India’s land grab deals in Ethiopia: Food security or global politics?

Magdalena Hules a,*, Simron Jit Singh b

a Holborn Gate, 26 Southampton Buildings, WC1A 1AH London, United Kingdom
b University of Waterloo 200 University Avenue West Waterloo, Ontario N2L 3G1, Canada

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A B S T R A C T

The so called “land grabbing” has gained increased attention since the outburst of the global financial and food crisis triggering a new trend of acquiring land for outsourcing production of food, feed and agrofuels. India as one of the newly emerging economies is investing heavily in farmland as it faces enormous challenges to sustain its rising population and growing energy demands. This paper analyses Indian land acquisitions in Ethiopia, looking into India’s motivations to acquire farmland and what incentives does Ethiopia have to lease out land to large investors. The paper draws on trade data between India and Ethiopia, expert interviews, studies and reports on the use and productivity of grabbed land. In view of the land grabbing and food security debate, the paper critically evaluates whether acquiring farmland in Ethiopia can indeed contribute to food and energy security in India.

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1. Introduction

The recent surge of global large-scale land investments, has led to a number of publications by scholars and activists to document causes, trends, scope and impact of this relatively new phenomenon, often termed “land-grabbing”. Highlighted first in a report by GRAIN (2008), and in a number of publications thereafter, heated debates among scholars has evolved around the impacts of large-scale land investments. The main concern in discussions is whether such land investments are opportunities to promote rural and agriculture development, or is it “land-grabbing” (Cotula et al., 2009), where investments are designed for profits through exploitation of the environment and the displacement of local livelihoods by restricting access to resources and causing food insecurity (Messerli et al., 2013). Commonly land grabbing refers to the purchase or long-term lease of vast tracts of land by foreign and/or national state-owned or private investors primarily to produce (flex) crops for regional and international markets. Often these acquisitions are accompanied by controversy and resistance by the local population due to several factors such as the secret nature of the deals, and often involving displacement of people, changes in land use, or around the intended outcomes including employment generation, infrastructure development, or enhancing food security (Hules, 2013). In recent literature, the terms ‘land-grabbing’ and ‘large-scale land acquisition’ have often been used interchangeably in discussing this phenomenon. In this paper we are concerned with large-scale land investments in Ethiopia by Indian companies. We question the motivations and drivers for such investments and aim to clarify the extent to which these investments qualify as land-grabbing.

Triggered by the 2008 global financial crisis, the food crisis and energy crisis, land grabs (according to the description above) are usually attributed to foreign investors and local elites of developing countries in Asia, Africa, Latin America and Eastern Europe (Kugelman and Levenstein, 2009). The drivers of land grabbing range from the purpose of a ‘bio-economy’ to produce ‘food, feed, agro-fuels and general biomass to serve the needs of a (minority) global class of consumers distributed across an increasingly multi-centric global food system’ (McMichael, 2012: 684) to ‘green-grabbing’ for purposes such as biodiversity conservation, carbon sequestration, and other ecosystem services (Fairhead et al., 2012), to land acquired for non-biomass purposes such as tourism, infrastructure development, mining, and the creation of special economic zones (Cotula et al., 2009; Levien 2012).

Land grabbing as such has existed for centuries and is not an entirely new phenomenon (Kugelman and Levenstein, 2009; Stephens, 2011), yet never before has there been such an interest in the speculation of food commodity markets and farmland being regarded as safe places to invest (GRAIN et al., 2014). Both private (equity, pension or hedge funds) and public (state owned enterprises, sovereign wealth funds, government min-
iables) institutions invest in land, with the majority of reported land acquisitions involving the private sector and increasingly government-to-government deals (Cotula et al., 2009). Thus, recent land grabs distinguish themselves in three ways: the scope and size, rise of a ‘bio-economy’ and the involvement of new actors and alliances (GRAIN et al., 2014).

The Land Matrix Portal tried to document the number, scale and scope of land acquisitions. However, the collection of accurate data is difficult given the secrecy behind most of these land deals (Oya, 2013). According to the Land Matrix Portal, as of 2016, 1234 deals with the size of 43.7 million hectares were sealed globally (Land Matrix, 2016). This is almost equal to the size of France and Italy’s farmland combined, or around 21% of the total farmland in the European Union (Eurostat, 2015). The European project EJOLT states in one of their studies (GRAIN et al., 2014) that as of 2014, land grabbing occurs on 83.2 million ha of land, comprising 1217 deals worldwide. The hotspot of land investments is in developing countries, most notably in Africa.

