

Commercial pressures on land in Asia:  
AN OVERVIEW



### Our Mission

A global alliance of civil society and intergovernmental organisations working together to promote secure and equitable access to and control over land for poor women and men through advocacy, dialogue, knowledge sharing and capacity building.

### Our Vision

Secure and equitable access to and control over land reduces poverty and contributes to identity, dignity and inclusion.

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The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested over US\$12 billion in grants and low-interest loans to developing countries, empowering more than 36550 million people to break out of poverty. IFAD is an international financial institution and a specialized UN agency based in Rome - the UN's food and agricultural hub. It is a unique partnership of 165 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD).

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# Commercial pressures on land in Asia: An overview

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ILC would appreciate receiving copies of any publication using this study as a source.

# Foreword

The International Land Coalition (ILC) was established by civil society and multilateral organisations who were convinced that secure access to land and natural resources is central to the ability of women and men to get out of, and stay out of, hunger and poverty.

In 2008, at the same time as the food price crisis pushed the number of hungry over the one billion mark, members of ILC launched a global research project to better understand the implications of the growing wave of international large-scale investments in land. Small-scale producers have always faced competition for the land on which their livelihoods depend. It is evident, however, that changes in demand for food, energy and natural resources, alongside liberalisation of trade regimes, are making the competition for land increasingly global and increasingly unequal.

Starting with a scoping study by ILC member Agter, the Commercial Pressures on Land research project has brought together more than 30 partners, ranging from NGOs in affected regions whose perspectives and voices are closest to most affected land users, to international research institutes whose contribution provides a global analysis on selected key themes. The study process enabled organisations with little previous experience in undertaking such research projects, but with much to contribute, to participate in the global study and have their voices heard. Support to the planning and writing of each study was provided by ILC member CIRAD.

The ILC believes that in an era of increasingly globalised land use and governance, it is more important than ever that the voices and interests of all stakeholders – and in particular local land users – are represented in the search for solutions to achieve equitable and secure access to land.

This report is one of the 28 being published as a part of the global study. The full list of studies, and information on other initiatives by ILC relating to Commercial Pressures on Land, is available for download on the International Land Coalition website at [www.landcoalition.org/cplstudies](http://www.landcoalition.org/cplstudies).

I extend my thanks to all organisations that have been a part of this unique research project. We will continue to work for opportunities for these studies, and the diverse perspectives they represent, to contribute to informed decision-making. The implications of choices on how land and natural resources should be used, and for whom, are stark. In an increasingly resource-constrained and polarised world, choices made today on land tenure and ownership will shape the economies, societies and opportunities of tomorrow's generations, and thus need to be carefully considered.

**Madiodio Niasse**

Director, International Land Coalition Secretariat

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# List of abbreviations

|        |   |
|--------|---|
| ADB    | Asian Development Bank  |
| AFTA   | ASEAN Free Trade Area   |
| ASEAN  | Association of South East Asian Nations                       |
| CAFTA  | China-Association of South East Asian Nations Free Trade Area |
| CARP   | Comprehensive Agrarian Reform Program                         |
| CNOOC  | China National Offshore Oil Company                           |
| DAR    | Department of Agrarian Reform (Philippines)                   |
| DFID   | Department for International Development                      |
| EU     | European Union  |
| FAO    | Food and Agriculture Organization                             |
| FDI    | Foreign Direct Investment                                     |
| GCC    | Gulf Cooperation Council                                      |
| IFAD   | International Fund for Agricultural Development               |
| ILC    | International Land Coalition                                  |
| MIGA   | Multilateral Investment Guarantee Agency                      |
| ODA    | Official Development Assistance                               |
| OECD   | Organization for Economic Cooperation and Development         |
| PADCC  | Philippine Agricultural Development Commercial Corporation    |
| SEZ    | Special Economic Zone   |
| TNC    | Transnational Corporation                                     |
| UNCTAD | United Nations Conference on Trade and Development            |
| VLT    | Voluntary Land Transfer                                       |
| WIR    | World Investment Report                                       |

# Executive summary

The growing demand for food security and alternative energy sources is opening up new opportunities for more investments in agriculture that put immense pressure on agricultural lands, and cause major concerns among farmers' organizations and some development institutions.

This paper looks into the impact of new agricultural investments on land tenure and food security especially for rural communities, women and indigenous peoples, as well as the environment. This study is a desktop review of existing literature and a synthesis of case studies done by International Land Coalition members in Indonesia, Nepal, Pakistan, India, and the Philippines. Most of the data on domestic investments, characteristics of land deals and implications are taken from the case studies.

