil companies from these countries. China is currently importing 50-60% of its oil from Sudan and 25% from Angola (Southall, 2009).

Related to the surge for oil is the quest for biofuels. State-owned or private corporations from Europe, the US, China, and India are collaborating with African governments to acquire farmland to produce biofuels. These investments mainly involve large-scale agricultural investments on fertile land and come at the expense of local farmer’s small-scale agriculture (Southall, 2009). Cotula et al. (2009) underline that there is a scramble for land in Africa, manifested by increasing land investments and acquisitions. Most importantly in this context is the quest for natural resources. Thousand of hectares of land in Africa are being leased to foreign investors to grow food crops, like maize, wheat and rice to feed their population in their home country. Certainly, there are various other aspects related to the scramble for resources, among others the quest for minerals (gold, cobalt, platinum), forestry products (timber), and fisheries (Southall, 2009).

4.5.2 India and the new scramble

So far increasing attention has been put on China as the key facilitator of the new scramble. The debate was whether China's engagement is positive for Africa's development or if China's strategy is simply a means to exploit resources. Nevertheless, like China, India has realised the huge potential of Africa given its abundance of energy and natural resources. It is projected that India will become the third largest consumer of energy by 2030. However, India has only 0,4% of the world's proven oil reserves and its coal stocks (India's primary source of energy) will be exhausted over the next 40 years. Accordingly, India needs to strengthen ties with oil-rich countries like Sudan and Angola. India's state-owned Oil and Natural Gas Company (ONGC) has so far successfully negotiated contracts and agreements with Nigeria and Sudan through its international division ONGC Videsh (OVL). These mainly include joint-venture agreements, backed by infrastructure deals to make these contracts more attractive. For instance, ONGC Mittal Energy Limited, a joint venture from OVL and Arcelor Mittal, signed an infrastructure deal with Nigeria in exchange for two offshore acreages worth US\$6 billion. Indian oil firms are eager to negotiate new contracts and are trying to permeate new markets that are predominantly owned by China (like in the case of Angola) (Naidu, 2009).

Despite its investment in energy, India has increased its diplomatic presence in Africa, contributed to Africa's social development by raising its development assistance and training programmes. Is has done so under the name of South-South Cooperation. Clearly, India's soft power and its insistence on South-South solidarity have projected India as a development partner rather than "scrambler".

Naidu (2009) has raised the question whether India is a scrambler or development partner. First of all India is an advocate for South-South solidarity. At the Doha Round of the WTO India has stood up for fairer trade and market access and the dismantling of agricultural subsidies favouring the North. Moreover, India's membership in IBSA demonstrates India's will to foster a South-South trading market and to give African producers the possibility to access the market more easily. However, critics of India's strategy in Africa demonstrate that "*the costs will outweigh the benefits*" (Naidu, 2009:132). For instance, India is helping Africa to build infrastructure, which the continent urgently needs, but provides its financial assistance through LOCs, which can add new debts to African states. Furthermore,

India's market only provides lower tariffs for African low value-added primary products and not for higher-value added products. Another uncertainty is if India will become the spokesperson of the South. India is dependent on Africa's support for its wish to become a permanent member of the reformed UN Security Council (Naidu, 2009:133). However, it still remains unsettled if India would be a representative for Africa, given its closer cooperation with the US and China. The China-India-US triangle will further be complicated, as part of Washington's strategy is to keep close ties with India, clearly visible when thinking about US support for India's status as a nuclear power. The motive behind the US strategy is to lower China's influence in the South-Central Asian Region (Naidu, 2009).

Moreover, some critical thoughts should be given to India's development assistance to Africa. Critics warn that India's development assistance is only intended to open and permeate new markets for its private sector (Naidu, 2009).

Naidu (2009) concludes that it depends on Africa to shape its relations with India, to voice its needs and work more closely with India to improve training programmes and other investment deals. Nevertheless, it is hard to exclude India from the "new scramble for Africa" debate as India's Africa policy shows similar characteristics as China's and the two countries are increasingly competing in various areas like oil, agriculture, land, development assistance, and infrastructure. Yet, compared to China, India plays a minor role in Africa. It should be noted, however, that New Delhi will increase its presence and although it has positioned itself as a development partner, will most likely not hesitate to behave like a scrambler in its need for natural resources (Naidu, 2009). Therefore, India has increased its relations with various African countries, among others Angola, Sudan, Kenya, and Ethiopia. The majority of Indian private corporations are present in Ethiopia, acquiring large tracks of land for different purposes. Accordingly, the following chapter will portray India's evolving relationship with Ethiopia.

4.6 India's evolving relationship with Ethiopia

Agriculture was always important in Indo-Ethiopian relations. In both India and Ethiopia's economy agriculture plays a key role and the majority of their population is employed in the agricultural sector. NEPAD, the New Partnership for Africa's

Development has identified food security as a key priority for cooperation. According to NEPAD, growth in agriculture is the solution to hunger and poverty in Africa. NEPAD has called upon all African countries to save 10% of their budget on agriculture. Yet, many African countries have not been able to meet this request. Modi (2010) suggests that India's FDI and expertise in the green revolution can help increase agricultural productivity and generate employment (Modi, 2010).

India and Ethiopia share a century-old relationship, based on trade relations and a shared experience during the colonial times. In 1948 diplomatic relations were enforced at the legation level and two years later, in 1950, extended to the ambassadorial level, with Sardar Sant Singh being the first Indian ambassador to Ethiopia (Indian Embassy, Addis Ababa, 2012a & 2012b). Since the Ethiopian Peoples Revolutionary Democratic Front (EPRDF) came into power in 1995 relations between India and Ethiopia have intensified. Currently over 500 companies from India have acquired investment licences in Ethiopia, operating in different sectors like agriculture, infrastructure, engineering, and the restaurant business. Agriculture is by far the main area of business between India and Ethiopia. Agriculture plays an important role in Ethiopia: it accounts for around 50% of the GDP and 60% of Ethiopia's exports. Further, 85% of the country's workforce is employed in the agricultural sector. Consequently, the Ethiopian government has identified investments in the agricultural sector as a key priority. The government wants to cultivate five million ha of land by 2010 and to provide 1.6 million ha of land for commercial farming. In 2008 Indian investments in Ethiopia accounted for US\$4.15 billion – from which more than half was directed towards the agricultural sector. The largest investment by an Indian firm was from Karuturi Global Ltd., (through its subsidiary Karuturi Agro Products Plc) one of the largest rose producers in the world. The company has acquired 11,700 ha land in the town of Bako (Oromia) and 100,000 ha land in the regional state Gambela to grow food crops for export (maize, palm oil, rice, and sugar). Accordingly, India is the largest foreign investor in the country accounting for a total capital of over US\$4 billion. The Ethiopian government and the Indian government have certainly encouraged Indian firms to invest in Ethiopia. The former via tax incentives and a favourable investment climate, the latter via finance through the EXIM Bank. In 2010 the bank has opened a regional office in Addis Ababa, indicating further intensification of trade relations with East African states in general and Ethiopia in particular. The EXIM bank has so far allocated a loan of

US\$65 million for a rural electrification project and another US\$640 million for the expansion of the sugar industry in Ethiopia. The Indian government has established a Duty Free Tariff Preference Scheme, which provides Ethiopian products with easier access to the Indian market on lower tariffs. Moreover, through its ITEC program, India has offered scholarships, trainings in various areas like banking, IT, communication or management, and study tours. Each year the number of training slots increased – whereas in 2007/08 the number of available slots was 25, in 2011/12 150 slots were allocated. Every year the Ethiopian government offers 350 scholarships to Ethiopians to study at Indian Universities. Since 2007 Ethiopia is part of a pilot project under the Pan-African e-Network, which targets the areas of tele-medicine and tele-education (Indian Embassy, Addis Ababa, 2012a & 2012b & 2012c; Bhattacharya, 2010, Modi, 2010).

Moreover, several agreements have been signed between the two countries. At the Second India Africa Summit held in May 2011 in Addis Ababa, Ethiopia, the agreement on the avoidance of double taxation, the Framework for Enhanced Cooperation and the Addis Ababa Declaration were signed. On the occasion of the Second India-Africa Summit 2011, Indian Prime Minister Manmohan Singh officially visited Ethiopia for the first time and held meetings with Ethiopia's former Prime Minister Meles Zenawi. They first announced that Indo-Ethiopia trade should reach US\$1 billion by 2015 and second that India will allocate a credit line worth US\$300 million for the Djibouti-Ethiopia railway line. The two countries also set up a Joint Trade Committee (JTC), which already held five meetings¹² as of 2013 (Indian Embassy, Addis Ababa, 2012a & 2012b).

India has emerged as Ethiopia's third largest source of imports, after China and Saudi Arabia. Ethiopia's import products from India are among others iron and steel products, pharmaceuticals, textiles, machinery, and instruments. In contrast, Ethiopia exports pulses, oil seeds, leather, and spices to India. Whereas India's (steel) exports to Ethiopia faced constraints, as a result of price increases in the international market and the competition with the influx of cheap Chinese products to Ethiopia, India's imports from Ethiopia increased from US\$1 million in 2000 to US\$32.74 million in 2010/11. Accordingly, there exist a huge potential for future trade and economic

¹² The first JTC was held on February 25/26, 1998 in Addis Ababa, the second JTC on March 21/22, 2001 in New Delhi, the third JTC on July 1-3, 2002, the fourth JTC on June 5, 2006 in New Delhi and the fifth JTC on May 24/25, 2011 in Addis Ababa (Indian Embassy, Addis Ababa (2012a).

relations between these two countries (Indian Embassy, Addis Ababa, 2012a & 2012b).

5) Land grabbing – causes, impacts, actors, and challenges

The recent surge of large-scale land investments all around the world is better known under the name “land grabbing”. It mainly involves foreign investors who buy or lease land in developing countries to produce natural resources, like maize, pulses, rice or eligible oils for the purpose of securing their economic growth and population growth.

Triggered by the global financial crisis, the food crisis, and the energy crisis (Borras and Franco, 2010a; Stephens, 2011; The Oakland Institute, 2011; Engels and Diez, 2011) the growing surge of global land grabs by (foreign) investors, trying to secure agricultural production capacity and future food supplies, is a cause for concern globally. GRAIN, a Spanish-based NGO, which “works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems“ (GRAIN, 2013: o.S) was the first organization to get global media attention with its 2008 publication “SEIZED! The 2008 global land grab for food and financial security” (GRAIN, 2008). GRAIN is still a forerunner in research and documentation on this topic. It provides an internet platform with up-to-date material (www.farmlandgrab.org) and on its homepage various information is being provided (www.grain.org). Another important platform which documents and records land grabs all over the world is the Land Matrix Portal (Anseeuw et al., 2012b). Since 2008 many organizations (among others FIAN, 2010; The Oakland Institute 2011) and scholars (Kugelman and Levenstein, 2009; Daniel and Mittal, 2009; Cotula et al., 2009; Vermeulen, Leonard and Keeley, 2009; and Lavers, 2012a) published reports, articles and books, accompanied by various headlines in newspapers and media reports on the topic. Further, the International Conference on Global Land Grabbing¹³, which was held at the University of Sussex, Brighton (UK) in 2011 and at the Cornell University, New York (USA) in 2012, provides a platform for “deepening and broadening our understanding of global land deals” (Global Land Grabbing Conference 2012, 2012: para. 3). All of these different actors, NGOs, activists, international organizations or private companies, want to take part in this debate and want to express their opinion on land grabbing. These opinions differ greatly, some

¹³ www.future-agricultures.org/land-grab.html

view land grabbing as a problem and a cause for concern (for example GRAIN and most of civil society), others see potential in land transactions if certain conditions are met (for example World Bank and International Food and Policy Research Institute (IFPRI)¹⁴; and FAO, International Fund for Agricultural Development (IFAD), United Nations Conference on Trade and Development (UNCTAD) and World Bank¹⁵). Yet, they disagree mostly upon how to respond and react to land grabbing (Borras and Franco, 2010a).

5.1 Historical dimension

Despite the recent attention given to land grabbing, it is important to keep in mind that it is not entirely a new phenomenon. Kugelman and Levenstein (2009) and Stephens (2011) emphasize that different forms of land acquisitions already existed in the colonial and neo-colonial times. In the nineteenth century European colonial powers acquired foreign farmland in order to produce crops like tea or tobacco for domestic use. In the twentieth century foreign fruit companies took over land in Central America and Southeast Asia to set up large plantations. However, what distinguishes the recent rush for global farmland is first, the scope and size of the global land grabs, second the new motivations and drivers and third, the new players involved. Land grabbing exists all over the world but particular attention is directed to Africa, being the biggest hotspot. A joint study conducted by FAO, IFAD and International Institute for Environment and Development (IIED) (Cotula et al., 2009) reveals that between 2004 and 2009 approximately 2,492,680 ha land has been allocated and approved in five qualitative study countries (Ethiopia, Ghana, Madagascar, Mali and Sudan). In Ethiopia, one of the most affected regions in Africa besides Madagascar, figures suggest that a total of 602,760 ha land has been acquired in the same period. According to the IFPRI, 15 – 20 million ha of farmland was subject to land deals in the last couple of years all over the world. This figure can be

¹⁴ The World Bank and the IFPRI offer a Code of Conduct (CoC) for transnational land transactions that can craft „win-win“ outcomes. According to the CoC, land grabbing is not a land problem, but an investment problem, hence more investments in this sector will among others generate employment, increase wages, facilitate knowledge - and technology transfer (Borras and Franco, 2010a; Borras and Franco, 2010b).