One country that has increased its investments in Africa is India. With an economic growth rate of around 7% in the last two years (World Bank, 2015), predictions of becoming the most populous country in the world around 2028 (World Population Prospects, 2013) and the third largest consumer of energy by 2030 (Churu and Obi, 2010b), India’s biomass requirements are rising rapidly. Between 1961 and 2008, India’s biomass extraction doubled from 1 Gigaton/year to 2 Gigaton/year, much of it agriculture biomass. Moreover, on a per capita basis, India’s biomass consumption is already very modest at 3.6 tons/cap/year, which is far below the world average biomass consumption of 8 tons/cap/year. Population growth and changing dietary patterns combined, by 2050 India’s biomass demand is expected to be 2.4 Gigaton/year, which will not only put pressure on India’s agricultural land, but will also increase world biomass extraction by 3% (Singh, 2010).

So how will India meet its growing biomass requirements? Land grab literature suggests that land grabbing is often a phenomenon to address food security problems in the investor or host country (Cotula et al., 2009; Rowden, 2011; Shepard and Anuradha, 2009; Lavers, 2012a). This paper explores Indian land acquisitions in Ethiopia and tries to evaluate whether these investments are aimed to address India’s agriculture biomass requirements in the future through exports back. Our methods include literature review (scientific and grey literature from credible sources, e.g. the Oakland Institute, GRAIN, International Food Policy Research Institute). We also searched various databases (e.g., World Bank database, FAO, India’s Ministry of Commerce and Industry, the Land Matrix Portal). They served as a basis to understand export/import relations between India and Ethiopia, crop productivity, and concentration of land investment in Ethiopia. A number of direct contacts via email and skype were established with scholars and practitioners working on or exposed to land grabbing in Ethiopia, as well as contacts to Indian companies operating there. The scholars interviewed will be presented via footnotes in the text. Skype interviews were held in September 2014, were open ended, lasting several hours to draw on observations and documentation available on land grab trends in Gambella, a region in Ethiopia where Indian companies are concentrated. Valuable insights were gained in the process to reveal the complex political situation in Ethiopia, the viewpoints of the local population, and on future outlook regarding land investments in Ethiopia. The next section begins with a brief sketch of India’s historical relationship with Africa and Ethiopia, before discussing land grabbing and biomass trade patterns in this context.

2. India-Africa relations

India and Africa share a long history of trade relations dating back to the fourteenth century. Under British rule (1858–1947) thousands of Indian’s were sent to Africa to work on plantations. Today more than 2 million people of Indian origin (PIO) live in Africa, the largest community living in South Africa, around the city of Durban – making it the largest Indian city outside of India. They are mostly businessmen, doctors or engineers playing a vital role in India’s foreign policy to engage Africa (Bhattacharya, 2010).

The common struggle against colonialism and imperialism tied India and Africa closer together. Mahatma Gandhi, the leader of the Indian independence movement further evoked connections to South Africa (from where he migrated back) in the Indian consciousness. Gandhi had also inspired African leaders with the principles of non-violence and passive resistance to the colonial rule. Nehru, the first Prime Minister of India, played an active role in the Non-Aligned Movement (NAM), which has its roots in the Bandung Conference of 1955, where most newly independent African and Asian states gathered to deepen their relations and together spoke out against colonialism and imperialism (Bhattacharya, 2010; Beri, 2008; 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 telecommunications, 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, 2008).

Whereas until the 1990s Indo-African relations were driven by ideological motives, the period following the 1990s was characterized by a more pragmatic approach. In 1991 India introduced economic liberalization reforms in order to make its economy more market-oriented and to promote private and foreign investment (reduction of import tariffs, taxes and emphasis on foreign investment). Well aware of the fact that an engagement solely based on economic terms will turn out to be unfeasible in the long run, India has pursued a strategy based on a mix of ideological and pragmatic principles, better known under the name South–South cooperation. In other words, India’s strategy is based on extracting key resources for its economy, while maintaining the principles of solidarity, respect, non-interference in domestic affairs and sustainable development. That way it portrayed itself as a better partner for Africa’s development compared to European countries (Bhattcharya, 2010).