The paper posits that private sector investments in agriculture have been increasing in Asia, encouraged by policies adopted by many Asian governments with the view of improving local agriculture, the economy, and reducing poverty. This is evident in the growth of foreign direct investments in South, East and Southeast Asia, and the steady rise of trade within Asia's borders exemplified by the conception of Free Trade Agreements.

The paper found out, too, that contrary to the assumption that there is abundant unused land for agricultural development, increased land investments are putting great pressure on fertile, cultivable lands. Most of these investments have resulted to the conversion of agricultural, forest, and foreshore lands into plantations, and commercial and industrial centers.

Food security and biofuel production are the main drivers of agricultural investments. Countries like China and the Gulf States are outsourcing their food production in many Southeast Asian countries. Government policies that encourage the production of alternative energy sources are accelerating the expansion of the biofuel industry, with Indonesia and Malaysia owning the largest palm oil plantations in the world. Other prominent agricultural investments in Asia are aquaculture and logging. Non-agricultural ventures, namely tourism, special economic zones, migration, and mining are also in the race for agricultural lands.

These new investments may have helped boost revenues, jobs creation and tourism development, but they can also pose great threats to the land tenure security of farmers and put livelihoods of rural communities in peril, thus aggravating poverty situations in the rural areas.

Private sector investments in agricultural production in Asia are usually associated with large industrial plantations that have detrimental implications, such as turning farmers into laborers, and promoting the use of harmful technologies. For instance, reports over the last decade in Indonesia indicate that the conditions of smallholders and laborers engaged in large-scale plantations are very poor. Small farmers in the Philippines,

Pakistan, Nepal and India are forced to sell their lands for meager financial compensation. Farmers, who once grew their own food, now have to buy from outside sources. In the worst cases, farmers are displaced and have no secure employment or similar opportunities to which they can turn. Losses of biodiversity and water resources have also been noted in countries where there are massive monoculture plantations, industries, and mining and logging operations. In response, several farmers' groups have shown resistance, instigating land conflicts and social movements.

These developments highlight the need for strengthening the land governance system in these countries. On the part of the government, this will require revisiting their investment policies as they impact on land tenure of farmers, improving land administration and transparency in its implementation. Good land governance also entails strong farmers' and social movements that make governments accountable. Finally, international organizations play a critical role in overseeing these new land deals, as the latter transcend national boundaries.



# 1 Growing competition for land in Asia

The decline in public investment in Asia's agriculture over the last two decades, and its consequent effect on productivity, has made agricultural lands vulnerable to commercial interests like tourism, urban development and special economic zones, thereby increasing pressure on farmers' land tenure and their livelihoods. Governments are attracting the private sector to fill this investment gap by opening their economies and easing regulations on direct foreign investments (FDI) in agriculture. These policies, coupled with the looming food crisis and the lucrative potential of the biofuel industry, have resulted in an increase in private investments.

Asia is one region attracting these investments. It is important to note that many of these investments originate from Asian countries, and are potentially facilitated by the open and free regional trade regime. Unfortunately, when these agricultural investments are unregulated the resulting contracts tend to disregard land occupants, the type of agricultural production adopted, and the technologies employed. In response to the significant impacts that this phenomenon has on farmers' livelihoods and the lives of rural communities, there are various collaborative initiatives aiming to gather evidence and formulate appropriate decision-making frameworks.

## Objective and methodology of the study

This paper was written to contribute to discussions at the International Fund for Agricultural Development (IFAD) Farmers' Forum on the forms, magnitude, advantages and disadvantages of large-scale foreign investments on land and agriculture in Asia. It comprises a desk review of existing literature and a synthesis of country studies conducted by International Land Coalition (ILC) members in Indonesia (Palm oil expansion), Nepal (Agricultural land), Pakistan (Corporate farming), India (Special economic zones (SEZ)), and the Philippines (Mapping of affected areas and privatization of offshore lands).

## **Limitations of the study**

While global studies abound on this new phenomenon, there is seemingly a lack of detail at the regional and even national level to inform and undertake responsive actions. It emerged during the research that many of the large-scale land transactions are allegedly not transparent and that investment reports are often late and are not easily accessible to the public.

Given the limited literature available, this overview paper relies mainly on the ILC case studies in Asia, the United Nations Conference on Trade and Development's (UNCTAD) 2009 World Investment Report (WIR) released officially in August 2009 that featured investments in agriculture, as well as reports from World Bank and the Food and Agricultural Organization (FAO). Other sources are listed in the reference pages of the report.