¹⁵ In a joint declaration, issued by the FAO, IFAD, UNCTAD and World Bank in 2010, „Principles for responsible agricultural investment“ it is emphasized that investments in agriculture have positive impacts on growth and poverty reduction (FAO, IFAD, UNCTAD and World Bank, 2010).

compared to the size of France's agricultural land or a fifth of the farmland in the EU. Clearly it is difficult to tell the exact number of deals as these deals surround a lot of secrecy and quite often are sealed behind closed doors. Paradoxically, many host countries, which sell or lease their farmland, are in desperate need for food aid from the World Food Programme (WFP). For instance, Ethiopia received US\$116 million food aid from the WFP, which is comparable to the US\$100 million Saudi Arabia deal, which Ethiopia signed with the Gulf State (The Economist, 2009; Kugelman and Levenstein, 2009; Anseeuw et al., 2012b).

Another factor that distinguishes the present land acquisitions from the past is the connection to the global financial crisis, the food crisis, and the energy crisis. Both, Joachim von Braun, Director General of the IFPRI (2008) and Jayati Gosh, a prominent Indian economist (2010) emphasize that the global financial crisis and the global food crisis (from 2007 to 2008) are intertwined in regard to their impacts on economic and financial stability, political security, and food security. Especially triggered by financial speculation in commodities markets, the food crisis had severe impacts on developing countries, which had to struggle with dramatically high food prices on basic food such as rice, maize, wheat, or soybeans. Food prices had been increasing since 2003 but reached their peak in 2007/2008 and started to fall sharply in the second quarter of 2008 (40-50% decrease in rice price compared to peak) (Gosh, 2010; Clapp, 2012). Other reasons that led to the sharp price increase and to a price peak in the second quarter of 2008 were:

“rising cost of cultivation (partly affected in turn by high oil prices), inadequate policy support for agriculture resulting in falling yields, acreage diversion to produce biofuels, reduced government grain stockpiles and crop failures in individual countries that could be traced to adverse weather conditions related to climate changes (...).” (Gosh, 2010: 75).

Also increasing demand especially from newly industrializing nations, like China or India, contributed partially to the global price rise due to their fast growing population and changes in their diet favouring meat and dairy products (Gosh, 2010; Clapp, 2012). In the case of India, stocks of cereals and rice declined in this period, which led to the decision of the Indian government to ban rice exports in November 2007 to

distribute rice domestically. This decision has certainly contributed to a price increase in rice, as India is the second largest rice exporter in the world (Gosh, 2010). Another important factor was the decision of the US, Europe, Brazil, and Canada to focus on renewable energy sources like biofuels in order to reduce their dependency on oil, to counter climate change and to reduce global emissions. Accordingly, a large proportion of grain production was used to produce biofuels, mostly on land which could otherwise be used for food production (Clapp, 2012).

All of these factors combined certainly contributed to the outburst of the global food crisis, however there are some points worth mentioning: China and India's population did not rise overnight, nor did their change in diet. Although grain stocks were declining, this does not indicate that food production was declining likewise. Rather, some countries deliberately kept their grain stocks low (for example China) (Clapp, 2012).

Food prices rose again in 2010/11, this time targeting wheat prices. Jennifer Clapp, in her book, "Food", which was published in 2012, explains the connections between food and finance: the financialization of food. Clapp asserts that the recent spikes in global food prices are the result of fluctuations in financial markets (value of US\$ in particular) and the increase in financial speculation in agricultural products. When the US\$ depreciates and is weak compared to other currencies, potential buyers are interested in US produced grain on the global market. Although there exist lots of disagreement on the extent the financial crisis has influenced the outburst of the food crisis in 2007/08 and particularly in 2010/11, there is a shared consensus that food and finance are indeed increasingly interlinked. The overall trend is that investors increasingly prefer liquid (land, natural resources) over illiquid assets (Clapp, 2012; McMichael, 2012).

Accordingly, it is evident that the global financial, food, and energy crisis are directly linked to the global rush of land grabs all over the world (Borras and Franco, 2010a; Stephens, 2011; The Oakland Institute, 2011)

“In this context, the land grab is both a response to food price reversals generating export bans and government initiatives to secure offshore food and biofuel supplies and reflects a speculative interest in food and biofuel future and associated land price inflation on the part of finance capital.” (McMichael, 2012: 683)

While the global food, energy, and financial crisis may have been the catalyst for global land grabs, their impacts will continue to play a key role in the long term, as countries all over the world fear the impacts of another similar crisis and are looking for alternative ways to feed their population. Amid rising global consumption and demand for biofuels, food and raw materials and in the context of population growth, acquiring farmland abroad is an attractive option for potential investors (Anseeuw et al., 2012b).

5.2 Defining Land Grabbing

Land grabbing is a controversial term and no official definition exists - rather different actors, policy makers and authors define the term differently. Hence, lots of definitions exist, but few of them manage to capture land grabbing as a whole phenomenon. Accordingly, definitions have to be handled with precaution. In general, the term land grabbing is a phrase to describe the recent rush of (trans) national commercial land transactions, mostly in developing countries and particularly in Africa. Foreign/national private or state-owned firms buy or lease land (in some cases up to 99 - year leases) mostly to grow food and biofuels for export (Cotula et al., 2009).

GRAIN defines land grabbing as *„a large-scale land purchase or lease made by foreign investors“* (GRAIN 2012: o.S). The Oakland Institute, an independent policy think tank, which publishes papers on the most important social, economic, and environmental issues at present (the Oakland Institute, 2013a), defines land grabbing as *„the purchase and lease of vast tracts of lands by wealthier food-insecure nations and private investors from mostly poor developing countries in order to produce crops for export“* (Daniel and Mittal, 2009: 1). The former definition by GRAIN clearly is very narrow in its scope and misses most importantly that also local

investors are engaging in land grabbing. The latter definition is more precise in nature, however, implies that only nations, which are food-insecure are engaging in land grabbing (Headey and Fan, 2010).

FIAN, the Food First and Information Network, in its report “Land Grabbing in Kenya and Mozambique” defines land grabbing as *“taking possession of and/or controlling a scale of land for commercial/industrial agricultural production which is disproportionate in size in comparison to the average land holding in the region.”* (FIAN, 2010: 8). McMichael understands land grabbing as *“a reflex of changing conditions of accumulation: first, as capital’s cost of production (energy) and reproduction (wage-foods) rise in tandem; and second, as finance capital capitalizes offshore agro-food zones as (speculative) substitutes for ecologically exhausted Northern crop lands and as energy crop sites.”* (McMichael, 2012: 682).

Some actors like FAO (Cotula et al., 2009) try to avoid the controversial term land grabbing altogether and refer to it as “large-scale acquisitions of farmland”. Neither the term land grabbing nor the term large-scale acquisitions of farmland can capture the whole process, as Cotula et al. (2009:6) explains:

„Land deals must be assessed in the light of the often complex overall package they are part of, including commitments on investment, infrastructure development and employment – the “land grab” emphasised by some media is only part of the equation.“

For the purpose of this thesis, the underlining definition will be:

“Land grabbing refers to the long-term purchase and lease of vast tracts of lands by foreign/ national state-owned or private investors from mostly poor developing countries mainly in order to produce crops and biofuels for export.“

This definition is closely linked to the definition of the Oakland Institute (Daniel and Mittal, 2009), includes both national and foreign investors that tend to lease and buy large tracts of land over a longer period of time (25 - 99 years, >10,000 ha) and implies that most investors want to grow food crops and biofuels for export. This definition does not consider that also small-scale leases mostly by domestic investors are taking place. However, the majority of leases by Indian investors in Ethiopia

involve large-scale leases (in average 17,000 ha). A few exceptions involve 5,000 ha deals as well. In this thesis, the focus will be on India as a foreign investor in Ethiopia, who produces crops for export in order to feed its growing population at home. This hypothesis will be analysed in the following chapter.

5.3 Who are the investors and what are their interests?

Three different actors play a crucial part in land grabbing – the investors, the host country (government), and the local population.

Investors come from all over the world with Asian (China, South Korea, India) and Gulf States (Saudi Arabia, Kuwait, Qatar) emerging as the new investors in land grabbing, some having in common the dependency on food imports. Also (private) investors from the EU and the US are taking their share, but getting less media attention (Cotula et al., 2009). Investors can be broadly categorized in two groups: governments and the private sector. The category “governments” includes ministries, state-owned businesses, sovereign wealth funds, and government backed agencies, whereas the category “private sector” includes private (financial) businesses like private equity, pension, or hedge funds (Sindayigaya, 2011). The majority of the reported land deals involve the private sector, or government backed private investment, but many new deals also include government-to-government arrangements (Cotula et al., 2009).

The investor and the land provider need to negotiate the terms and conditions of the land deals. Negotiations are mostly done in private, secrecy and behind closed doors and civil society rarely obtains information. It is quite often the case that legal contracts do not exist or are simply not available to NGOs or governments. This lack of transparency certainly conceals the actual number of land deals and the profound and unofficial nature of these deals. But the greatest threat is mistakenly that of the violation of the right to information (UN Covenant on Civil and Political Rights, Article 19) and the violation of the right to adequate living, if land deals include the relocation of the local population, without proper compensation (UN Covenant of Economic, Social and Cultural Rights, Article 11) (Makunike, 2009; Cotula et al., 2009; Smaller and Mann, 2009; Meizen-Dick and Markelova, 2009).

The motives from investors among others include securing resources for their growing economy and population, speculation into land, land scarcity in their country of origin, and low lease rents in the host country (Adam, 2011). Yet most authors cited in this thesis claim that the two main drivers for increased agricultural investment are energy and food security. It will be analysed if energy and food security are really the main drivers for investors to acquire farmland abroad. The former characterizes the trend pursued by governments and the private sector to produce biofuels to escape fluctuating oil prices and diminishing supply of oil in general. The latter implies that governments and private enterprises are outsourcing their food production due to constraints such as population growth, high food-import dependency, limited farmland, *et cetera* (Cotula et al., 2009). For the scope of this thesis and the relevance according to the research question, land grabbing as a national food security strategy, will be analysed further.

Land grabbing as a national food security strategy

Triggered by the food crisis in 2007/08 many countries are aware of the dangers and impacts another similar crisis can have on their economy. Especially states, like India, China, the Gulf States, or Japan with food constraints need to look for alternative ways to feed their (growing) population. Also countries which are highly dependent on food imports (Gulf States like Bahrain, Qatar, Kuwait, and Saudi Arabia) and countries which will due to their population and economic growth and reducing farmland capacity depend on food imports in the future (China, India, South Korea, and Japan) see overseas land acquisitions as part of their national food security strategy (Sindayigaya, 2011). Moreover, the impacts of global warming and climate change - droughts, less arable land and rising sea levels - and prognosis about increasing food requirements in the future prompt governments to partly move their food production overseas as a safety measure (Montemayor, 2009; Cotula et al., 2009). In addition, storage and contribution problems linked to weather conditions and high oil prices pose a risk to the national food security. The impacts of climate change and global emissions are also directly linked to biofuel production which *per se* is one of the main motives for acquiring farmland abroad, and was one of the factors that contributed to the outburst of the global food crisis in 2007/08 (Cotula et al., 2009). The United States, Europe and other countries like Brazil and Canada have

introduced new energy policy agendas, which foresee the focus on renewables like biomass, wind, solar power, and biofuels as part of an effort to reduce global greenhouse gas (GHG) emissions and the dependency on oil. In 2009 the EU introduced its Renewable Energy Directive, which obliges the EU to obtain 20% of its energy needs from renewable sources. The directive focuses first and foremost on the promotion of biofuels, by introducing trade incentives (import tariffs, tax exceptions) and measures to increase production. Already one year earlier in 2008, India has started to invest in non-renewables like biofuels setting a 20% biodiesel blending target. The production of biofuels certainly has impacts on global land use, as it competes with the production of food in large parts of Africa, Asia, and Latin America. In many cases land, which was used for agriculture has been switched to biofuel production. On the plus side biofuel production, especially when produced from sugar cane, can reduce GHG emissions. However, ethanol produced from cereals and biodiesel produced from oilseed show no significant reduction in GHG emissions compared to fossil fuels (Fonseca et al., 2010; The Indian Express, 2011). It is mainly the private sector that engages in the production of biofuels and invests in agriculture for yielding financial returns. Indian private corporations include agribusiness firms from India like BHO Bio Products Plc., CLC Industries and Neha International (see Chapter six).

Other factors that increase global food demand include migration to cities and changing diet patterns (increasing demand of meat by middle and upper class in industrializing countries). Another incentive is low fees on land overseas. The African average for land lease rates per ha and per year are with US\$350-800 very low compared to Argentina/Brazil US\$ 5,000-6,000 and Germany US\$ 22,000. Ethiopia has one of the lowest land rates in Africa, with US\$3-10 per ha and per year. Yet land lease rents are already increasing in some provinces in Ethiopia (Table 1 in Chapter 6.1; Cotula et al., 2009).

5.4 Who are the host countries and what are their interests?

The host countries and key recipients of FDI in land are located in Africa, among others Madagascar, Ethiopia, Sudan, Mozambique, Liberia, and Tanzania. In Southeast Asia, the Philippines, Indonesia, Cambodia, and Laos remain the centre of

attention. Other host countries include Pakistan, Kazakhstan, countries in Eastern Europe (Ukraine and Romania), and Russia (Cotula et al., 2009; GRAIN, 2012).