India’s interests today are characterized by its rising energy and resource needs, which the country needs to sustain its growing economy and population. India is particularly interested in opening the African market for Indian commodities and in deepening diplomatic relations, including increasing development aid to Africa (Bhattacharya, 2010). India has set up many embassies in Sub-Saharan Africa, has launched high-level business conclaves and summits, such as the India-Africa summit in 2008, 2011, and 2015 to strengthen bilateral relations and discuss and deepen cooperation in development aid, infrastructure development and trade (Naidu, 2010). One of the main aims in India’s diplomatic strategy is to find loyal African countries that help back India’s quest for a permanent seat in the reformed United Nations Security Council (Bhattacharya, 2010). Africa is still traumatised by the negative impacts of the structural adjustment programmes introduced by the World Bank (WB) and International Monetary Fund (IMF) in the 1980s and relies on Chinese and Indian aid, which is said to be
unconditional (Bhattacharya, 2010; Cheru and Obi, 2010a; Southall and Melber, 2009). For channelling its development assistance, India has set up different aid programmes coordinated by the Ministry of External Affairs, the Ministry of Finance and India’s Exim Bank, including the Focus Africa programme, the Indian Technical and Economic Cooperation Programme (ITEC), the Team 9 and the Pan African E-Network, targeting different areas ranging from technology transfer to education and trade (Cheru and Obi, 2010b; Bhattacharya, 2010; Katti et al., 2009; Mawdsley and McCann, 2010).

Many authors (Southall and Melber, 2009; Naidu, 2009; Rowland, 2015) see India’s increased engagement with Africa as a new form of colonialism termed with the expression “the new scramble for Africa”. It implies that we are witnessing another colonisation of Africa, led by the quest for natural resources, energy, oil, and economic and political factors. So far a lot of attention has been given to China as the key facilitator of the new scramble, yet India is increasing its presence in Africa at an enormous speed (Southall and Melber, 2009). India has realised Africa’s huge potential when it comes to securing energy and natural resources. According to projections India will bypass China as the most populous state in the world around 2028 and will become the third largest consumer of energy by 2030. At the same time India’s coal stocks, which are its primary source of energy, will be exhausted over the next 40 years (World Population Prospects, 2013; Cheru and Obi, 2010b). As a result of declining coal and oil reserves and the debate about sustainable energy sources, many countries have set targets on increasing their share of renewable energy sources in their energy mix. In December 2009 India has implemented a national policy on biofuels which foresees a 20% ethanol and biodiesel blending target by 2017 (Government of India Ministry of New and Renewable Energy, 2016). Accordingly, India has started negotiating contracts and agreements with different African countries, like Angola and Sudan (Naidu, 2009).

3. India-Ethiopia relations

A country, which has been a particular focus for India is Ethiopia. India and Ethiopia have long established trade relations, but these relations intensified when Ethiopia’s ruling party, the EPRDF (Ethiopian People’s Revolutionary Democratic Front) came into power in 1995. India’s Exim Bank is a key facilitator in the promotion of trade and investment between the two countries, encouraging and helping Indian industries to invest in Ethiopia. Indian companies are now involved in many business areas in Ethiopia, ranging from agriculture, education, engineering, to the hotel sector. The bank provides lines of credit for development projects, for instance in 2006 it announced to fund a rural electrification project and in 2007 to expand the sugar industry worth US$640 million. Another project implemented by the Indian government to boost and expand trade is the Duty Free Tariff Preference Scheme, which allows LDCs in Africa, including Ethiopia, to export products to the Indian market on lower tariffs (Indian Embassy, Addis Ababa, 2012a, 2012b). Other development initiatives include the ITEC program, through which India offers training programs and scholarships to Ethiopians and the Pan-African E-Network, which started as a pilot project in Ethiopia in 2007, targeting the areas of tele-medicine and tele-education. This large-scale information and communication technology program aims to connect all member states of the African Union through a satellite and fibre optic network to India (Indian Embassy, Addis Ababa, 2012a, 2012b, 2012c; Bhattacharya, 2010; Modi, 2010).

On a diplomatic level, Ethiopia played a prominent role when hosting the Second India Africa Summit held in May 2011 in the capital city of Addis Ababa. On the occasion of this event, the Agreement on the Avoidance of Double Taxation, the Framework for Enhanced Cooperation and the Addis Ababa Declaration were signed. The latter reiterates among others the importance of South-South Cooperation, strengthening trade and investment and Africa’s recognition and support for India’s quest to become a permanent member of the UN Security Council (Addis Ababa Declaration, 2011). The Head of the States agreed on increasing trade to reach US$1 billion by 2015 and allocating a credit line worth US$300 million for the Djibouti-Ethiopia railway line (Indian Embassy, Addis Ababa, 2012a, 2012b).

Yet, one of the main areas of business between India and Ethiopia is the agricultural sector. Agriculture plays an important role in Ethiopia as 85% of Ethiopia’s workforce is employed in this sector, accounting for 50% of GDP and 60% of exports. Consequently, Ethiopia is highly promoting foreign and domestic investment into agriculture through its “Agricultural Development-Led Industrialization” (ADLI). The strategy aims at supporting its smallholders in the highlands by implementing new technologies for irrigation and fertilizers at the same time as heavily promoting foreign investment in the lowlands (Lavers, 2012a).