For data on agrarian reform, domestic investments of existing transnational corporations, joint ventures of foreign and national companies, and characteristics and implications of land deals, the paper draws significantly from the case studies. The examples and specific details are sourced from the experiences of Pakistan, Nepal, Indonesia, the Philippines, and India. However, certain private investments are omitted from the reports because of a lack of data; such investments often involve preferential treatments, interact directly with local groups, and/or are not officially registered. Thus, it is important to remember that this paper does not give an all-encompassing account of land investments and acquisitions in Asia. Given the scope and limitations of this report, it intends to encourage wider public awareness and contribute to further debate on the issue of commercial pressures on land in Asia.

## **Organization of the paper**

The paper begins with a brief discussion of the history of land reform in selected Asian countries followed by the difficulties governments face due to lack of investments and official assistance channelled to agriculture. It then discusses the recent phenomenon of large-scale investments in agriculture in Asia particularly by foreign corporations. A section presenting evidence of growing competition over land in selected Asian countries due to non-agricultural investments follows. It then discusses issues and implications resulting from these investments. Finally, it provides recommendations to various development sectors and institutions to strengthen land governance to protect farmers' tenure and access to land.

## 2 Background of agriculture in Asia

### History of land reform: Snippets from five Asian countries

Asia has a long and distinct history of land reform. However, prior to the 1950s, its land tenure system, as evidenced by the five Asian countries considered in this report, could be generalized by the dominant control of landlords – those who own large tracts of land but do not usually cultivate it – and the prevalence of sharecroppers to whom landlords rent out their lands in exchange for a specific share of the product. This type of structure ultimately posed numerous problems, as tenants did not have any security through verbal contracts and rents were high. Tenants lacked technical knowledge and had limited access to technologies to increase their production. The small income derived from their small landholdings and low productivity led to poverty and indebtedness to landlords who acted as moneylenders, thus exacerbating the tenants' powerlessness. Although major reforms, through land redistribution, and ownership ceilings, were introduced to address the challenges, their success was limited. It proved difficult to enforce reforms and many laws were unimplemented because of weak administration and the inclination of local governments to favor the interests of landlords over those of the tenants. Moreover, the reforms did not include support services to wean dependent peasants from the landlords' support (Kuhnen n.p.).

The Green Revolution of the 1960s and 1970s also did little to help small farmers and rural poor. Although it increased food production – tripling rice produced in the 1960s – through high yielding new seed varieties, better irrigation, and chemical fertilizers, the Green Revolution also increased the disparity between those with large landholdings and the small peasants. Those who adopted and benefited from the technology were rural and upper middle class farmers who had irrigated areas and access to capital. Small farmers were generally excluded because they lacked information, managerial ability, capital, and access to credit. Farmers who were able to benefit from the Green Revolution began to pursue agriculture as a business. Their increased economic power allowed them to gain political power: they became members of decision-making bodies and were able to retain their economic affluence, while the small farmers, landless tenants, and agriculture laborers gained little or nothing from the modernization of agricultural production (Ibid.).

In India, laws that were created to empower marginalized communities were not implemented and contain many loopholes. The *zamindari* system, a method resembling feudalism where *zamindars* or "lords" collected taxes from peasants, was abolished in the 1950s, but big zamindars are being revived in the form of industrial corporations taking over huge tracts of land, which remain unused many years after being acquired. Bureaucrats develop most acquisition policies and the central government compensates by offering "entitlement"-based poverty alleviation programs, such as the National Rural Employment Guarantee Act or the proposed Right to Food Act (Rawat n.p.).

The controversial Comprehensive Agrarian Reform Program (CARP) was introduced in 1988 in the Philippines to empower landless farmers by giving them the lands they had directly worked on as tenants, or regular or seasonal farm workers. Schemes such as the voluntary land transfer (VLT) provided a convenient solution for landed families to keep their lands (Rimban 2004). Initially, CARP aimed to distribute 8.1 million hectares; two decades into its implementation, more than 1 million<sup>1</sup> hectares remain undistributed, leading to the Republic Act 9700 of 2009 to strengthen CARP by providing a five-year extension for land acquisition and distribution. This new law eliminated the VLT scheme and made compulsory acquisition the primary mode of acquisition. Despite the extension and adaptation of CARP, much opposition is expected from landed elites who wield power over government policies.

Soon after Indonesia's independence from Dutch rule, state control over 'wasteland' continued to be part of the government's land policy. Dutch legal concepts referring to "wasteland", "degraded land", and "empty land" (uncultivated common lands) became state-owned land, and are used for plantation expansion; however, under customary law, rights to fallow land and secondary forests were retained by those who had first cleared the land. From 1978 onwards, the per annum growth of industrial private plantations averaged 21.7% and 2.9% for state-owned plantations. The rapid growth of plantations has turned farmers into cheap sources of labor for industrial plantation companies (Faryadi forthcoming).