The neglect and underfunding of the agricultural sector in the last decade, accompanied by declining official development assistance in agriculture is a major area of concern in developing countries. Therefore, one of the main incentives for host governments to lease or sell their land is not only financial revenue, but also investors' commitments on investment, such as employment generation and infrastructure development, which in turn can benefit the agricultural sectors' modernisation. Governments in developing countries hope to benefit from know-how and technical skill transfer in order to boost their agricultural sector and economy. Moreover, estimates by FAO suggest that in order to be able to feed growing populations in developing countries, an additional of US\$30 billion per year are needed to double food production by 2050. Most countries, however, lack the financial assets to cover the costs. Hence, investments in agriculture are highly welcomed (Cotula et al., 2009; Hallam, 2009; Sindayigaya, 2011). This is also due to the fact, that in some cases land deals include trade-offs or other incentives like development assistance and the supply of minerals and fuel. Tax exemptions on certain imports of goods or tax relief for investors are further incentives.

Host countries are often food insecure themselves and hope that foreign investors contribute to food security domestically and regionally. The initial claim is that most land occupied by pastoralists or smallholders is underutilizes and has low yield. Accordingly, by introducing capital and modern techniques brought by foreign investors can raise the income and contribute to food security in the country (McMichael, 2012).

In general, host country governments are more than happy to seal a deal and are eager to encourage investors to do business with them (Montemayor, 2009; Smaller and Mann, 2009). Unfortunately, quite often agreements will in the end consist of nothing but empty or unsatisfactory promises.

5.5 Positive and negative impacts of land-grabbing

There is an on-going debate whether foreign and domestic land investments can be beneficial for host countries or are simply a new form of exploitation. On the one

hand, actors argue that host countries will benefit from technology and skill transfer, foreign exchange reserves, and infrastructure development, on the other hand actors see it as a form of exploitation and refer to it as “neo-colonial land grabs”. The term refers to the little impact (foreign) investments in agriculture have on the local economy, as most crops are only indented for export and the input in terms of employment creation and technology transfer are low. The current developments suggest a trend in direction to the latter one. Therefore, Meinzen-Dick and Markelova (2009) emphasize that it is important to move the focus away from this discussion and rather ask how host countries can seize opportunities from land deals. The following points are worth discussing:

- *Current Land Use Patterns*, including the question of ownership of land and current use of land (for example agricultural production, pastoralism,..).
- *Land Tenure Arrangements*, including the assessment of current property rights.
- *Proposed Land Use and Livelihoods*, which includes an analysis of participation of local farmers.
- *Ecological Conditions*.
- *Terms of Agreement*.
- *Enforceability*.
- *Transparency*.
- *Food Security*.

Food Security for the Host Country

Food Security is one argument in favour of agricultural investment. Many investors claim that their investment in agriculture will benefit the host country and contribute to more food security, reducing poverty and hunger. However, according to the NGO OXFAM, 60% of foreign investors will export their harvest back to their country of origin (Geary, 2012). At the same time many host countries, which sell or lease their land, are in desperate need for food aid from the WFP. Estimates by the WFP for the Gambela Region in Ethiopia reveal that in 2010 approximately 84,000 individuals out of an estimated population of 310,000 received food aid (The Oakland Institute, 2011).

Land Tenure Arrangements and Displacement

Land Tenure Arrangements, which include the questions of property and land tenure rights, are a delicate issue and in regard to challenges and opportunities, one of the main controversial issues in current land deals.

One of the main threats of land grabbing is the displacement of farmers, herders, indigenous people, and families from land they occupied for centuries. These claims for land can involve multiple stakeholders, like communal groups, households, or individuals who commonly manifest their land titles based on traditional systems and beliefs. Communities highly depend upon their land from which they get the necessary resources they need for their livelihood. Under the contract corporations are mostly obliged to compensate for the losses of land if people are relocated. Compensations can include financial revenues, job offers, and new land. In most cases job offers only temporarily compensate for land losses as large projects may be highly mechanised. Moreover, some foreign companies prefer to hire employees from their country of origin (for example in the case of China¹⁶) (Meinzen-Dick and Markelova, 2009; Cotula et al, 2009; Anseeuw et al., 2012b).

In many developing countries property rights are poorly developed or non-existent at all. If land users have property rights they can at least negotiate with the investors and demand proper compensation. However, if the land is declared as state land and land users only have customary rights, which is the case in the majority of land deals, local people can not participate in negotiations. Moreover, many deals missed to inform and consult the local population beforehand ((Free) Prior Informed Consent¹⁷), which is also due to the speed at which many of these deals are being sealed. In general more (financially) powerful actors will have the upper hand in gaining access to land, in contrast to mostly poor land owners or land claimers. Land losses will put further pressure on the worlds poor when they loose their most valuable resource – land (Meinzen-Dick and Markelova, 2009).

¹⁶ cf Mohan and Tan-Mullins , 2009

¹⁷ The principle of „(Free) Prior Informed Consent“ was adopted in the United Nations Declaration on the Rights of Indigenous People Art. 32.2 and International Labour Organization (ILO) 169, Art. 6 (UNDRIP, 2007; ILO 169, 2013).

GRAIN (cited in Stephens, 2011: 6) summarizes the negative impacts of land grabbing as follows:

“Land grabbing – even where there are no related forced evictions – denies land for local communities, destroys livelihoods, reduced the political space for peasant orientated agricultural policies and distorts markets towards increasingly concentrated agribusiness interest and global trade rather than towards sustainable peasant/smallhold production for local and national markets.”

At the moment, recent developments show bleak prospects for seizing opportunities out of global land investments. First, given the unfavourable legal conditions especially in regard to property rights in developing countries, local people have no right to land. Second, many investors are uncooperative in regard to compensations to local residents in the case of evictions. At last, the focus on export-led agricultural production and the violation of promised commitments on infrastructure development or employment generation are a cause of concern.

6) Case study - Indian land acquisitions in Ethiopia

6.1 Country context - Ethiopia

Ethiopia is a country in Western Africa, surrounded by Djibouti, Eritrea, Kenya, Somalia, South Sudan, and Sudan. After Nigeria, Ethiopia is the second most populous state in Africa accounting for 91 million people in 2012 (CIA World Factbook, 2013a). The country is considered as being a LDC according to the Human Development Index (rank 157 out of 169 countries) from the United Nations Development Programme. High rates of poverty, chronic malnutrition, poor health and sanitation systems affect the population, out of which 81% live on less than US\$2 a day. Ethiopia is a multilingual and multi-ethnic country – the main ethnic groups being the Oromo (34.5%) and the Amhara (26.9%). The official language is Amharic and the main foreign language being taught in school is English. Besides various local languages and dialects exist (The Oakland Institute, 2011).

Politics

Ethiopia is a federal parliamentary republic with the Prime Minister being the head of the State. The country is divided into two city administrations, located in the capital Addis Ababa and the city Dire Dawa, and nine politically autonomous regional states (Affar, Amhara, Benishangul-Gumuz, Gambela, Harari, Oromia, Somali, Southern Nations, Nationalities, and People's Region (SNNPR) and Tigray), which are subdivided into zones and woredas (districts) (Fisseha, 2011).

In 1991 the Tigray People's Liberation Front (TPLF) came to power. In 1995 a new Constitution replacing the old Constitution from 1975 was introduced. The new Constitution regulates all issues regarding land investment and policy, defines that all land is state-owned and further provides among others the legal basis for the protection from resettlement, displacement, and compensation in case of expropriation. Moreover, it emphasizes the rights of pastoralists and peasants. In 1995 Meles Zenawi became Prime Minister of Ethiopia under the Ethiopian Peoples Revolutionary Democratic Front (EPRDF – formerly known as TPLF) (The Oakland

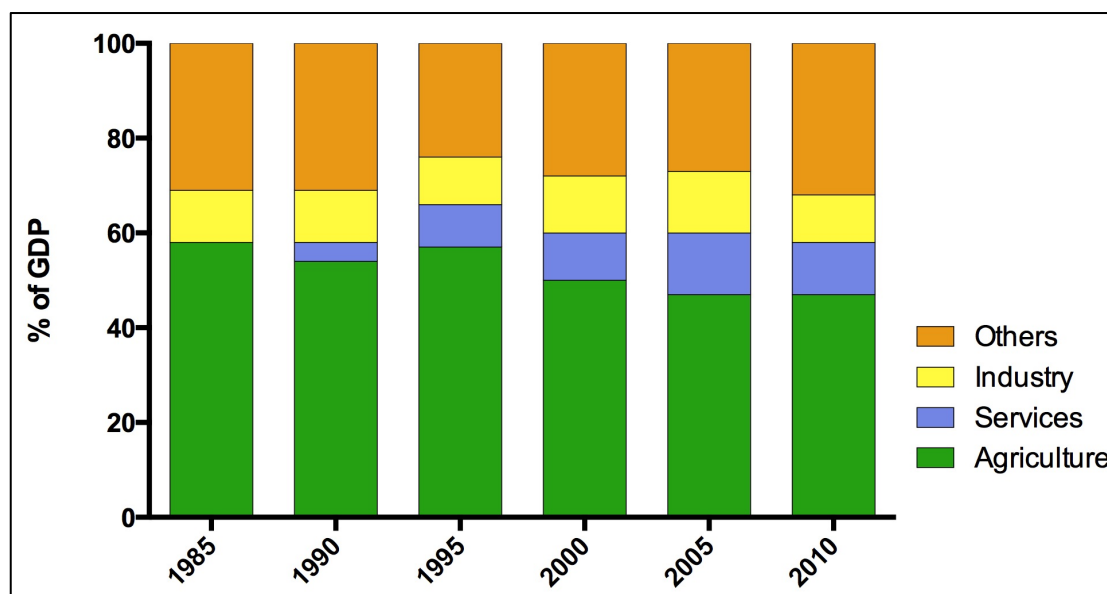
Institute, 2011). After 21 years of rule Meles Zenawi died on August 21st, 2012 at the age of 57 of an “undisclosed illness”. With his death an era of strong achievements especially in education, woman rights, and strong economic growth, but also negative developments such as abuses of human rights, discrimination, and the punishment of opposition members came to an end. Further, a strong cooperation with the EU and the US characterized his leadership. Meles Zenawi’s deputy Hailemariam Desalegn was sworn in as new Prime Minister of Ethiopia on September 21st, 2012 (Smith, 2012, The Guardian, 2012).

Economy

Ethiopia’s economy has grown strongly over the last years, with an annual average growth rate of 5.6% since 1992, being the fastest growing economy after the oil exporting nations in Africa. In 2010 Ethiopia’s annual GDP growth accounted for 10%, in 2011 it slowed down to 7% (World Bank Indicators Ethiopia, 2013). Despite this growth, disparities in the levels of income, the gap between rich and poor, low levels of foreign currency, and high inflation levels are major areas of concern (The Oakland Institute, 2011).

Ethiopia’s economy is revolved around agriculture. Ethiopia’s total land area is 123 million hectares, from which 38% are arable land and 62% non-arable land. Ethiopia’s agricultural sector contributes to around half of Ethiopia’s economy – in 2009 accounting for 45% of its GDP. The agricultural sector employs approximately 85% of the population (Fisseha, 2011). At the same time the service and industry sector have not increased substantially since 1995, both accounting for 10% of Ethiopia’s GDP (Figure 7). In contrast to the World Bank data, the Macroeconomic Handbook (2011/12) of Ethiopia suggest that in 2011 the percentage shares of agriculture, industry and services to GDP are quite different, accounting for 41.1%, 13.4% and 46.6% respectively. In Ethiopia the service sector includes wholesale and retail trade, transport, education, health care, financial services, and real estate (The global economy, 2013). It is expected that industry will in the following years have the highest growth (15%), followed by services (12.5%) and agriculture (9%). Again it should be noted that the data available is very inconsistent and should be analysed with care.

Figure 7: Composition of selected sectors of Ethiopia's GDP



Source: World Bank, 2013
<http://www.worldbank.org/>

The EPRDF recently attempted to promote fast agricultural growth, based on increasing industrial input and a focus on exports, shifting away from the focus on smallholder agricultural production. Today smallholder agriculture is still important but less so than industrialization (Lavers, 2012a).

The new strategy by the EPRDF to increase exports had success – the main export products are pulses, oil seeds, gold, leather products, and flowers. Especially the latter is one of the main export goods, accounting for almost 10% of total exports. The main destination countries are the US, EU, Saudi Arabia and quite recently also India, China, and the Middle East. Also due to growing trade volumes, FDI from these countries have increased significantly. Albeit from this positive trend, one main challenge remains unsolved and will not likely to improve easily: (Chronic) Food Insecurity. Due to unfavourable weather conditions, including the high risk of annual droughts and floods, Ethiopia increasingly depends on emergency food assistance from the WFP. Currently, the country is the largest recipient of food aid in the world. However, a set of other factors contributing to food insecurity, including population growth, unfavourable policies, lack of infrastructure, and environmental degradation are responsible for this misery (The Oakland Institute, 2011; Lavers, 2012a).

6.2 Land tenure and land reform in Ethiopia – past and present

For ages land in Ethiopia was under the control of elites (for example kings) and only few historical incidents reported private ownership of land. Yet, it was the Derg regime (1974-1987) that has shaped the land system today. In 1975 land was put under the control of the state (Proclamation No. 31/1975) and more rights were given to smallholders and peasants. These rights, including ownership of land, the right to compensation in case of expropriation, and the right to transfer land under certain terms and conditions were manifested in the 1987 Constitution. A few years later, in 1996, land reforms targeting the legalization of land rentals and leasing were introduced (The Oakland Institute, 2011; Weldegebriel, 2012; Fisseha, 2011). The EPRDF, which controlled power in 1991, mainly adopted this land system – leaving land under the control of the state and not changing ownership rights in favour of the population. Article 40 (“Right to Property”) of the former Ethiopian Constitution of 1995 (Proclamation No. 1/1995) is the basis of national land policy. It states that

“The right of ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the peoples of Ethiopia. Land is common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange.” (Proclamation No.1/1995, 1995).