Agricultural products also make up the lions share in Ethiopia’s exports to India, including raw hides, skins and leather and edible vegetables, certain roots and tubers and oil seeds. India’s export products to Ethiopia include iron and steel products, pharmaceuticals, textiles, machinery, and instruments. India has already become Ethiopia’s third largest source of imports, following China and Saudi Arabia and there is a huge potential for expanding trade and investment relations (Indian Embassy, Addis Ababa, 2012a, 2012b).

4. Indian land acquisitions in Ethiopia

Barring some exceptions, land ownership in Ethiopia prior to 1975 was under the control of elites. Since 1975 land ownership is now vested exclusively “in the State and in the peoples of Ethiopia” whereby only usufruct rights are granted without any rights to sell or mortgage (approved and confirmed in the current constitution Proclamation No.1/1995, 1995). The governments claim is that state-ownership of land helps protect peasants against market forces. Opponents argue that the government uses land as a political weapon and has the power to decide to give to or take land from landholders. Moreover, such a land tenure system serves as a disincentive to develop the land and make it more productive by those who use it, or even to use the land unsustainably (Crewett et al., 2008). Therefore, for decades agricultural growth has been slow in Ethiopia.

The current Agricultural Development-Led Industrialization (ADLI) strategy by the Ethiopian government sees foreign investment into agriculture as a key tool to modernise the agricultural sector and target food security concerns (Lavers, 2012a). Out of a total of 73 million ha of arable land, 15 million ha is currently under cultivation in Ethiopia. The majority of land is under smallholder cultivation, only 400,000 ha accounting for large-scale commercial farming. The aim of the government is to increase this number to 3.4 million ha by 2015 (Fisseha, 2011; Sethi, 2013). Potential investors are offered special incentives, such as low land fees, tax exemptions, labour availability at low cost, high availability of “underdeveloped” or “unused” land, good strategic position, market and export possibilities and favourable climate conditions (The Oakland Institute, 2011; Lavers, 2012a; Anseeuw et al., 2012).

The promotion of land investments focuses on four regional states, Benishangul-Gumuz, Gambella, Oromia, and SNNPR. India’s farmland acquisitions are concentrated in Gambella (eight out of twelve). This could be explained by the Ethiopian government’s efforts to strongly promote investments in this region, offering
incentives like tax holidays and extremely low land fees compared to other regional states and African countries.\(^2\) (The Oakland Institute, 2011).

According to the Ethiopian Ministry of Agriculture (MoA) (as of 2015) a total of 553,503 ha of farmland has been given to foreign investors in Ethiopia of which 300,712 ha is Indian investment alone. In terms of land size Indian investment has by far the largest share of total foreign investment, whereas in terms of deals, Indian and Ethiopian investors both account for 13 deals respectively (out of 39). Other foreign investors include China, Israel, Pakistan, Saudi Arabia, Turkey and the Ethiopian diaspora. The largest land acquisitions were made by the Indian company, Karuturi Agro Products Plc (111,700 ha) and the Saudi company, Saudi Star (100,000 ha) in Gambella region. Karuturi acquired 11,700 ha land in Oromia and 100,000 ha in Gambella, with the possibility to extend to 300,000 ha in Gambella. The average land investment size by Indian firms is around 17,000 ha, excluding the 100,000 ha land deal from Karuturi in Gambella.

A case study undertaken by the Oakland Institute (Cotula et al., 2009) emphasizes that 89% of all agricultural projects reported to the Ethiopian Investment Agency (EIA) are intended for food production. Indian companies are mostly growing oilseeds, followed by pulses, cotton, and rice. Other products include cereals, maize, wheat, sugar, soybeans, tea, and floriculture (Table 1). According to scholars (Cotula et al., 2009; Rowden, 2011; Shepard and Anuradha, 2009) most foreign investors are intending to export their produce to their home countries or to the regional market. In an interview with a German TV channel CEO of Karuturi, Mr. Ramakrishna Karuturi, emphasized that the company is selling to the regional and international market, as it is not profitable to sell to the domestic (Ethiopian) market. ‘Our first preference is to sell our produce to the domestic [Ethiopian] 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 it’s better to export to the African market because it brings more value per dollar than the international market’ (Arte, 2013: 1:22). Another Indian company, Sannati Agro Farm Enterprises Pvt. Ltd. intends to sell its produce to the international market, including the US and United Arab Emirates (Mannemela, 2014, per.comm.).\(^3\)

Looking closer at the composition of products on Indian farms indicates that a high amount of the commodities are ‘flex crops’,\(^4\) that have multiple and/or flexible uses such as for biofuels or as raw materials to industrial processes. The rise of flex crops seems to partially address the increasing price volatility in world markets through diversifying the product portfolio and is led by of a convergence of multiple crises: climate change, peak oil, expansion of the global transportation sector and the rise of BRICs and middle income countries (Borras et al., 2014). As we will see later, in the case of Indian land acquisitions in Ethiopia this is not the case.