Similarly, Nepal's land reform policies have not been implemented. Real estate developers often bypass the Land Reform Act of 1964 by disregarding the proper procedures and ownership ceilings it established and seeking exemptions provided in the Industrial Enterprise Act.

Likewise in Pakistan, governments in the 1980s and early 1990s avoided significant land reform measures, perhaps due to the significant support they received from rural landowners. Measures that prohibited the eviction of tenants did not follow through, and large landowners continue to dominate small farmers and tenants. One-third of the farmers in Pakistan are tenant farmers. In the province of Sindh, which has a feudal agricultural establishment, almost half of the farmers are tenants, and give about 50% of

---

<sup>1</sup> Based on DAR's accomplishment report as of June 2009, balance for land distribution is 1,044,550 hectares.



their produce to the landlords. Fragmentation of landholdings is also a substantial and widespread problem in Pakistan (Arif forthcoming).

After several decades of land reform, very few improvements are noted, and land tenure remains a controversial and complex issue in Asia. Skewed distribution of ownership and income persists resulting in poor production output, meager income, indebtedness, and ultimately poverty in the countryside. These impediments in rural development have been exacerbated by the decline in agricultural investment in recent decades.

## Decline in public spending and official development assistance

Over the years, agriculture worldwide has suffered major setbacks in investments. In transforming countries,<sup>2</sup> of the classification to which most South and East Asian countries belong, public spending on agriculture plunged by almost half from 14.3% in 1980 to just 7% in 2004 (Table 1). This low public spending in agriculture in least developed countries is alarming as agriculture is closely linked with increasing rural poverty and hunger.

**Table 1: Public spending on agriculture, 1980 and 2004**

|   | Agriculture-based countries |      | Transforming countries |      | Urbanized countries |      |
|---|-----------------------------|------|------------------------|------|---------------------|------|
|   | 1980                        | 2004 | 1980                   | 2004 | 1980                | 2004 |
| <b>Public spending on agriculture as a share of total public spending (%)</b> | 6.9                         | 4.0  | 14.3                   | 7.0  | 8.1                 | 2.7  |
| <b>Public spending on agriculture as a share of agricultural GDP (%)</b>      | 3.7                         | 4.0  | 10.2                   | 10.6 | 16.9                | 12.1 |
| <b>Share of agriculture in GDP (%)</b>  | 28.8                        | 28.9 | 24.4                   | 15.6 | 14.4                | 10.2 |

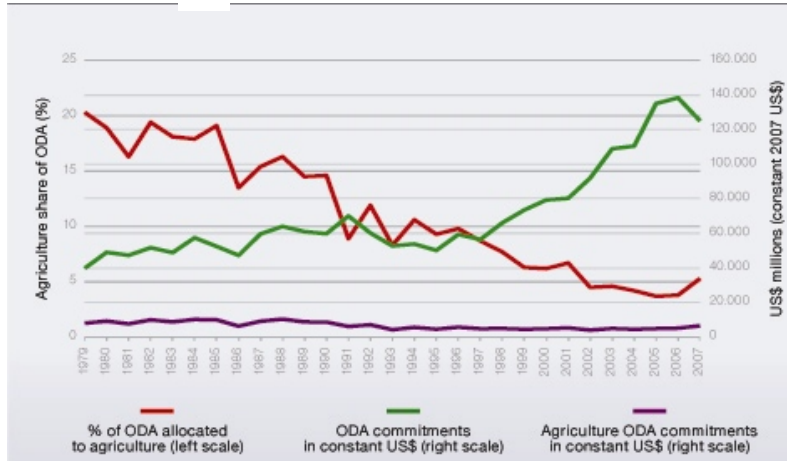
Source: World Bank World Development Report 2008

Donor countries could have assisted in reversing this trend through official development assistance (ODA), but ODA to agriculture has also taken a downturn over the past two decades (Figure 1). The greatest reductions in both bilateral and multilateral assistance

<sup>2</sup> The World Bank categorizes countries into three worlds according to a country's share of agriculture in aggregate growth over the past 15 years and its current share of total rural poverty.

between 1980 and 2002 occurred in Asia, diminishing by as much as 83% in South and Central Asia (UK DFID 2004).

**Figure 1: Annual ODA commitments: Overall trends and share allocated to agriculture**



Source: FAO High Level Expert Forum Discussion Paper, October 2009

# 3 Land competition due to agricultural investments

## Governments seeking private sector investments

With low public spending and reduced ODA to agriculture, the private sector is being brought in to fill investment gaps. Governments, especially those of developing countries, are considering the private sector as a key participant in bringing in investments in agriculture, especially amid realization of the potential of agriculture in addressing problems of food security and climate change (UNCTAD 2009).