Hence, it is restricted to sell, mortgage, or exchange land. The main idea of state-ownership is the protection of peasants against market forces. Opponents of this system mainly criticize this aspect and argue that there is a lack of tenure security and further they fear that the Ethiopian government uses land as a political weapon, whose power lies in the decision whether to give or take land to/from landholders. By contrast, the Ethiopian government asserts that through the Rural Land Administration and Use Proclamation (Proclamation 89/1997), which assigns regional governments with the duty to manage and administer their lands (land registration and certification process), security is being provided at a higher level. Most of the regional

states have already established land administration offices¹⁸ (The Oakland Institute, 2011; Weldegebriel, 2012; Fisseha, 2011).

6.2.1 Agricultural Development-Led Industrialization (ADLI)

The current (for 20 years) strategy of the Ethiopian government is known under the name “Agricultural Development-Led Industrialization” (ADLI). The idea behind this strategy is that in a country like Ethiopia, which is labour-rich but capital poor *“labour-intensive, non-mechanised agriculture should be implemented alongside technologies such as irrigation, fertilisers and improved seeds, which improve yields but do not replace labour.”* (MoFED 2003, cited in Lavers, 2012a: 109). This system should increase productivity and boost industrialization, which in turn leads to national food security at the same time as benefiting smallholders. Accordingly, before ADLI no capitalistic agricultural production was present as the smallholder sector contributed to the production of agricultural output (Lavers, 2012a). In a documentary of ARTE, “Dritte Welt im Ausverkauf” Aberra Deressa, State Minister in Ethiopia’s Ministry of Agriculture and Rural Development stated that:

“Our strategy is agricultural development that leads to industrialisation. In the future it should not be 83% of the population which is dependent on agriculture but only 10 – 20%.” (ARTE, 2013: 1:24’).

However, until today ADLI was not able to meet its expectations. The crisis in the agricultural sector was due to a complex set of reasons, including poor infrastructure, insufficient promotion of the smallholder sector, lack of credit, and decreasing foreign aid. Worst of all is that the country had to face and is still facing high levels of food insecurity, accompanied by a high dependency on food aid. Ethiopia’s first Poverty Reduction Strategy Paper (PRSP) addresses large-scale agriculture besides its focus on smallholder-based agriculture. Its follow up the “Plan for Accelerated Sustained Development and to End Poverty” focused again on the commercialisation of agriculture and set goals for reaching the Millennium Development Goals (MDGs). The PRSP “Growth and Transformation” (2010/11-2014/15) goes one step further

¹⁸ Afar, Amhara, Benishangul-Gumuz, Oromia, Tigray, and SNNPR (Weldegebriel, 2012).

and intends to create a favourable investment climate, besides its focus on poverty reduction and the environment. Hence, the governments current strategy can be summarized as pursuing a dual system - while maintaining the support of the smallholder sector in the highlands, the government increasingly focuses on large-scale agriculture and promotes FDI into agriculture in the lowlands (The Oakland Institute, 2011; Lavers, 2012a). In the lowlands (Gambela, Benishangul-Gumuz, Afar, north-west Amhara, and South Omo) many families, clans, and herders claim lands based on traditional and spiritual meaning and pursue pastoralism and shifting cultivation (Lavers, 2012b). Accordingly, quite often these families have *de facto* no property rights and the government categorizes their land as “unused land” declared for sale/lease. However, increasingly the highlands have also been the target for leasing land to investors. Although only small plots of communal land have been given to investors (mainly domestic) the most controversial issue is that some land given to investors has been cultivated by smallholders at the time of the lease or sell (Lavers, 2012b).

The Villagization program by the government makes sure that enough land is available for domestic and foreign agricultural investment. Officially implemented with the aim to resettle people to places with better farmland and better access to infrastructure, like schools and hospitals, the program coincidentally targets areas, where after the resettlement of hundreds of people, agricultural investment is highly promoted. Indeed, it is the duty of the Ethiopian government as stated in all lease agreements “*to deliver and hand over the vacant possession of leased land free of impediments (...).*” (Land lease agreement Karuturi, 2008/10: Article 6 - refer to Annex 9.4 Land lease Agreement Karuturi Agro Products Plc) It is further reported that violations to the right of FPIC have occurred and that fair compensation was missing (The Oakland Institute, 2013b; Anseeuw et al., 2012b).

6.2.2 Investment Climate

Creating a favourable investment climate for investors is one key element of the latest PRSP. The Ethiopian government has identified 3.4 million ha of arable land for lease. The Agricultural Investment Support Directorate (AISD) intends to offer 1.7 million ha of land to foreign investors (Fisseha, 2011). In order to promote investment

in Ethiopia, the Ethiopian government has managed to create a favourable climate in the last years and is not reluctant to demonstrate it to the world and thereby to potential investors. The Oakland Institute (2011), Lavers (2012a) and Anseeuw et al. (2012a) summed up the most important incentives: low land fees (Table 1), low labour cost and abundance of labour available, financial incentives like five-year tax holidays and no duty payments, high availability of “un-used” and “underdeveloped” land, good strategic location, including a good access to markets and export possibilities, and favourable climate conditions. Further the Development Bank of Ethiopia lends concessional loans to investors for up to 70% of the overall project costs.

Table 1: Land Lease Rates in Selected Countries

Country	Land Lease Rate (US\$/ha/yr)
Ethiopia	average US\$1.75-8
Sudan	US\$3-20
Mali	US\$6-12
African average	US\$350-800
Punjab Doaba region (India)	US\$1,861
Brazil/Argentina	US\$5,000-6,000
Germany	US\$22,000

Source: The Oakland Institute, 2009:29 and Rowden, 2011:11

“We have identified Ethiopia as a land of opportunities, especially for agro-based businesses. A stable political and macroeconomic system, suitable climatic conditions, abundant availability of low cost, favourable investment climate, disciplined and productive work force, and above all, easy access to the African market are some of the key factors favouring Ethiopia.” (Karuturi, 2013b)

6.2.3 Domestic and foreign land acquisitions in Ethiopia

The promotion of land investments focuses on four regional states, being Benishangul-Gumuz, Gambela, Oromia, and SNNPR. According to official statistics

Ethiopia has 74 million ha of arable land, of which currently only 15.1 million ha are cultivated by smallholders and commercial farmers. The government plans to lease three million ha – 350,000 ha have already been granted to foreign investors (Macroeconomic Handbook, 2011/12). Out of the 350,000 ha, 300,712 ha have been granted to Indian firms (Table 2).

Domestic investors are a slight majority in Ethiopia, with foreign investors becoming increasingly important. Whereas foreign investors mainly produce crops for export to the European market or other African countries, engage in floriculture and in the biofuel sector, domestic investors tend to focus on food production for the domestic market. The latter usually have smaller farm size, less capital, and need more workers due to their lack of technologies. In contrast, foreign companies have more capital, acquire larger tracts of land, and mainly produce crops for export, also due to the fact that the Ethiopian Agricultural Investment Support Directorate (AISD) promotes investment in cash crops, such as rice, cotton, and sugar. In addition to domestic investors, the majority of foreign investors are private Indian agri-business firms, mainly investing in the biofuel sector (*Pongamia pinnata*¹⁹) and additionally producing rice, sugarcane, soybeans, and pulses (Lavers, 2012a, The Oakland Institute, 2009, 2013b). The Ministry of Agriculture (MoA) has archived 38 official land lease agreements on its homepage, from which 13 are Ethiopian and 11 are Indian enterprises. The rest is divided between Saudi Arabia, China, Pakistan, Turkey, Israel, and Ethiopia's Diaspora.

6.3 Overview of current Indian land acquisitions in Ethiopia

India's farmland acquisitions in Ethiopia are mainly located in Gambela (eight out of twelve), where the government offers special incentives, like tax holidays and other incentives and strongly promotes foreign investment. Moreover, land fees are extremely low compared to other regions in Ethiopia, with a trend to increase in the following years (The Oakland Institute, 2011). Moreover, Gambela is sparsely populated, accordingly it is easy to relocate people through the Villagization program to provide land to foreign investors. Lavers (2012b) also asserts that the

¹⁹ The genus of *Pongamia Pinnata* was recently changed to *Milletia pinnata* (National Centre for Biotechnology Information, 2013)

administrations in Gambela and Benishangul-Gumuz are one of the weakest of the regional governments in Ethiopia and quickly identified vast tracks of land suitable for foreign investment.

In total all Indian land investments in Ethiopia account for 300,712 ha. The average land investment size by Indian firms is around 17,000 ha, excluding the 100,000 ha land deal from Karuturi in Gambela. The single largest land investment was granted to Karuturi, which acquired 11,700 ha in Oromia and 100,000 ha in Gambela. The single smallest land investment was given to Verdanta Harvest Plc. with a farmland size of 3,012 ha. Indian firms are mostly growing oilseeds, followed by pulses, cotton, and rice. Other products include cereals, maize, wheat, sugar, soybeans, tea, and floriculture (Table 2)

Table 2: Overview of current Indian land acquisitions in Ethiopia

Company name	Size in ha	Production	Lease period	Land lease rate in US\$/ha/yr	Region
BHO Bio Products Plc.	27,000	cereals, oilseeds, pulses	25 years*	US\$6	Gambela
CLC Industries Plc.	25,000	cotton, maize, oil seeds, pulses	50 years*	US\$3,602.08	Amhara, Benishangul-Gumuz
Green Valley Agro Plc.	5,000	cotton	25 years*	US\$6	Gambela
JVL Overseas PTE Ltd.	5,000	cotton	25 years*	US\$8	Gambela
Karuturi Agro Products Plc	11,700	corn, palm oil, maize	30 years		Oromia
Karuturi Agro Products Plc	100,000	maize, palm oil, rice, sugar, floriculture	50 years **	US\$1.08	Gambela
Neha International Ltd.	4,000	oil seeds, pulses, rice, wheat			SNNPR
Ruchi Soya Industries Ltd.	25,000	soybeans	25 years*	US\$6	Gambela
Saber Farms Plc. (Saber Group)	25,000	cotton, soybeans	25 years*	US\$8.55	Gambela
Sannati Agro Farm Enterprises Pvc. Ltd.	10,000	cereals, pulses, rice	25 years*	US\$8.55	Gambela
S & P Energy Solutions Plc. (Shapoorji Pollonji)	50,000	<i>Pongamia pinnata</i> , food crops	50 years*	US\$7.76	Benishangul-Gumuz
Verdanta Harvest Plc.	3,012	tea	50 years*	US\$6	Gambela
Whitefield Cotton Farm Plc.	10,000	cotton	25 years*	US\$8.55	SNNPR

*possibility of extension

**possibility to get additional 200,000 ha

Source: author's compilation

Table 2 illustrates current Indian investments in Ethiopia. The author collected data from the homepage of the MoA and the official lease agreements provided there. Further data from GRAIN (2012), The Oakland Institute (2011), and the Land Matrix

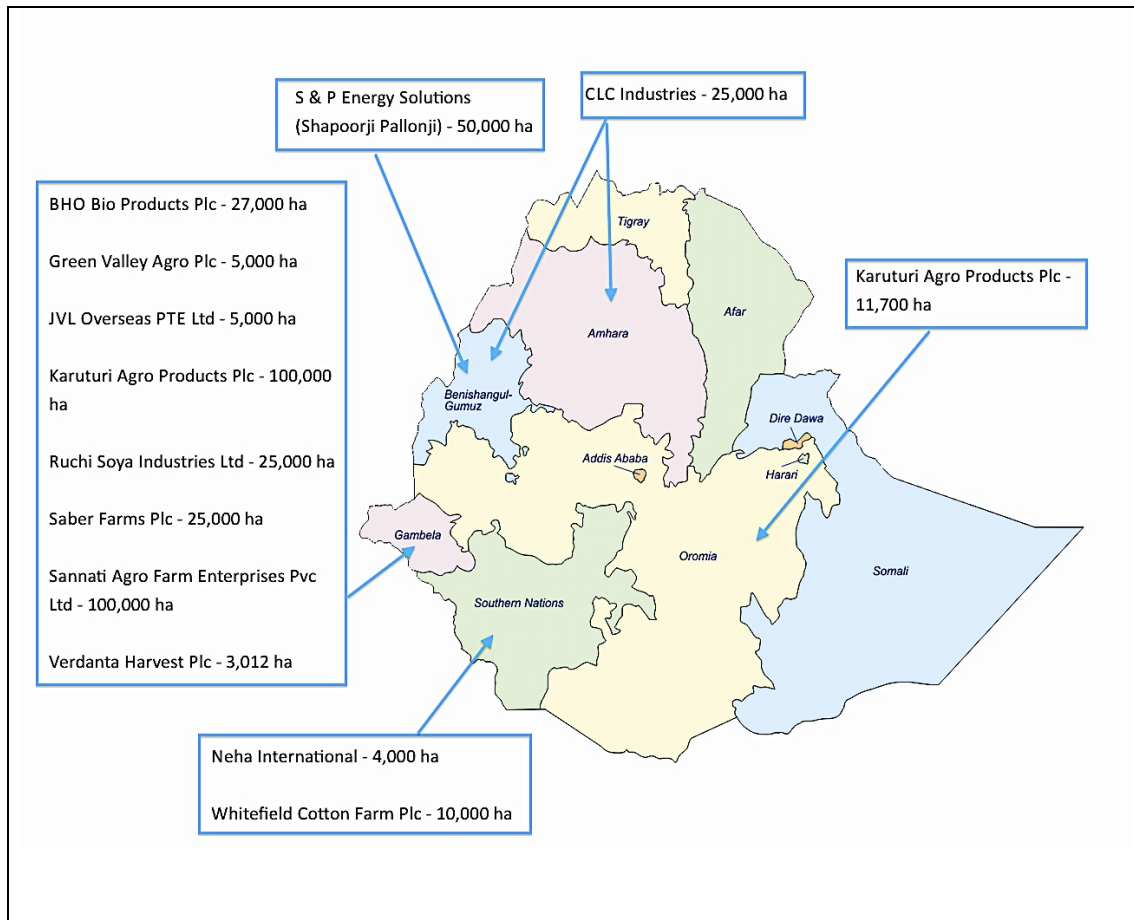
Portal (2013) were taken into consideration. The data provided by these sources were however very incomplete and some land investment deals solely based on Media reports. Land acquisitions that were solely based on Media reports were not considered for this collection. All land acquisitions in the table have official lease contracts, except for the Indian business “Neha International Ltd.” and Karuturi’s lease of 11,700 ha in the regional state of Oromia. Data for the Neha International deal were taken from the company’s homepage²⁰ and data for the Karuturi deal taken from Messele Fisseha’s case study on Ethiopia (Fisseha, 2011). No other Indian business documented their land deals with Ethiopia on their homepage, except Karuturi Agro Products Plc S & P Energy Solutions²¹ and Sannati Agro Farm Enterprises Pvc Ltd.²².