The Ethiopian Investment Agency (EIA) is actively promoting the production of cash crops for exports, tied up with different export incentives, although Ethiopia is a highly food insecure country. The paradox is two-fold. Between 2007 and 2011 the World Food Programme (WFP) provided US$116 million in food aid (230,000 tonnes of food) for Ethiopia’s 4.6 million people threatened by hunger, almost the same amount as the Saudi investors are spending on land provided by the Ethiopian government (US$100 million) (The Economist, 2009). At the same time foreign investors are incentivized to export their harvest, instead of selling locally. The Ethiopian Government is offering five years of tax-free export. After five years the taxes for exports are still very low (Yassin 2014, per.comm). Accordingly, foreign companies through their land acquisitions do not contribute to food security in Ethiopia but rather reinforce the vicious circle of food insecurity and the dependence on international food aid.

These initiatives by the government have faced a lot of criticism and resistance not only from human rights groups but also from the local population (The Oakland Institute, 2013; Human Rights Watch, 2012; Moreda, 2015).\(^5\) One major point of criticism is the Villagization Program, an initiative by the government with the aim to relocate and cluster people in villages with better access to services and infrastructure. Non-government organisations have criticized this program as a means to clear land for foreign investors. In Ethiopia, since all land is under state-ownership, land claims based on traditional and spiritual meaning are often ignored. The government categorizes this land as “unused land”, ready to be sold or leased (Lavers, 2012b). In one particular case, Karuturi wanted to lease a hill adjacent to its farmland to build offices. Since the hill is a sacred place to the local population, there were protests. The police responded by fencing the hill and arrested the protestors (Arte, 2013). Despite multiple protests and ongoing resistance\(^6\) the government has gone ahead with leasing out land to foreign investors.

Clearly, the official claims of Ethiopia that offering cheap land deals to investors is aimed to address the country’s food security problems does not hold much credibility. The question arises then, if transnational land investments do not contribute to food security in the host country, do they address food demand in the investor’s country? Let us first look at the general trends in trade in agricultural products between India and Ethiopia. The Table 2 below gives an overview of Ethiopia’s trade volume with the World and India between 2008 and 2015.

The overall trade volume between Ethiopia and India averages 6% between 2008 and 2015. This may not be so insignificant, however, most of it is imports from India. Exports from Ethiopia to India comprise less than 0.25% of the total volume. Fig. 1 shows the top six products of exports from Ethiopia to India. The composition of export products are more diverse in 2014 than they were in 2006. In 2014 however, the top 3 export products groups were edible vegetables and certain roots and tubers, raw hides and skins and leather and oil seeds, oleaginous fruits, grain, seed, fruits. The highest growth occurred in the product group “edible vegetable and certain roots and tubers” and “oil seeds, oleaginous fruits, grain, seed and fruit” between 2006 and 2014. The increase in volume corresponds with the projections of the Macroeconomic Handbook (2011/12), which predicts high growth rates for fruit and vegetables. This is also consistent with the current patterns of trade in global biomass, where low income countries export to higher income countries sugar crops, oil bearing crops, and quality (or exotic) vegetables and fruits (Mayer et al., 2015).

Despite the rising trend in the export of exotic fruits and vegetables, the overall small volume of Ethiopian exports to India (of less than 0.25% of total trade volume) and with no significant increase between 2008 and 2015, we can assume that Indian land acqui-

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\(^2\) Ethiopia’s land lease rate is US$1.75-8/ha/yr compared to Sudan (US$3-20/ha/yr), Mali (US$6-12/ha/yr) and compared to India’s Punjab region (US$1801/ha/yr) (The Oakland Institute, 2011; 29; Rowden, 2011; 11)

\(^3\) Pradeep Mannemela is a company representative of Sannati Agro Farm Enterprises Pvt. Ltd.

\(^4\) For example: soya (food, biodiesel), sugars (ethanol, food), palm oil (biodiesel, industrial uses) and maize (feed, ethanol, food).

\(^5\) A number of resistance movements around land-grabbing in Ethiopia have been documented, and quite a few of these can be accessed on the homepage of the Oakland Institute as well as landgrab.org.

\(^6\) In November 2015, Oromo, Ethiopia’s largest ethnic group started protesting against the governments plan to expand the boundaries of the Ethiopian capital, Addis Ababa. This region has been subject to land-grabbing in the past and so the new move by the government has taken a new dimension (Spooners, 2016).
sitions in Ethiopia have not resulted in a net flow of biomass to India.