In Pakistan, for example, a Corporate Agriculture Farming policy, intended to increase agricultural productivity and earn foreign exchange money, was conceived to allow “no upper ceiling on land holding,” leaving the size of the proposed corporate farm up to the prospective investor (CAF Policy Package n.d.) The Federal Minister for Food and Agriculture, Nazar Muhammad Gondal, was quoted as saying, “Pakistan has about 8 million hectares of fertile cultivable land in four provinces besides hectares of barren land which can be used for crop production by developing corporate farming and for maximization of agriculture production in the country” (Arif forthcoming).

The Government of India in its 2009 Press Notes permitted up to 100% foreign investment without its approval under the automatic approval route, provided that foreign owned and controlled companies – both operators and investors – comply with applicable sectoral restrictions (Soma 2009). In relation, the Special Economic Zone Act was passed in 2005 to accelerate the country’s economic growth through increased export. A litany of incentives and tax exemptions is incorporated in the Act to attract foreign investment.

With the endorsement of the Ministry of Land Reforms and Management, the Government of Nepal has adjusted its ceilings on land ownership. Private land developers and housing companies have been allowed as much as 300 *ropanis* (15.2 hectares) of land in the Kathmandu Valley, although the current limit is 25 *ropanis* (1.27 hectares). Public limited land development and housing companies also enjoy an increased 600 *ropanis* (30.5 hectares) land ceiling (Shrestha 2011).

Both the Malaysian and Indonesian governments are supporting the expansion of crude palm oil for the biodiesel industry with tax holidays, subsidies, state company investment and domestic agrofuel targets. In 2002, palm oil generated more than USD 2.1 billion in

foreign exchange for Indonesia and USD 3.8 billion for Malaysia. Plans of establishing the world's largest palm oil plantation along the border of Borneo between Indonesia and Malaysia include offering as much as 1.8 million hectares to Chinese and Malaysian investors.

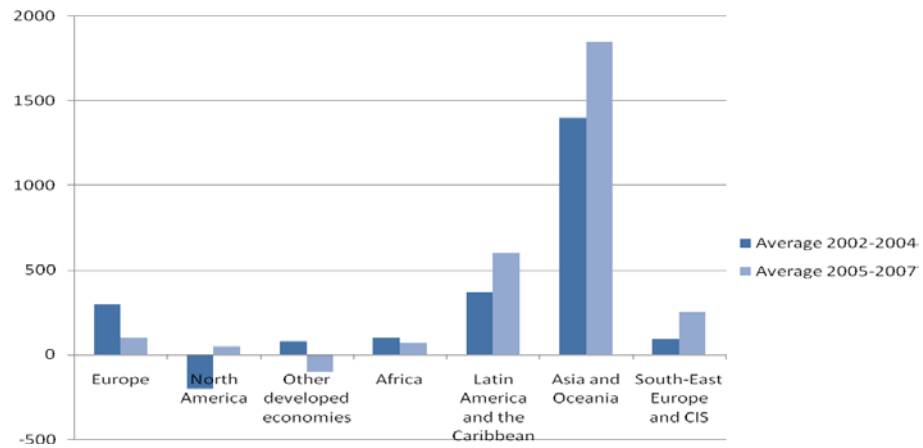
In the Philippines, the government set up an agency called the Philippine Agricultural Development and Commercial Corporation (PADCC) to undertake, among others, the development of around 2 million hectares of idle, underutilized marginal lands under the Philippine government's medium-term agricultural development plan. This undertaking started in 2006 but PADCC became more aggressive in 2008 with the food shortage and the growing investments in biofuel. As of 2009, 403,000 hectares have memorandum of agreements (mainly sugarcane for bio-ethanol but also includes banana, pineapple, cassava, palm oil, rubber and coffee), 187,000 hectares of which have contracts (lease, contract growing and joint ventures) and 17,000 hectares have already been planted.

## Increasing foreign direct investment in agriculture

Given the liberal attitudes of governments with emerging economies toward foreign investments, the share of foreign direct investment among developing countries is relatively higher than it is among developed countries. UNCTAD's 2009 World Investment Report registered a 17% growth in FDI in South, East and Southeast Asia in 2008.

World FDI inflows in agriculture exceeded USD 3 billion per annum by 2005-2007, up from below USD 1 billion per annum between 1989 and 1991. Data on FDI inflows in agriculture since 2000 indicate the increasing attractiveness of developing regions, particularly Asia and Oceania, and Latin America and the Caribbean (Figure 2). Various Asian countries receive significant amounts of FDI, such as Cambodia, China, Indonesia, Viet Nam (in terms of both flows and stock); Malaysia (in terms of flows only); and the Republic of Korea and Turkey (in terms of stock only) (UNCTAD 2009).