²⁰ <http://www.nehainternational.com/history.asp>

²¹ http://www.shapoorji.in/aboutus.aspx?Id=127&qstr=NavS04_sub014

²² <http://www.sannati.com/>

Figure 8: Geographical concentration of current Indian land acquisitions in Ethiopia



Source: Author's compilation, picture retrieved from http://d-maps.com/carte.php?num_car=20888&lang=en

Figure 8 illustrates that currently most land investments by Indian firms are concentrated in Gambela, where the land lease rates compared to other regional states are very low. The Gambela regional administration is keen to attract foreign investments by offering special incentives to foreign investors. Besides Gambela, Indian land investments are located in SNNPR, Oromia, Benishangul-Gumuz, and Amhara.

Description of selected Indian land acquisitions

Ruchi Soya Industries Ltd.

Ruchi Soya Industries Ltd. is a private Agribusiness and part of the Ruchi Group of Industries, which is a leading manufacturer of edible oils and soya foods. The two most famous brands include Nutrela and Ruchi Gold (Ruchi Soya Homepage, 2010). In 2010, Ruchi Soya Industries Ltd. signed a contract with MoA for a 25,000 ha lease in Gambela, with the possibility of extension to 50 years, at an annual lease rate of US\$6/ha/yr (Land lease agreement Ruchi Soya, 2010). According to GRAIN (2012), the land deal with Ethiopia is part of the company's overseas expansion to outsource its production of vegetable-oil crops, which is worth US\$150 million.

S & P Energy Solutions Plc.

S & P Energy Solutions Plc. is part of the SP Group, India's oldest construction company, with a company history of 147 years. It acquired 50,000 ha land in Benshangul-Gumuz Region for an annual lease rate of US\$7.76/ha/yr to grow food crops and *Pongamia pinnata*. According to S & P Energy Solutions Plc. the main objective is to target increasing food security concerns, to adopt state-of-the-art technology and to use them efficiently on targeted agricultural commodities. One of the companies' main aims is to engage in large-scale commercial production of cereals, pulses, oil seeds, and spices. Another main objective is to invest in the biofuel sector, where the company aims to expand its operations. According to its homepage it employs both local as well as international labour and promotes sustainability (S&P Energy Solutions Plc., 2013).

Neha International Ltd.

Neha International Ltd. was founded in 1993 with the aim to become a high quality exporter of roses. According to its homepage, the company started commercial activities in Ethiopia in 2004. In 2007 it expanded its operations and in 2008 it integrated its Ethiopian operations through Global Agro Holdings. In 2010 Neha

International Ltd. allocated land in Ethiopia and officially started to grow roses, rice, and pulses. Surprisingly, no official lease agreements can be found on the homepage of the Ministry of Agriculture (Neha International, 2013).

CLC Industries Plc.

CLC Industries Plc. is a subsidiary of Spindex Group, which was established in 1974. In 2009 the company was offered 25,000 ha farmland for a 50 years lease in Amhara to grow cotton. CLC Industries Plc. wants to establish a yarn factory in Kombolcha Industrial Zone in Amhara. On its farmland the company will grow cotton, which will be distributed locally until the yarn factory is fully operational. The total investment for the two projects will account for US\$100 million and will bring approximately 1,000 full and part-time jobs (Zwedie, 2011).

Karuturi Agro Products Plc

The most controversial land investment in Ethiopia is certainly that of Karuturi Global Agro Products Plc, a subsidiary of Karuturi Global Ltd. (hereafter Karuturi). Karuturi is a Bangalore-based private company and the largest cut-roses producer in the world. It was founded by its CEO Mr. Ramakrishna Karuturi in 1994 and has its farms in India, Ethiopia, and Kenya. It exports its products all over the world, to Europe, the US, Australia, and Japan (Karuturi, 2013a and 2013b). Karuturi has two production farms in Addis Ababa, 100 ha farmland in Holeta and 385 ha farmland in Wolisso, where the company grows flowers. In 2008 India decided to expand its operations and started to invest in agriculture in Ethiopia and Kenya. It planted maize, palm oil, sugar, and rice. In the future the company plans to scale up its cultivation of maize and rice. According to Karuturi (2013c) it distributes the majority of its produces to the COMESA (Common Market for Easter and Southern Africa) market, selling palm oil to Africa and India and cereals to Africa. When interviewed by ARTE, Ramakrishna Karuturi emphasized that:

“Our first preference is to sell our produce to the domestic market. Palm-oil is intended for the international market, but grain was always intended for the regional market, because it makes sense. At the moment its better to export to the African market because it brings more value per dollar than the international market.” (ARTE, 2013: 1:22’).

In contrast, the local population claims that they wish to buy maize from Karuturi and the regional market and not depend on international food aid (ARTE, 2013). The statements are very contradictory as is the whole story of Karuturis land lease in Ethiopia.

The Oakland Institute (2011) reports that in 2008 the government of Ethiopia offered Karuturi 300,000 ha of land in Gambela, located at the Baro river, at favourable prices for a 99 years lease. The rents were as low as US\$1-1,25/ha/yr. The terms of agreement were negotiated between Karuturi and the Gambela Regional Council, although the targeted area was over 5,000 ha and hence under the responsibility of the Federal Government (Proclamation 29/2001). Another mystery of Karuturis land lease evolves around the actual number of land being leased. According to Mr. Esayas Kebede, Head of the AISD (Agricultural Investment Support Directorate) only 100,000 ha, at a price of US\$7/ha/yr for 30 years was granted. GRAIN (2012) reported an actual number of 311,000 ha, at a price of US\$1.2/ha/yr in the Gambela and Bako region were granted to Karuturi. In contrast, the Land Matrix Portal (2013) finds that approximately 311,700 ha land was leased for two separate deals by Karuturi, one accounting for 300,000 ha and one for 11,700 ha. On the homepage of the MoA the official signed contract between MoA and Karuturi reveals that in 2008, 100,000 ha land has been granted to Karuturi for a 50 year lease, on an annual payment agreement of US\$1.08/ha/yr with an option of additional 200,000 ha. The contract includes 11,000 ha in Bako, Oromia and 100,000 in Gambela (Land lease agreement Karuturi, 2008/10). Hence, according to official numbers by MoA approximately 111,000 ha land has been leased to Karuturi with an option of additional 200,000 ha. This number corresponds with the number of 311,000 ha GRAIN (2012) has identified. However, according to the Oakland Institute (2011), actual figures are much higher. The disagreement and confusion about official figures

indicates the complex nature of land lease deals and the highly speculative numbers. It further points out the disaccord about responsibilities – for instance whether regional land administrations or the federal government are responsible for foreign and domestic land investments.

Recently lots of criticism has emerged around Karuturis land lease. According to ARTE's documentary, there have been protests by local farmers who have lost their land. In the town of Bako, Karuturi wanted to lease a hill adjacent to its farmland, where it intends to build offices. The hill is however a sacred place for many local people and they did not want to give it to Karuturi. As a consequence, the police fenced the hill and arrested protesting local residents. Esayas Kebede, Head of the AISD stated that he visited the farms of Karuturi in Bako several times and could not find any conflicts or violations of people's rights. *"If there are any problems there is a system to complain, but until today there are no claims,"* Kebede stated (ARTE, 2013: 40'). Since the incident in Bako, people are afraid to complain about any problems with Karuturi as they are scared of getting arrested.

The lack of transparency, the pollution of the environment, and the resettlement of thousands of people has caught global media attention and has raised concerns about future investments. Regardless of this criticism, former Prime Minister of Ethiopia Meles Zenawi promoted foreign investments with the argument that these investments will help to modernise Ethiopia's agricultural sector, create new jobs, and help combat food insecurity in the country (Maasho, 2012).

6.4 Impacts on the local economy and population in Ethiopia

Large-scale land investments by foreign investors from India have severe impacts on the local population and economy in Ethiopia. The Ethiopian government enforces these impacts by providing the legal basis at the expense of the local population. With the Villagization program it provides the legal basis for official resettlement, with the intent to cluster people in villages with better links and access to infrastructure. NGO's, civil society, and organisations like the Oakland Institute suspect that the Villagization program is a means to secure and acquire new farmland, which it can then lease to foreign or domestic investors. Furthermore, the government actively promotes and supports large-scale commercial farming of cash crops intended for

export. Again the population does not benefit from exports as Ethiopia itself is highly food insecure and would need to keep the produce of farms in the country. Moreover, large-scale investments pose a risk to the highly sensitive ecosystem with the intensive use of fertilizers. Accordingly, fisheries are in danger of toxic waste in the rivers and local people may drink polluted water or absorb toxics via food crops (The Oakland Institute, 2011).

In midst of these negative impacts foreign investors can provide positive incentives for the economy. With the establishment of new farms or factories new jobs are being created within the region. Furthermore, some Indian investors committed to provide infrastructure to villages and build roads to link their farms to markets. Despite the promotion of exports by the Ethiopian government some Indian investors plan to distribute their yields to Ethiopia or to neighbouring Sudan (Karuturi, CLC Industries Plc.) (The Oakland Institute, 2011, Maasho, 2012).

6.4.1 Villagization and Resettlement

The villagization program was implemented by the government in 1985 with the objective to resettle people into small village clusters with better farmland and better access to infrastructure, like schools and hospitals. Opponents of the program suspect that the initial motive is to promote agricultural investments, as targeted areas coincidentally were later areas with high investments. The government plans to relocate 1.5 million people by 2013 in Afar region (500,000), Somali region (500,000), Benishangul-Gumuz (225,000) and Gambela (225,000). There are one-year programs for Afar and Somali region and three-year programs for Benishangul-Gumuz and Gambela (The Oakland Institute, 2013b; Human Rights Watch, 2012). Interestingly, most land investments have been taking place in sparsely populated areas, near rivers where the land is better suited for irrigation (Baro River in Gambela and Blue Nile in Benishangul-Gumuz) (Lavers, 2012b).

Despite proven evidence of forced resettlement (for example investigations by the Oakland Institute and Human Rights Watch), the Ethiopian government insists on its official claim that the villagization program is voluntary and that affected communities are consulted beforehand. However, these investigations have found proof that the right of FPIC was violated, that people got arrested, beaten and raped.

Interviewees told Human Rights Watch that although most of them were in some form consulted beforehand, they were not allowed to refuse any terms and conditions of the investor (Human Rights Watch, 2012).

One of the main fears of communities interviewed by the Oakland Institute was the quality of the new land given to them. Usually families living in the highlands pursue shifting cultivation, where land is cultivated for three to seven years then left fallow for the same time span. Meanwhile a neighbouring plot of land is cultivated for the same period of time until the yields drop. Another indigenous group in the lowlands, the Anuak in Gambela, are used to grow their food on the riverside and are sceptical about new farmland, as they are not familiar with other forms of agriculture. In general each family is given around 3-5 hectares of land through the villagization program. However, many families were given plots below the size of one hectare, or non at all (The Oakland Institute, 2011; Human Rights Watch, 2012). An interviewee told the Oakland Institute:

“There will be no food. They say there will be lots of water, small place for tukuls, and backyard for vegetables. They said they will provide relief food for the rest, but they never keep their promise, and here we can grow our own food. We will not go. They will have to kill us.” (The Oakland Institute, 2011: 41)

In many cases land has much deeper value to communities, in cultural and religious terms. Traditionally communities were self-sufficient as the land provided everything they needed – now they have to rely on the commitment of the government to provide them with land and food. As already mentioned above, the land given to the communities is often small in size and if a family is being moved during harvest time, they have to rely on the government to provide them with food. The government, however, only provides small amounts of food. Ironically, the WFP now even targets new villages, which were being build as part of the villagization program (Human Rights Watch, 2012).

Certainly there is an evident correlation between resettlements and land investments. It is a fact that most resettlements have been taken place in Gambela and Benishangul-Gumuz, where at the same time most land investments are located. Moreover, promises in official leasing contracts *“to deliver and hand over the vacant possession of leased land free of impediments (...)”* (Land lease agreement Karuturi,

2008/10: Article 6; Land lease agreement Ruchi Soya, 2010: Article 6, refer to Annex 9.4 Land lease Agreement Karuturi Agro Products Plc) may be another indicator for the connection of resettlements to land investments.