However, interviews conducted by Adil Yassin7 with government officials and local population in the Gambella region reveal that some foreign investors have agreements with their home country to export part of their harvest back home. The Saudi Arabian company, Saudi Star, has an agreement with the Saudi government to export 30–40% of their harvest back to Saudi Arabia (mainly Basmati rice) (Yassin, 2010). It is also estimated that Indian companies are exporting around 30–40% of their production back to India, as the Indian government offers certain benefits and support activities to these companies (Yassin, 2014, per.comm).

Even if this was the case, it is unlikely that such low volumes have contributed to resolving India’s food security issues. Moreover, research on Gambella shows that agricultural production on grabbed land is highly under-developed and far below to have any impact on India’s food security. Some Indian companies have not yet started their full operations or are only cultivating parts of their land. As of 2014, Karuturi could only lease 100,000 ha because as per contract with the Ethiopian government they first need to prove that they have cultivated at least 75% of the area in order to receive the remaining 200,000 ha. Yet, only around 15% of the total land area is under cultivation (Yassin, 2014, per.comm; Shete and Rutten, 2015). Another company, Sannati Agro Farm Enterprises Pvc. Ltd. has already started to grow rice and pulses and expects to have a yield of 900–1200 MT. As of mid-2014 they had not yet sold any products (Mannemela, 2014, per.comm). Interestingly, the expected yields of the company are far below the existing average yields in Ethiopia.

Karuturi, being the biggest investor in Ethiopia, is now at the verge of collapse. While Karuturi was planning to expand its food production in Ethiopia and other African states8 it struggles to get its expensive farm operations in Ethiopia working. With a high amount of debt and stock prices plummeting, the company’s flower trading subsidiary in the Netherlands had to declare bankruptcy. According to GRAIN (2014) one of the Ethiopian farms was sold to a company in Dubai. Although the CEO of Karuturi claims that he will continue to invest in Ethiopia, the company is no longer reputed in the country (The Reporter, 2015).

So while there might be a marginal increase in exports from Ethiopia to India in general, there is no apparent connection to land acquisitions in Ethiopia by Indian companies. On the other hand, Indian companies are struggling to maintain their leases by making efforts to boost their area under cultivation as well as increase the yields where they see potential.

Yield gap studies have been conducted in some of the main regions where land acquisitions are rampant. In the case of wheat, Mann and Warner (2015) identified that at the median Amhara, Oromia and SNNPR (all areas where India has acquired farmland) produce only 48.6%, 51.5% and 49.7% of their local attainable yields. Weredas (districts) in Oromia are producing between 79% and 13% less (on average) than the best performing kebeles (neighbourhood, local village). Amhara and SNNPR with median gaps of around 50%

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7 Adil Yassin has done extensive research on land grabbing in Ethiopia as part of his dissertation (Yassin, 2010) and continues this research as a research fellow with Future Agriculture.

8 e.g. Karuturi incurred heavy losses in its flower business in Kenya (The Reporter, 2015).
are slightly behind Oromia. In the case of maize production in the central rift valley in Ethiopia, the relative yield gap varied between 39 and 83% in Awassa (district SNNPR) and 32–95% in Melkassa (district Oromia) over a period of almost 20 years⁹ (Kassie et al., 2014).

While yield gap studies¹⁰ may have been a huge temptation on the part of the companies to invest in Ethiopia, yield gap models often undermine traditional farming systems that have been sustained and build over centuries where farmers have adopted/practiced risk mitigating strategies to adopt to the local climate, terrain, for example using intercropping (Petty et al., 2011), as well as appropriate soil management practices and biodiversity strategies (Singh and Dudley, 2010). These practices are often combined with livestock systems and are resilient and sustainable in the long run compared to industrial agriculture (see, for example, other cases by Krausmann, 2004, Cunfer and Krausmann, 2013, Gin

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⁹ Maize yield gap for Awassa between 39% and 83% from 1992 to 2007, yield gap for Mekilasha between 32% and 95% from 1988 to 2007 (Kassie et al., 2014; 47).

¹⁰ Kassie et al. (2014) suggest to increase yield by improving agricultural inputs (eg. bio fertilizers) in combination with various climate risk management strategies (eg. weather forecast service, efficient rain water management, response farming) as well as investments in technology transfer.

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Fig. 1. Ethiopia’s top 6 product of export to India in US$ millions.


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5. What role does land grabbing play in India—Ethiopia relationship?