**Figure 2: Inward FDI flows in agriculture by region, 2000–2007 (millions of USD)**



Source: UNCTAD 2009 World Investment Report

As a whole, though, the share of FDI in agriculture is small compared to the total FDI. In the Philippines, agriculture, hunting and forestry contributed only 0.03% to total equity in net FDI flows in 2008. In Nepal, of the 212 FDI projects approved by the Department of Industry in 2007-2008, only 11 fell under agriculture.<sup>3</sup>

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<sup>3</sup> Data for FDI inflow by sector in India, the Philippines and Nepal can be accessed from the websites of the Department of Industrial Policy & Promotion Ministry of Commerce and Industry India, the Central Bank of the Philippines and the Nepal Rastra Bank, respectively. FDI inflows for Pakistan are detailed in the report of the Pakistan Board of Investors, "Pakistan-Gateway to Goldmine" (2008). For FDI in Indonesia, see Bank Indonesia's 2008 Economic Report on Indonesia.

# Rise of intra-regional trade

FDI in agriculture in Asia coming from and headed to the “south” has increased significantly in recent years. Flows between South Asia, East Asia and Southeast Asia comprise almost 50% of total Asian FDI inflows. However, cross-border FDI within South Asia has not been so significant with only India making major investments in its neighboring countries (ADB 2007).<sup>4</sup> This trend of developing countries investing in other developing countries has given rise to the so-called “South-South” investment phenomenon. The growth of outward FDI from developing countries is escalating fast enough to overtake growth rate from industrialized countries (MIGA 2008). In 2009, FDI inflow for the region slowed down because of the global financial crisis; nevertheless, the upward FDI trend is expected to continue over the next few years. In fact, 90% of south-based companies surveyed by MIGA said that they expect their overseas investments to rise in the next five years, while 80% said they plan to invest in emerging economies in the next year.<sup>5</sup>

In the 2008-2009 fiscal year, China poured USD 31.2 million of FDI into Pakistan, which was directed toward further investments in agriculture and other agriculture-related industries such as mining, oil, and gas; and other sectors like engineering, information technology, and telecommunications (The Nation July 2009). Gulf States are also making investments in Pakistan primarily for food production.

Also, many agriculture-based firms in developing countries are investing in agricultural production in their neighboring Asian countries (Table 2). Among them are Malaysia’s Sime Darby Berhad, the largest palm oil producer in the world and the top agriculture-based transnational corporation (TNC) on UNCTAD’s list, with palm oil plantations in Indonesia; Charoen Pokphand Foods Public Company of Thailand with operations in China, India, and Association of South East Asian Nations (ASEAN) countries; and Malaysia’s Kulim Berhad with palm oil and oleochemicals investments in Indonesia.

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<sup>4</sup> A table on intra-regional FDI in South Asia can be found on Chapter II of ADB’s South Asia Economic Report: Foreign Direct Investments in South Asia, 2007.

<sup>5</sup> FDIs in developing economies are detailed further in MIGA/The World Bank’s 2009 World Investment and Political Risk Report.

**Table 2: Investments of select agri-based and agri-related developing country TNCs in Asia**

| <b>Agri-based developing country TNC</b> | <b>Nature of operations</b>  | <b>Investments in Asia</b>              | <b>Investments outside Asia</b>                         |
|--|--|---|---|
| Sime Darby Berhad (Malaysia)             | Palm oil, rubber plantation and processing, oils, fats and, oleochemical           | Indonesia, Malaysia                     | Western Europe, Africa, Latin America and North America |
| Charoen Pokphand (Thailand)              | Livestock and aquaculture operations   | Thailand, China, India, ASEAN countries | Turkey, Russian Federation, United Kingdom              |
| Kulim Berhad (Malaysia)                  | Palm oil, oleochemicals, food and restaurant manufacturing                         | Indonesia                               | Papua New Guinea, Solomon Island                        |
| Karuturi Global Limited (India)          | Floriculture; rice, wheat, palm oil and sugarcane for sugar and ethanol production | India                                   | Kenya, Ethiopia   |
| Wilmar International (Singapore)         | Palm oil   | Malaysia, Indonesia                     | Europe  |
| San Miguel Corporation (Philippines)     | Food & beverages, agribusiness and packaging                                       | ASEAN, China, Indonesia, Viet Nam       |   |
| IOI Corporation (Malaysia)               | Palm oil   | Malaysia, Indonesia                     |   |
| Olam International Limited (Singapore)   | Agricultural commodities trading   | Indonesia, Vietnam                      | Nigeria, Ghana, Côte d'Ivoire                           |

Source: UNCTAD 2009 World Investment Report

# 4 Drivers of agricultural investments

High food prices have made Asian land attractive to foreign investors. In addition, expanding interests and massive government support for biofuel production also add to the appeal of agricultural lands.