Karuturi officially stated that the Gambela Regional government offered to move a village for their investment, which Karuturi chose to deny. The company officially declared that no one was displaced and no land was being taken. In contrast, the local population stated that they have lost land where they have used to grow maize and sorghum and their cemetery was destroyed (The Oakland Institute, 2011).

As the government claims that no forced resettlement is and has been taking place, no compensation has been given so far. The Ethiopian Constitution legally defines the terms and conditions of compensation in case of expropriation. All land in Ethiopia is under the control of the state and only the state can provide farmers with legal land titles. Only those who have land titles have the right to compensation – those who have no land titles are at disadvantage. However, in the targeted areas almost no one has official land titles and thus no right to compensation. Even if an investor would be interested to compensate for the loss of land, the company could not provide another tract of land as the land belongs to the state and hence cannot be purchased. Accordingly, the actual value of land cannot be compensated in fair terms. The Oakland Institute (2011) could not find any evidence that compensations have been given to evicted communities with the only exception that in some cases investors offered jobs to them. Another exception is that compensations were given out to farmers nearby Addis Ababa where land was subject to urban expansion and industrial land use and to farmers during the 2005-2007 floriculture expansion in Ethiopia.

6.4.2 Infrastructure Development

Poor infrastructure was always a main problem in Ethiopia. The poor quality of roads makes distribution of goods and services extremely difficult and hampers the access to markets. Currently many infrastructure developments are taking place, mainly financed by Ethiopia's main donors the EU, US, Japan, and the Organization of the Petroleum Exporting Countries, linking the main cities via roads, electricity, and telephone lines (The Oakland Institute, 2011).

Only view companies promised to contribute to infrastructure developments, including S & P Energy Solutions Plc. (Shapoorji Pollonji) and Karuturi. On S & P Energy Solutions Plc. homepage several initiatives were listed which should benefit Ethiopia's development. The company is committed to support social and economic welfare of local communities, for instance by helping to develop indigenous renewable energy resources (agricultural residues, biofuels) and hiring local labour. Moreover, it wants to pursue operations that are environmentally sustainable. However, no commitments to build roads or ports were listed (S & P Energy Solutions Plc., 2013).

The Oakland Institute (2011) also did not find any evidence that infrastructure commitments were made by foreign investors, with the only exception of Saudi Star (investor from Saudi Arabia) and Karuturi. The latter will use the Baro River at its side in Gambela to distribute its products to the markets. It promised to build basic infrastructure like electricity and water points at the nearby village. So far Karuturi has built a school and a hospital at its farm for its employees. In an interview with ARTE (2013) Ramakrishna Karuturi stated:

“There is nothing in the contract that stipulated us to any compensations (...). Its not that we need to build hospitals and schools.” (ARTE, 2013: 1:17’).

When asked if the company's lease contract demands any infrastructure development, he emphasized:

“Nothing, but we are doing it anyway because it's in our philosophy.” (ARTE, 2013: 1:17’).

In its 2011 report (Oakland Institute, 2011) the Oakland Institute was rather pessimistic about the commitments made by investors. At the moment all land deals are relatively young and operations still at the beginning of its operations – hence it will be interesting if the commitments made by Karuturi and S & P Energy Solutions Plc. will be fulfilled.

6.4.3 Employment Generation

Large-scale land investments by Indian firms bring new employment possibilities to Ethiopia. Karuturi stated that for its operations it would need 20,000-30,000 employees. The vacant positions mostly require labourer positions with low wages and seasonal and short-term contracts. The positions are usually taken by men coming from all over Ethiopia to work on the farms. Local communities living in the targeted areas of Gambela and Benishangul-Gumuz fear that the influx of labour migrants poses a threat to nature and natural resources and will increase conflicts and sexual violations. Further, they fear if these men bring their families along there will be further constraints on land, resources, and infrastructure (The Oakland Institute, 2011).

6.4.4 Environmental Impacts

The effects of large-scale agriculture have severe impacts on the local ecosystem and people. Many large-scale investments involve clearing woods and the introduction of commercial farming (often monocultures). In times of droughts or bad weather conditions, forests have so far provided the local population with enough food. Without their forests the local population is exposed to these climate conditions and has to face food constraints. Further, the impact of monocultures on the land is not only dangerous for the land itself but also for the local population. The input of fertilizers and toxic products decreases the soil fertility and pollutes the water. The local population either consumes this toxic waste through their food or the water. Until now the use of fertilizers on the new farms is quite limited but is expected to increase when the farms are fully operational. Under Ethiopian law (1997 Environmental Policy) it is required that an environmental and social impact assessment is conducted for investments. Since 2002 it is even required that such assessments are conducted prior to project implementation, but due to the lack of capacity, awareness, and political support such assessments have not taken place (The Oakland Institute, 2011).

6.4.5 Impacts on Food Security

The WFP has classified Ethiopia as “high food insecure”. In 2009, 84,000 out of 310,000 people in Gambela have received food aid. Yet, it is Gambela where most land investments are taking place. Ethiopia has always faced food constraints for generations and the population have learned to deal with droughts and unfavourable weather conditions. For instance in Gambela families pursued a dual system of shifting cultivation in the highlands and farming on sedentary sites at the riverside. The government has identified the plots where shifting cultivation has been practised as “unused land” or “abandoned farms”. Accordingly, these plots can no longer be used as a buffer. The impacts of commercial farming and monocultures have already been discussed – among others reduction and pollution of water supplies and reduction of wildlife and fish habitats. On top of all the AISD actively promotes the production of cash crops for exports, although the country would highly need additional food supplies (The Oakland Institute, 2011).

All of this factors combined undermine the ability of the local population to feed themselves properly.

6.5 India’s trade with Ethiopia: an analysis of trade statistics

Ethiopia’s total trade with the World is constantly rising, whereas in 2006 it accounted for US\$6.25 billion, in 2008 it accounted for US\$10.28 billion. The same applies for Ethiopia’s total trade with India, which is relatively small (Table 3).

Ethiopia’s main export partner in 2010 were China (10.14%), Germany (9.45%), Somalia (9.05%), Saudi Arabia (6.39%), Sudan (6.11%), Belgium-Luxembourg (5.69%), and Switzerland (5.64%). India only accounts for 1.28% respectively. Yet, some of Ethiopia’s export products to India, like oil seeds, iron and steel are constantly rising. According to the Macroeconomic Handbook (2011/12), the bulk of agricultural exports are coffee, pulses, oilseeds, and flowers and recently emerging fruit and vegetables and meat and livestock. Ethiopia’s main import partners in 2010 were China (47.50%), United Arab Emirates (11.56%), Germany (5.02%), Canada (4.46%), India (4.44%), Italy (3.31%), and Brazil (2.98%) (The Observatory of Economic Complexity, 2013). Ethiopia mainly imports food and live animals,

petroleum (products), chemicals, machinery, cereals, and textiles. From India, Ethiopia mainly imports iron and steel, electronic equipment, pharmaceutical products, machinery, and sugar (Focus Africa, 2013).

Table 3: Ethiopia's total trade with the World and India in US\$ millions

Details	2006	2007	2008
Ethiopia's total trade with World	6,250 (100%)	7,090 (100%)	10,280 (100%)
Ethiopia's total imports from World	5,210 (83.36%)	5,810 (81.95%)	8,680 (84.44%)
Ethiopia's total exports to World	1,040 (16.64%)	1,280 (18.05%)	1,600 (15.56%)
Ethiopia's total trade with India	300 (4.80%)	440 (6.21%)	650 (6.32%)
Ethiopia's total imports from India	300 (290.3) (4.64%)	430 (6.06%)	640 (6.23%)
Ethiopia's total exports to India	9.7 (0.16%)	10 (0.14%)	10 (0.10%)

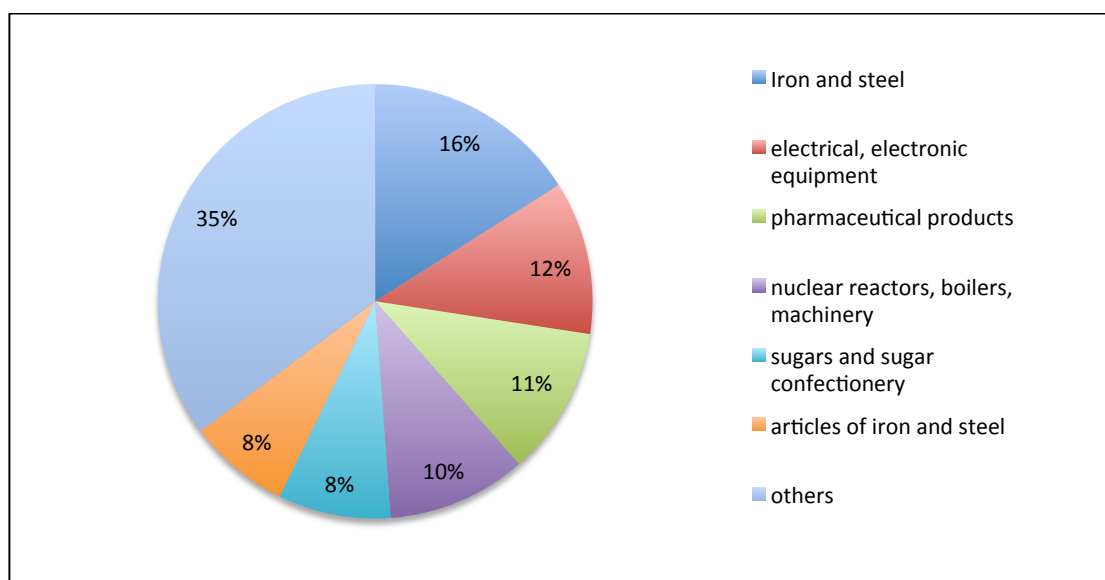
Source: Focus Africa, 2013

http://focusafrica.gov.in/Country_at_glance_Ethiopia.html#3

Table 3 illustrates Ethiopia's total trade with the world in the years 2006, 2007, and 2008. Data was taken from the Focus Africa Programme homepage. Ethiopia's total trade is only a fraction from Ethiopia's total trade with the world. Ethiopia generally imports more from India than it exports to India. In the future it is expected that Ethiopia's exports to India are rising due to trade promotion policies from India. Additionally, the percentage shares of all categories in relation to Ethiopia's total trade with the world (100%) are provided. While in absolute numbers Ethiopian imports from India have more than doubled between 2006 and 2008, its proportional contribution to Ethiopia's total trade with the World stays small accounting for 4.64% in 2006 and 6.23% in 2008.

The author took notice that the 2006 figure of Ethiopia's total exports to India is not corresponding with Ethiopia's total trade and imports with/from India. The author also noticed that the numbers on the website are mostly rounded up to the next whole number. As a result, the reader might find some variations in the data.

Figure 9: Ethiopia's top 6 products of import from India, 2008

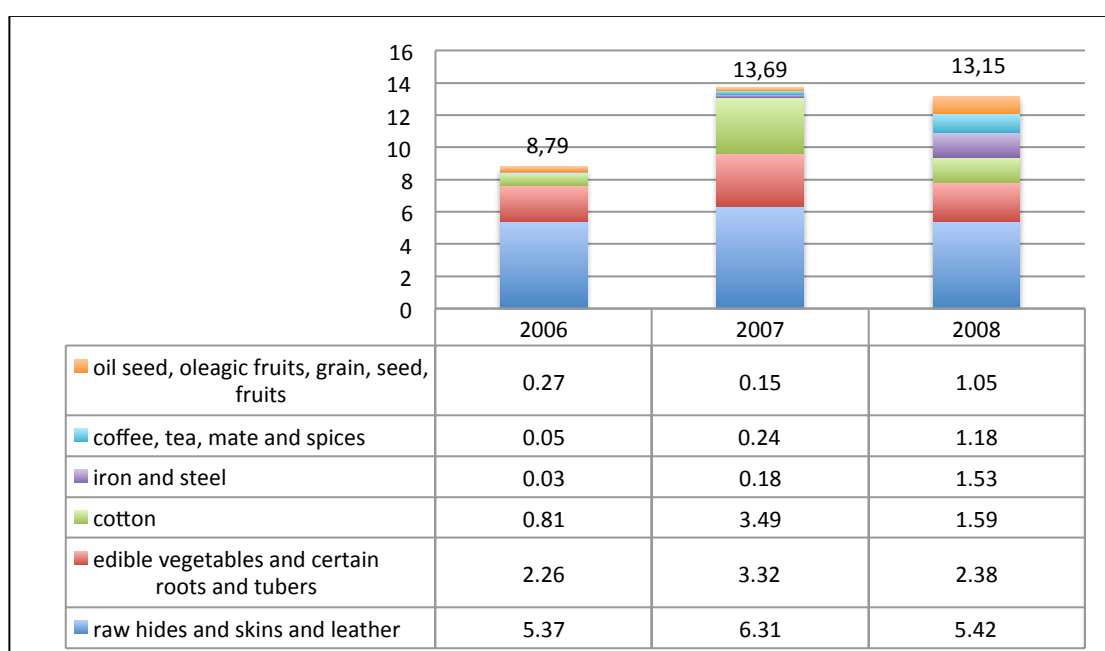


Source: Focus Africa, 2013

http://focusafrica.gov.in/Country_at_glance_Ethiopia.html#3

Figure 9 illustrates that the top three import products from India are iron and steel, electrical and electronic equipment, and pharmaceutical products. The category “others” (35%) include among others articles of plastic, aluminium, pulp, paper, and rubber (Focus Africa, 2013).