Besides the trend to export more oil seeds, exotic fruits and vegetables to India, there is no real evidence of a net transfer of biomass from Ethiopia to India, not enough to address food security issues of India. And whatever small quantities there is, has little to do with what is being produced on grabbed land, despite agreements with the Indian government to supply 30–40% of its harvest back to India (Yassin, 2014, per.comm). Many Indian companies that have acquired large tracts of land have either not fully started their operations in Ethiopia or have only cultivated parts of their land. Assuming all land came under cultivation and overcame the yield gap (Mann and Warner, 2015; Kassie et al., 2014), it is still doubtful that exporting the low quantities of harvest back to India would be
profitable, considering transaction and transport costs (Arte, 2013; Bekele, 2014, per.comm; Yassin, 2014, per.comm). Accordingly, the question arises what the real benefits for India are. In what ways is India benefiting from acquiring land in Ethiopia and what are the benefits for Ethiopia?

According to scholars of political science (Betz, 2012; Bhattacharyya, 2010) a key motivation for India is to strengthen its ties with African countries to gain their support for its attempt to gain a permanent seat in the UN Security Council (Betz, 2012; Cheru and Obi, 2010b: Carmody, 2010). India’s strategy of South–South Cooperation is a means to ensure a favourable partnership with those countries, by providing unconditional development aid, preferential market access for certain import products, and promoting educational exchange, among others.

Furthermore, a stronger relationship with African countries allows the Indian government to better support Indian companies to gain a foothold in the African market. Understanding the market, its consumer preferences and tastes, and the legal setting is a prerequisite for establishing a strong position in the market. Antecedent relations with these countries can help to enter the market more easily.

Another advantage, when it comes to terms of trade relations with Ethiopia, is that India can export products to the Ethiopian market at low export tax rates. Both countries can export products with preferential taxes, Ethiopia exporting agricultural products and India exporting high-value technical machinery products (iron, steel, electrical and mechanical equipment) (Bekele, 2014, per.comm).

Apart from India’s benefits, another set of winners are countries in the regional market and some countries in the international market. Regional neighbours, like South Sudan or Kenya are benefiting from transnational land deals in Ethiopia, as Indian investors often decide to sell their produce on the regional market. According to expert interviews, Karuturi has exported wheat to South Sudan and the company prefers to continue to sell to the regional market rather than to the international market on grounds of profit. Often neighbouring countries get goods from Ethiopia at low taxes. Sometimes countries outside the regional market, like Saudi Arabia or the EU are benefiting, when Indian investors sell their produce to these markets.

In all of this, there is not much gain for Ethiopia. ‘I have to be frank, they didn’t meet our expectations. We would like to get the land developed in a short period of time but Karuturi, Saudi Star and the like, their implementation is not to our satisfaction’, said Tefera Derbew, Ethiopian Minister of Agriculture in an interview in 2013. The government has now started to screen potential investors more closely and to lease out smaller plots of land, starting from 5,000 to 10,000 ha (Sethi, 2013).

In 2010 the Ethiopian government has already reduced the farmland size of Karuturi by 200,000 ha, granting them 100,000 ha with the possibility to extend if they cultivate 75% of the area within two years (Sethi, 2013). Until today, Karuturi has only developed 15% (Yassin, 2014, per.comm) or as other sources reveal 5% of the farmland area (Sethi, 2013). In 2012 the contract with the Indian textile major CLC Industries Plc was terminated. According to Minister Terefa Derbew the company has not fulfilled its contractual agreements. The Operations Manager of CLC, on the other hand, pleads that the government made an illegal deal, reclaiming back 5,000 ha of the land after three months with the argument that it was not part of the lease. According to his statement, the government used police force to claim back the land and six months after the contract was signed, a termination note was send to CLC Industries Plc (Sethi, 2013).

The Ethiopian government is now very critical of the current trends. These incidents, coupled with reports about unpaid loans and financial problems, led to the governments restructuring of its current loose leasing system. In the future, the government plans to look more closely at potential investors in an attempt to find more reliable partners, in line with Corporate Social Responsibility (CSR). CSR should play a key role as a model code of conduct in the new system with the aim of making land investments profitable for all stakeholders, including investors, the government and the local population, thus creating shared value for all actors involved. Accordingly, the Ethiopian government still believes in its current strategy of attracting foreign investors to Ethiopia (Yassin, 2014, per.comm; Bekele, 2014, per.comm).

6. Conclusion and outlook

In recent years, the land grabbing debate is moving away from a focus on the actual number and size of land deals to studying the impacts on investor and host countries and how to make it a sustainable business for all actors involved. The literature on land grabbing reiterates that Indian companies investing in Ethiopia have primarily one or more of the following motives: securing resources for their growing economy and population, low land fees, low labour cost, abundance of labour available, availability of land, good strategic location, good market access and financial incentives. Foremost, it is assumed that Indian companies, being encouraged by the Indian and Ethiopian government, tend to export their harvest back home or to neighbouring countries. This raised the question if land grabbing contributes to food security in India.