## Food security

Asian populations are continually increasing. As the population increases, new food demographics emerge; for example, Asia's growing middle classes are now consuming more rice and meat. When the food price crisis struck in 2007 and 2008, many Asian countries scrambled to ensure their own food supplies. Global rice stocks were at their lowest since the 1970s due to, among others, increasing population and low agricultural financing. The spike of rice prices worsened when major rice-exporting countries like Thailand, Vietnam, and India imposed strict export restrictions. Asian governments that relied heavily on imports for their food such as the Philippines and Malaysia held on to any deal they could grab.

High global food prices persevered to increase in 2009: the World Bank food benchmark index rose to 23% between January and December 2009, sugar prices spiked by 80%, and rice prices by 9%. Upward trends in the international market and the global economic crisis of 2009 may have partially caused the increase. In China, rice prices soared by 15% from January to October 2009 (Food Price Watch 2010).

In the midst of this crisis, many Asian governments prioritized food security, which has led to increased agricultural FDI for grain-importing nations. China is eyeing investments in Burma, Philippines, Laos, and Kazakhstan for food – as well as energy – production. According to a GRAIN report (2008), China has sealed around 30 agricultural cooperation deals for offshore food production in exchange for Chinese technologies, training and infrastructure development.

Agribusiness investments in food production have also been recorded in the Philippines. Table 3 contains a partial list of agribusiness investments registered by the Department of Agriculture. The list is not exhaustive, as it does not include agreements entered through private arrangements with local government units and other unrecorded transactions (de la Cruz 2011).



**Table 3: Agribusiness investments recorded by the Department of Agriculture in the Philippines**

| Company                             | Commodity   | Hectarage                        | Coverage of investment   | Preferred business ownership  | Remarks   |
|-------------------------------------|---|----------------------------------|--|---|---|
| San Miguel Kuok Food Security, Inc. | Rice, corn, cassava, oil palm, feedstock, dairy mariculture | 1,000,000                        | Development of green areas into food production areas along with the establishment of logistics, postharvest and processing facilities for the raw crop produce.       | Supply and purchase agreement, corporate farming, lease and co-management | Memorandum of Understanding (MOU) was signed last July 2008.  |
| Government of Qatar                 | Rice  | 100,000                          | Development of new areas for food production with the establishment of the necessary postharvest facilities, logistics support and primary processing plants.          | Joint Venture, Lease and Corporate Farming                                | Presented opportunities to Qatar Investment Authority last December 2008 during the Presidential State Visit.                 |
| Government of Saudi Arabia          | Rice, corn, sorghum, barley, alfalfa, red meat              | Rice – 100,000<br>Corn – 100,000 | Development of new areas for rice and corn production with the establishment of the necessary postharvest facilities, logistics support and primary processing plants. | Joint Venture   | Signed an agreement with AOICA to grant the feasibility study during the Presidential Visit last May 20, 2009 in Seoul, Korea |
| Government of Brunei                | Rice  | 10,000                           | Development of green areas into food production areas along with the establishment of logistics, postharvest and processing facilities for the new crop produce        | Corporate farming, lease and co-management                                | Minister of Brunei went to the Philippines last April 2008 to conduct ocular inspection for rice agro-estate investment       |
| Government of Oman                  | Rice  | 10,000                           | Development of new areas for food production with the establishment of the necessary post harvest facilities, logistics support and primary processing plants          | Joint Venture and Lease   | Presented opportunities to Oman Ministry of Agriculture   |
| Government of Kuwait                | Rice<br>Corn  | Rice – 10,000<br>Corn – 10,000   | Development of new areas for food production with the establishment of the necessary postharvest facilities  | Joint venture and corporate farming                                       | Presented opportunities to the Kuwait Ministry of Agriculture   |
| Government of New Zealand           | Livestock   | 500                              | Development of new areas for livestock breeding and dairy farming  | Joint venture and lease   |   |

Gulf nations – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE) – have always depended on food imports. With very limited fertile land or water resources, they rely on their oil reserves to buy food from abroad. However, with the increase in food prices and the propensity of rice exporting countries to protect their own food supply, the Gulf States are starting to grow their own produce in other Arab countries and in Southeast Asia, among other targeted places (GRAIN 2008). The Gulf Cooperation Council (GCC) provided the United Arab Emirates, Bahrain, and other Gulf States with a supportive environment to form a collective strategy for outsourcing food production. The strategy involves acquiring farmlands in sister Islamic nations, heavily targeted countries include Sudan and Pakistan, and exporting produce back home. In return, host countries will be provided with capital and oil contracts. Pakistan is favored by Arab states because of existing close religious, economic and political ties. Most Arab states employ the Pakistani labor force and their rulers often go wildlife hunting in Pakistan. Arab states also provide free oil and cash to Pakistan when it is in need, which provide Arab states leverage in Pakistan's politics and economy.