Figure 10: Ethiopia's top 6 products of exports to India in US\$ millions, 2008



Source: Focus Africa, 2013

http://focusafrica.gov.in/Country_at_glance_Ethiopia.html#3

Figure 10 illustrates that Ethiopia's exports to India are constantly rising. In 2008 the composition of its export products to India was more diverse than in 2006. According to Focus Africa (2013) the product groups "iron and steel", "coffee, tea, mate and spices" and "oil seed, oleagic fruits, grain, seed and fruit" had the highest compound annual growth rate²³ from 2006 until 2008. The growth rates correspond with the projections of the Macroeconomic Handbook (2011/12), which predicts high growth rates for fruit and vegetables. Hypothetically, the growth in oil seeds could be traced back to India's growing energy needs (especially biofuels in the case of Ethiopia).

²³ The compound annual growth rate is defined as „a useful measure of growth over multiple time periods. It can be thought of as the growth rate that gets you from the initial investment value to the ending investment value if you assume that the investment has been compounding over the time period.“ (Investing Answers - Financial Dictionary, 2013: para 1).

7) Conclusion and Discussion

India certainly has an interest in Africa, given its increasing investment, aid, and trade flows. India has set up embassies in many African countries, has organized official state visits, and has established a platform for discussing future investments between India and Africa. India is also a provider of development assistance, which the country is keen to put under the name of South-South Cooperation. Emphasis is given to the notions of mutual-benefit, co-development, non-interference in domestic affairs and respect for sovereignty. All of these measures are designed to promote India's rise as a respected and peaceful power, to earn prestige in the global community and to acquire loyal friends in Africa, who help back India's quest for a permanent seat in the reformed UN Security Council (Bhattacharya, 2010). India is following a similar model like the US, one of exploitation and strategic thinking. The US is threatened by the rise of China, and India is well suited to counterbalance China's dominance, also by obtaining a seat in the Security Council (Naidu, 2009).

However, one of the main motives for India to invest in Africa is to secure future energy supplies. India is mainly interested in African oil as the country wants to bypass the problems in the Middle East. Consequently, it does not come as a surprise that India is heavily investing in oil-rich countries like Sudan and Angola (Naidu, 2010; Bhattacharya, 2010). Further, India is interested in non-renewables like biofuels - setting a 20% biodiesel blending target (The Indian Express, 2011).

Africa represents a huge market for investments and manufactured commodities. The continent has an abundance of raw materials, farmland rents are cheap, and African governments have set up favourable conditions for Indian investment. But to what extent is India's interest in Africa linked to land grabbing?

The research question for this thesis was:

- What is the role of land grabbing in India's Africa strategy?

The first hypothesis, which I analysed emphasized that India is outsourcing its food production because it lacks the space and fertile soil to cultivate and produce food domestically (Rowden, 2011; Cotula et al., 2009).

The second hypothesis claimed that India's increasing engagement in land grabbing in Africa in general and in Ethiopia in particular is triggered by securing India's resource and energy needs in the future (Cotula et al., 2009; the Oakland Institute, 2011; Rowden, 2011; Smaller and Mann, 2009; Borras and Franco, 2010; and Kugelman and Levenstein, 2009).

The first hypothesis can be verified. Some parts of India's land are now unsuitable for agriculture as a result of land conversion in favour of industrialisation, commerce, transportation, and housing. Moreover, India has limited farmland capacities and constraints with access to water, as a result of climate change and erratic rainfall (Rowden, 2011, Cotula et al., 2009). As for now, India's food production can hold pace with its population growth and meet the required demand. The question is if India can also supply its future generation with enough resources? It will be difficult for India as the country's resource needs will rise immensely (Singh et al., 2012). Consequently, India needs to look for alternative ways to meet its population demand.

The second hypothesis needs to be discussed more closely.

Is land grabbing a means to secure natural resources for India?

The question occurs if India is acquiring farmland in Ethiopia to grow food crops for its growing population. It is quite difficult to analyse this question, as Indian companies who are involved in land grabbing do not publish any data of their produce on their Ethiopian farms. Moreover, official company statistics do not reveal any data. This does not come as a surprise given the criticism on land investments. In general, there is a lot of secrecy when it comes to land investment deals.

While looking at the trade statistics, surprisingly trade between India and Ethiopia did not include the products, produced on the farms acquired by Indian firms. The only exception is oil seeds, whose percentage of total exports has been increasing between the years 2006-2008 (Figure 10). This suggests that India has other interests in Ethiopia. Trade between India and Ethiopia is increasing, which implies that India is

trying to increase its presence and foothold in Ethiopia. India is becoming increasingly visible, with more and more Indian companies settling down.

Furthermore, only few Indian companies (S & P Energy Solutions Plc. (Shapoorji Pollonji), Karuturi, Sannati Agro Farm Enterprises Pvc Ltd. and Neha International Ltd.) announce their farmland acquisitions on their homepage and other organisations, like the Oakland Institute or GRAIN did not document where Indian firms are planning to sell their produce. Karuturi states on its homepage that it will distribute the majority of its produce to the COMESA market and in an interview with ARTE (2013) Ramakrishna Karuturi emphasized:

“Our first preference is to sell our produce to the domestic market. Palm oil is intended for the international market, but grain was always intended for the regional market, because it makes sense. At the moment its better to export to the African market because it brings more value per dollar than the international market.” (ARTE, 2013: 1:22’).

First of all it is important to say that Karuturi's aim is not to sell its produce on the domestic market, but rather on the regional market - to neighbouring countries of Ethiopia like Sudan and South Sudan (Maasho, 2012). There is no reference that Karuturi plans to sell its produce back to India.

Accordingly, we are dealing with an economic, rather than a food or energy security issue.

In Summary, it is interesting to say that almost every author cited in this thesis emphasized that one key motive for India to acquire farmland in Ethiopia is to secure its growing resource needs as a result of its growing population, limited farmland capacities and constraints with access to water. Anseeuw et al.'s study (2012) on land investments, which is based on the Land Matrix Portal, suggests that one motive for acquiring farmland abroad is food security. However, all deals falling into this category are mainly based on media reports and therefore classified by the Land Matrix Portal as the least reliable source of data. The Land Matrix Portal ranks their data on a scale from zero to three, with zero being the least reliable and three being the highest reliable source. The category zero includes sources from the media and press. The category one includes research papers from organisations that have done

field research. The category two includes sources that were crosschecked by the Land Matrix Portal through interviews and category three contains official land lease contracts, which are publicly available on the homepage of ministries. In the case of food security most sources are based on media reports and the majority of the sources were published in 2008 and 2009 where the impacts of the global food crisis were still very visible. However, more reliable sources by the Land Matrix Portal suggest that food security is still one of the main motives for acquiring farmland abroad, comprising 24% of the more reliable deals (Anseeuw et al., 2012).

There is no evidence that India is acquiring farmland in Ethiopia to produce food and export it back to India. Rather, Indian companies are profiting from cheap land rates, the special incentives Ethiopia offers, the large farmland size, and the access to Africa's regional market. India as a country benefits from increasing trade and commerce relations with Ethiopia, and on a wider scale from its increasing footprint in Africa, signalling its rise as a peaceful respected power.

If we look again at Ghandi's vision that "*The commerce between India and Africa will be of ideas and services, not of manufactured goods against raw materials after the fashion of the Western exploitators.*" (Mahatma Gandhi, in Bhattacharya, 2010: 63) we can conclude that Ghandi was wrong. Although ideological motives are still present in Indo-African relations they are now mainly replaced by pragmatic ones, first and foremost New Delhi's energy diplomacy.

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9) APPENDIX

9.1 Abstract English

This thesis analyses India's growing relationship with Africa, amid India's economic rise and path towards industrialization. In the last decades India has witnessed quite stunning economic growth rates of around 8% per year, which implies that in the future India will need key energy resources to sustain this growth. Furthermore, India's population is steadily increasing and is projected to outpace China's between 2020-2015. India's population growth is putting pressure on the Indian government, who needs to look for alternative ways to feed its population, as its production of key food crops will not meet the demand in the future. In order to sustain both its economic growth and its population growth India has started to increasingly invest in various African countries, among others Ethiopia. Ethiopia is offering special incentives for Indian investors to acquire farmland in the country, hoping to benefit from financial transfer, employment generation, infrastructure development and improvements in food security. On the other hand, India benefits from Ethiopia's low lease rents, tax holidays, large farmland size, and access to key markets. In light of the land grabbing debate the aim of the thesis is to analyse if the main motives for India to invest in Africa in general and to acquire farmland in Ethiopia in particular is to satisfy its energy and resource needs.

9.2 Abstract German

In der vorliegende Diplomarbeit werden Indiens Beziehungen zu Afrika im Kontext von Indiens ökonomischen Wachstum und Aufstieg zu einer der wichtigsten Industrienationen der Welt beleuchtet. In den letzten Jahren hat Indien hohe ökonomischen Wachstumsraten von zirka 8% pro Jahr zu verzeichnen. Auch Indiens Bevölkerung ist im ständigen Wachstum. Berechnungen zufolge wird Indien China als das Bevölkerungsreiche Land der Erde 2020-2025 ablösen. Um die ökonomischen Wachstumsraten aufrechtzuerhalten benötigt Indien wichtige Energiereserven, wie Öl und Biokraftstoffe. Aufgrund der steigenden Bevölkerungszahlen wird die Nachfrage nach externen Nahrungsmitteln ständig steigen, da die Produktion im eigenen Land

nicht mehr ausreichen wird. Deshalb hat Indien seine Beziehungen zu verschiedenen Afrikanischen Ländern vertieft, vor allem zu jenen mit ausreichend Ressourcen und fruchtbaren Land. Eines dieser Länder ist Äthiopien. Die Äthiopische Regierung bietet Indischen Investoren günstige Rahmenbedingungen, wie beispielsweise vergünstigte Steuern, den Zugang zu wichtigen Märkten und große Flächen an anbaufähigem Land zu geringen Preisen. Im Gegenzug erhofft sich die Äthiopische Regierung Zufluss von finanziellen Mitteln, den Ausbau der schlechten Infrastruktur, die Schaffung von Arbeitsplätzen und die Verbesserung der Ernährungssicherung im Land.

In Kontext der Land Grabbing Debatte, soll das Hauptaugenmerk auf den Motiven der indischen Investoren liegen. Es gilt zu analysieren ob die Energie- und Nahrungssicherung tatsächlich die Hauptmotive Indiens für die zunehmende Zusammenarbeit mit Afrika im Allgemeinen und Äthiopien in Speziellen sind.

9.3 Curriculum Vitae

Personal Information

Name: Magdalena Hules

Date of Birth: 25.12.1988

Place of Birth: Vienna, Austria

Education and training

2010 - to date	Bachelor of Political Science, University of Vienna
2009 – 2013	Diploma studies of International Development, University of Vienna
1999 – 2007	Wirtschaftskundliches Realgymnasium, Theodorkramerstraße 3, 1200 Vienna

Work experience

09/2013 – 12/2013	Internship at the Permanent Mission of Austria to the United Nations, 600 Third Avenue 31 st floor, New York 10016
2009 – to date	Assistant of Manager, Bertrams GmbH & Co KG, Handelskai 1200 Vienna
05/2012 – 07/2012	Internship at the Information Office of the European Parliament in Vienna, Wipplingerstraße 35, 1010 Vienna
01/2012 – 03/2012	Internship at the NGO Grenzenlos, Heiligenstädter Straße 2, 1090 Vienna
2008 – 2009	Catering, Mise en Place Austria GmbH, Alser Straße 24, 1090 Vienna
2009	Volunteer Aids Conference Vienna
2009	Summer internship, Victoria-Volksbanken Versicherungs AG, Modecenterstraße 17, 1110 Vienna
2006/2007/2008	Summer internship, Bawag P.S.K, Hüttelbergstraße 2, 1140 Vienna, Fleischmarkt 19, 1010 Vienna

Language skills and additional information

German: mother tongue

English: fluent in writing, speaking, listening and reading

French: 6 years in school: good knowledge

Italian: 4 years in school: basic knowledge

Spanish: courses at university, basic knowledge

09/2010	Study tour to India, organised by the University of Vienna with Knowledge Yatra India
2007 – 2008	EF Language School, Academic Semester Abroad Australia
2008	Cambridge Certificate of Advanced English

9.4 Land lease Agreement Karuturi Agro Products Plc

LAND RENT CONTRACTUAL AGREEMENT MADE BETWEEN MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

AND

Karuturi Agro Products Plc

This Land Lease Agreement is made and entered by and between **Ministry of Agriculture and Rural Development** of FDRE having its principal office at Bole sub city, Addis Ababa, Ethiopia, [herein after referred to as the "Lessor"].

and

Karuturi Agro Products PLC is a Private limited company incorporated under Ethiopia Law and having its Registered Office at **H.no 2112, Kebele 02, Bole sub city, Addis Ababa Ethiopia** [herein after referred to as "lessee", which expression where the context admits shall also mean and include its successors and assigns, including a company to be incorporated for the purpose here in after mentioned by the lessee in the Federal Democratic Republic of Ethiopia.

WHEREAS, the lessee, a business organization incorporated to engage in palm plantation, maize and rice farm Development under the relevant laws of Ethiopia; and requires sufficient land in Gambela regional State;

WHEREAS, the Ministry of Agriculture and the Gambela Regional State had agreed investment lands more than 5000 ha to be administered by Ministry, the Gambela Regional State Investment Agency has already transferred all necessary documents of the lessee to the Ministry and because it is found necessary to replace the agreement made between Karuturi Agro Products Plc and Jikao & Itang district administration of Gambela Regional state with a new one, acknowledging the efforts of both parties ;

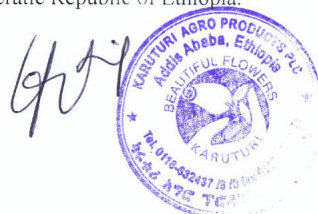
WHEREAS, the Lessor is willing to provide the required land lease basis in accordance with the terms and conditions provided hereunder;

NOW THEREFORE, the parties have executed this land lease agreement on *25th, October 2010* under the terms and conditions indicated herein below.