Our analysis has revealed that although Indian companies have an agreement with the Indian government to export around 30–40% of their harvest back to India, after all only a small percentage if any is being sent back to India. This is mainly due to the fact that Indian companies have so far only cultivated parts of their land and yields are still below expectations. In this sense, Indian companies would hardly make any profits by sending their harvest back to India given the high transport and transaction costs. Calculations suggest that transporting 1MT of wheat from India to Ethiopia is almost twice as expensive as exporting it to neighbouring Sudan (Searates.com, 2016; World Freight Rates, 2016). Instead, Indian companies export their harvest to neighbouring countries, where taxes are lower and market relations with Ethiopia are well-established. This trend is expected to continue.

Considering increasing trade volumes between India and African countries, including Ethiopia, and intensification in diplomatic affairs, it is evident that there is a high degree of interaction. Closer cooperation with African countries not only allows India to help its companies to get a foothold in the African market but also to acquire loyal friends who help back India’s quest for gaining a permanent seat in the UN Security Council. Moreover, preferential tax agreements help both Indian products to enter the Ethiopian market and vice versa more easily, thus promoting trade initiatives at the same time.11 Neighbouring countries of Ethiopia mainly benefit from exports from Ethiopia on a tax-free basis, as most Indian companies sell their produce regionally.

From the definition of land-grabbing provided in the introduction, we can clearly claim that India’s acquisitions in Ethiopia qualify as land grabbing. Large tracts of land are acquired by international companies for producing crops for export. However, Ethiopia is the country which least benefits from Indian land invest-

11 Investment Council of Ministers Regulations No. 84/2003 outlines the following incentives, among others: 100% exemption from payment of all import duties and other taxes on all capital goods as well as spare parts worth up to 15% of their values; exemption from customs duties or other taxes levied on imports on raw materials and packing materials that are necessary for producing goods for exports; easy access to credit if the project is accepted by the Ethiopian Development Bank and so projects are eligible for a 70% loan provided the investor has secured a cash deposit of 30 percent of the investment (The Oakland Institute, 2011: 15).
ments. The case of Karuturi and the like shows that Indian investors have not fulfilled their promises (employment generation, technology transfer, and infrastructure development) to a large degree (Cotula et al., 2009). Furthermore, there have been reported cases of displacement of the local populations, protests by local farmers, environmental pollution as well as financial irregularities (Arte, 2013; The Oakland Institute, 2011). Considering these factors, we conclude that Indian investments qualify as land grabbing in Ethiopia. Therefore, the government’s decision to change its leasing policy in favour of stricter regulation and screening of potential investors is somehow expected. The experience fromIndia and Ethiopia shows that the Ethiopian government, who wants to stick to the current system of attracting foreign investors, needs to apply rules to make foreign investors commitments obligatory and in line with CSR (Yassin, 2014, per;com; Bekele, 2014, per;com). The overall goal is to benefit from land investments sustainably, especially providing positive forward linkages to the economy, the agricultural sector and opportunities to the local population.

Current large scale acquisitions, as in the case of Ethiopia, are clearly not sustainable. There may be some benefits for investors, since in most cases investors enjoy low land fees or preferential treatments like tax holidays. In the case of Ethiopia, Indian investors enjoy these benefits, but at the same time they rarely keep their commitments regarding employment generation or infrastructure development.

Can large scale land acquisitions offer a development opportunity and a win–win solution? In general terms, this is not an easy question to answer. In the Ethiopian case, striving for a win–win solution poses considerable challenge. Despite the claims for stricter regulation and more transparency (as most deals are signed behind closed doors), it will primarily affect future land leases and not necessarily existing ones. This entails a delay in obtaining results, as the government experiments with new policies and bridges the gap between first land leases and reinforcement of policies. Second, it would also require identifying and putting to test more tracts of land for another experiment that could potentially lead to more resistance and controversy. Last but not least, if the Ethiopian government strives for quick results given its first failure, it may inhibit success and compromise the quality of the outcome. How this will evolve in the next years remains to be seen. As a general observation, success in any such intervention would require clear targets and expectations to benefit all stakeholders (including that of the local population), along with appropriate policy measures, transparency, and effective compliance, monitoring and evaluation systems. A proper policy environment needs to ensure that local environments and livelihoods are not sacrificed at the altar of globalisation and wealth creation for a few; instead to contribute to food security, local infrastructure, sustainable livelihoods, while promoting environmentally friendly practices.

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