Article 1

Scope of Agreement

1.1 The scope of this lease Agreement is to establish a long term land lease of rural land for development palm, cereals and pulses farm on the land measuring *100,000* hectares (Itang 42,088 ha and Jikao 57,912 ha), located in **Gambela** Regional State, *Nuer Zone, Jikao District and Itang Special District* together with the lease certificate serial No **EIA-IP 14584/07** with all rights of easement of amenities, fittings, fixtures, structures, installations, property or other improvements standing thereon, to the company incorporated for the purposes hereinafter mentioned by the lessee in the Federal Democratic Republic of Ethiopia.



- 1.2 This Lease Agreement shall be applicable to the full and exclusive use of that parcel of Rural land more particularly described in this lease [herein after referred to as the 'Lease Land'] for cultivation or development of palm with cereals and pulses free of any other land rent other than the rent expressed under Article 2 of this agreement.

Article 2

Period of the land lease and payment rate of the land lease

- 2.1 This land lease agreement, as agreed between the lessee and Jikao & Itang districts will be maintained to be 50 years but can be renewed for another additional years mutually agreed between the parties.
- 2.2 Land rental payment procedure
- 2.2.1 The annual lease rate per hectare of land for use of agricultural investment referred to in article 1 on this contract per hectare, as agreed and signed between the lessee and Jikao & Itang districts is maintained to be birr 20 (*Birr Twenty Only*), and total amount payment of contract shall be birr 100,000,000 (*Birr One Hundred Million only*). The annual amount of payment shall be birr 2,000,000 (*Birr Two Million only*)
- 2.2.2 The annual lease payment as stated on sub article 2.2.1 should be paid every year commencing from the execution of this agreement.
- 2.2.3 Up on payment of the lease for the amount of land contracted at both districts finance and economy development offices, the receipt should be immediately issued to Lessee and a copy of which shall be submitted to district administrative office.
- 2.2.4 The lessor reserves the right to revise the lease payment rate as the need may arise .

Article 3

Rights of the Lessee

The lessee has the right to:

- 3.1 Develop the land for main crop palm , cereals and pulses farming that are agreed and administer the land, in accordance with the terms of this agreement.
- 3.2 Build infrastructure such as dams, water boreholes, power houses, irrigation system, roads, bridges, offices, residential buildings, fuel/power supply stations/out lets health/Hospitals/Dispensaries , educational facilities, at the discretion of Lessee upon consultation and submission of permit request with concerned offices subject to the type and size of the investment project when ever it deems so appropriate.



- 3.3 Use irrigation water from rivers or ground water respecting present and future environmental and water laws & regulations with out any disturbance to the environment with prior permission from responsible federal and regional institutions.
- 3.4 Develop or administer the leased land on his own or through a legally delegated person/ agency.
- 3.5 Develop and cultivate the land and harvest the crop and carry on all other activities by mechanization or such other means that the lessee shall in its own discretion deem fit and proper in the circumstances.
- 3.6 Get additional 200,000 ha land up on accomplishing the 100,000 ha with in two years as specified in sub article 4.4.
- 3.7 Terminate the land lease agreement subject to at least six months prior written notice.

Article 4

Obligations of Lessee

- 4.1 Lessee shall bear the obligation to provide good care and conservation of the leased land and natural resources thereon, with particular obligations to:
 - a) Conserve tree plantations that have not been cleared for earth works.
 - b) Apply appropriate working methods to prevent soil erosion in slopping areas.
 - c) Observe and implement the entire provision of legislations providing for natural resource conservation.
 - d) conduct environmental impact assessment and deliver the report with in three months of execution of this agreement.
- 4.2 The lessee should take over the leased land with in 30 days of execution of this agreement by settling the required down payment as indicated in article 2.2.4
- 4.3 The lessee is expected to start to develop the land within six months from the date of execution of the land lease Agreement or from the date of receipt of last of all the clearances from the government and other agencies are received by the lessee which ever is latter.
- 4.4 Under the contract, the lessee shall develop *Half* of the leased plot of land within the first year from the date of signing of this land lease contract or from the date of receipt of all the clearances from the government and other agencies, as may be required are received by the lessee, whichever is later; accordingly, it shall develop the entire plot of leased land within a period of not more than *Two years* starting from the date as specified above.



- 4.5 Upon expiry or termination of land lease contract or revocation of investment license, lessee shall remove assets installed on the leased land in good order and hand over the leased land to lessor within a period not exceeding one year.
- 4.6 Lessee shall provide correct data and investment activity reports upon request by the ministry of Agriculture and Rural Development.
- 4.7 the lessee has the obligation to settle the current annual land rent to the district where the land is located during the months December up to June every year as per predetermined lease rate for rural lands.
- 4.8 Lessee shall, up on entering into the lease contract, submit an advance action plan as regards the use of the leased rural land accompanied by this contract document to the Ministry of agriculture and rural development.
- 4.9 The lessee shall in no way make any unauthorized use of the leased land beyond the predetermined purpose or objective or plan as stated in article 3 this agreement without expressed consent of the lessor in writing.
- 4.10 Unless 75% of the project land is developed the lessee has no right to transfer the land or properties developed on the land in favour of any other company or individual.
- 4.11 Up on developing 75 % of the land, the lessee can transfer the land or properties developed on the land in favour of any other company or individual only with the prior permit of the lessor.
- 4.12 However the right of sub article 4.11 being as it is, the lessee shall not have the right to transfer only the remaining land which is not developed.

Article 5

Right of Lessor

The lessor has exclusive right to:

- 5.1 Monitor and establish the fact that the lessee is discharging and accomplishing its obligations diligently.
- 5.2 Restore such lands, covered by this lease which are not developed by the lessee on the expiry of one year from the date specified for commencement of development in terms of clause 4.4 mentioned above, provided however that the lessee is given six months prior notice and fails to cure such failure within such one year period.
- 5.3 The right of the lessor under article (5.1) above shall be exercised and performed in a manner that does not cause any hindrances to the work and activities of the lessee.
- 5.4 Terminate the land lease agreement subject to at least six months prior notice in written up on the Federal Government's decision for any better socio-economic benefit.



5.5 Shall have a right to amend the land rent, in accordance with Article 2.2.5 of this Agreement.

Article 6

Obligations of Lessor

- 6.1 The lessor shall be obliged to deliver and hand over the vacant possession of leased land free of impediments to the lessee within thirty(30) days from the execution of this land Lease agreement.
- 6.2 In view of the importance of the proposed major investment, the lessor undertakes to provide or cause to provide special investment privileges such as exemptions from taxation and import duties of capital goods and repatriation of capital and profits granted under the investment laws of Ethiopia.
- 6.3 The lessor here by covenants with and assures the lessee that there are no legal or other impediments whatsoever in the Lessee's clearing the land and using the same for the lessee's activities on the land covered by this Agreement, and purposes ancillary or incidental thereto.
- 6.4 To arrange access and use of facilities of the Federal government and the Regional State Research centers with fee for the purpose of soil testing and mapping.
- 6.5 The lessor shall issue 6 (six) month advance notice prior to termination of this contract on the grounds of failure to develop the land within the time limits in accordance with the contract obligation or any damage on the natural resources or non performance of due payment of lease charge and in the event of not addressing such issue, the Lessor may extend the time period for such compliance or terminate the agreement, in terms of this agreement .
- 6.6 The lessor shall ensure during the period of lease, Lessee shall enjoy peaceful and trouble free possession of the premises and it shall be provided adequate security, free of cost, for carrying out its entire activities in the said premises, against any riot, disturbance or any other turbulent time other than force majeure, as and when requested by the Lessee.

Article 7

Delivery of the lease land

- 7.1 The lessor shall, deliver to the lessees the site plan and the clear title certificate or certificates of the land within thirty days from the date of signing this contract with lessor.
- 7.2 If the delivery process cannot be effected due to and reason caused on the part of the lessee in spite of informing the Lessee in writing, to that effect the lessor shall not assume any responsibility of such failure.
- 7.3 Land handing over shall be done within thirty days of the signing of this lease agreement and it shall come into in to force immediately thereafter.



Article 8

Contract Amendment and Renewal

8.1 This land lease Agreement shall be renewed on the same terms and conditions.

8.2 If any of the parties wish to renew the agreement, it shall inform the other party at least six months before the expiration of the contract period.

Article 9

Grounds for contract termination

The land Lease Agreement may be terminated for the following reasons, namely:

- 9.1 Upon expiry of the Lease contract period, or such extended period as may be agreed by the parties.
- 9.2 Upon the failure of the lessor to deliver the land to the lessee due to causes other than 'Force majeure'.
- 9.3 Upon the failure of the lessor to fulfill or observe any of its obligations or covenants herein contained after the Lessee has given a written notice of six month and the Lessor fails to so observe and perform.
- 9.4 Upon the failure of the Lessee to settle the annual rental and other relevant tax payments for two consecutive years.
- 9.5 Upon the failure of the Lessee to perform its obligations, within its control under this contract after the Lessor has given to the lessee six months prior notice calling upon the lessee to observe and perform such obligations
- 9.6 Up on giving at least a six month advance notice by the lessor in writing to the lessee to terminate this lease contract as indicated on sub article 5.4.
- 9.7 Up on giving at least a six month advance notice by the lessee in writing to the lessor to terminate this lease contract as indicated on sub article 3.7.

Article 10

Consequences of Contract Termination Procedure

- 10.1 On termination of this Land Lease Agreement, the Lessee shall surrender the leased land back to the Lessor within one year from the date of termination.



- 10.2 If this Agreement is terminated by the Lessee for any of the reasons stated in Article 9.3 and 9.6 the lessor shall pay to the Lessee the value of improvements effected by the Lessee on the land at then market price after setting off any dues on account of rentals or taxes.
- 10.3 If this agreement is terminated by the lessor for any of the reasons stated in article 9.4, 9.5 and 9.7 no payment shall be made by the Lessor to the Lessee on such termination.
- 10.4 Where the agreement is terminated up on the expiry of the term of the lease agreement for the reasons on article 9 the lessor has priority right to purchase properties over the land in negotiation with the lessee and, if not the lessee has the right to sale it to any interested third party up on written permit of the lessor. In doing So the lessor or any concerned government authority shall expeditiously allow the lessee to do so.

Article 11

Registration

This Land Lease Agreement shall not be subject to registration and approval by a notary office. However, the lessor as a representative and the highest authority of the Federal Democratic Republic of Ethiopian government with respect to this lease agreement, shall guarantee validity of this Agreement despite absence of the registration. Furthermore copies of the contract agreement shall be sent to the lessee, District administration, finance office, investment commission and other concerned bodies through lessor enclosed with covering letter of cooperation.

Article 12

Governing Law

The governing law for operations under the agreement shall be the laws of Ethiopia.

Article 13

Force Majeure

Conditions of force majeure shall be governed by the Ethiopian Civil code.

Article 14

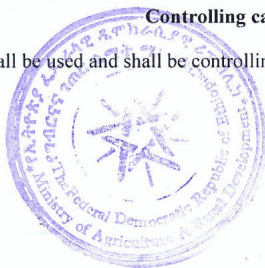
Covenant of peaceful possession

The lessor warrants that it has full ownership and property rights in the leased area for granting this land lease Agreement and shall protect the right of the lessee to the peaceful possession, use and quiet enjoyment thereof.

Article 15

Controlling calendar

The Ethiopian calendar shall be used and shall be controlling for the purpose of this agreement.



Article 16

Annex to the Agreement

The documents listed below shall be annexed and considered as part and parcel of this Agreement.

- 16.1 The site plan of the leased land
- 16.2 Photocopy of the ID or passport of the Lessee or duly authorized person by the lessee.
- 16.3 Photocopy of the Memorandum and Articles of Association of the Lessee.
- 16.4 land lease payment schedule.

Article 17

Settlement of Disputes

In the event of a dispute arising between the lessor and the lessee arising out of or in connection with this Land Lease Agreement, both parties will do their utmost to resolve the dispute amicably and to their mutual satisfaction and if they are unable to achieve such a settlement the dispute shall be referred to Ethiopian Federal Court.

Article 18

Office and Notices

- 18.1 The Lessee shall establish and maintain an office in Ethiopia as may be necessary or convenient for carrying out operations.
- 18.2 All communications and notice required to be sent from one party hereto to the other shall be in writing in the English or Amharic language and shall be delivered in person or sent by mail at address indicated in the preamble of this Agreement.

Article 19

Replacement of Agreement

- 19.1 The agreement signed between Gambela Regional state, Itang and Jikaw district administration and Karuturi Agro Products Plc. Dated 04/08/2008 is canceled and replaced by this agreement.



Article 20

Effective Date of the contract

This land lease Agreement shall remain effective for 50 years starting from the date of **04/08/ 2008 (as signed before with the districts)** and shall come to expiry as of the date of **03/08/2058**.

LESSOR

LESSEE

SIGNED AND SEALED and DELIVERED

SIGNED, SEALED and DELIVERED

For and on behalf of Ministry of

For and on behalf of Karuturi Agro Products Plc

Agriculture and Rural Development

Signature Defera

Signature [Signature]

Date _____

Date (5-11-2010)

Witnesses

Name

Signature

Date

1. Bezu

[Signature]

2. ASHOK SHARMA

[Signature]

05/18/2010

3. Bithanufersfoye

[Signature]

12/02/03