In order to produce food for its population, UAE firms have purchased about 16,187 hectares of land in the Balochistan province of Pakistan for an estimated USD 40 million. In October 2009 there were talks of purchasing an additional 12,140 hectares in Shikarpur, Larkana, Sukker, Thatta, and Badin. In June of the same year, the UAE government engaged in discussions with Islamabad to buy 100,000 to 200,000 acres of farmland worth USD 400 to 500 million in Punjab and Sindh provinces. In 2008, Abraaj Capital acquired about 800,000 acres of "barren" farmland to produce rice and wheat for export to the UAE. UAE has expressed desire to purchase land directly from Pakistan and to be exempted from export restrictions on food produced there (SCOPE 2009).

Other neighboring countries investing in Pakistan are Bahrain, Qatar, and Saudi Arabia. Market Access Promotion Services Group, a Bahrain company, intends to develop ten model dairy and livestock farms in Pakistan from 2008 to 2010. A Qatari company allegedly wants to purchase the Kollurkar farm in Punjab; if realized, this deal could result in the eviction of 25,000 villagers according to the Pakistan Farmers Forum.

Meanwhile, the Saudi Fund for Development is creating a USD 566 million special investment fund to buy lands abroad for rice and wheat production to export back to the country. The Al Rabie Group is also interested in buying land for dairy and tomato paste, citrus pulp, and packed beans exports for the Saudi market.

# Investments in biofuels

Fossil fuel-based energy resources are predicted to reach their “oil peak” before 2020; subsequently global production of crude oil will decrease, while consumption will continue to increase. In 2005, annual global consumption amounted to 30 billion barrels against discoveries of only 8 billion barrels in the same timeframe. Oil companies are also finding it more difficult and expensive to find and access sufficient new reserves to sustain present and future consumption needs, which foreshadows an insurmountable fossil fuel based energy crisis (Faryadi forthcoming). Concerns are also mounting over greenhouse gas emissions associated with fossil fuel-based energy, resulting in increased interest in clean energy programs. The FAO estimates that the biofuel industry will more than double between 2007 and 2017 (UNCTAD 2009), with biofuel crops currently constituting the fastest growing segment in global commercial agriculture.

Given this scenario, world economic powers such as the United States (US) and the European Union (EU) encourage, through policies to curb oil dependency, massive biofuel production. The Kyoto Protocol also buoyed the adoption of renewable energy policies among industrialized countries that vowed to implement the agreement. At present, however, only 6% of the Organization for Economic Cooperation and Development (OECD) countries consumes plant-based fuels. One of OECD’s goals by 2020 is to increase the consumption of agrofuels by as much as 20% on average in public transportation, automobiles, and other industrial uses. To do this, massive incentives and subsidies estimated at around USD 15 billion per year are being allocated to research and production of agrofuels both within OECD-member countries and in Asia, Africa, and Latin America.

In Asia, biofuels promote energy access especially where fossil fuels are inaccessible. Among countries in Asia, China leads in targets for biofuels as shown in Table 4.

**Table 4: Biofuel targets of select Asian countries**

| Country     | Ethanol Target | Biodiesel Target |
|-------------|----------------|------------------|
| China       | 10 MMT by 2020 | 2 MMT by 2020    |
| India       | 20% by 2017    | 20% by 2017      |
| Indonesia   | 20% by 2015    | 10% by 2010      |
| Malaysia    | NA             | 5% by 2009       |
| Philippines | 10% by 2011    | 2% by 2012       |
| Thailand    | 10% by 2011    | 10% by 2011      |
| Vietnam     | 500 ML by 2020 | 50 ML by 2020    |

Source: SEAMO SEARCA Policy Brief 2009-3

The achievement of these production goals requires large-scale expansion of agrofuel plantations. Industrialized countries are already outsourcing agrofuel production, for example the EU has indicated that 22% to 54% of its agrofuel target comes from imports. The Dutch Environment Assessment Agency estimates that 20 million to 30 million hectares will be required for EU to meet its target of 10% agrofuel use by 2020, and 60% of its consumption by that year will come from imported supplies (Faryadi forthcoming).

The biggest and most significant biofuel on the world market is bioethanol, which is derived from fermented plant sugars or starches (see Table 5 for Asia's biofuel production figures). The United Kingdom Renewable Fuels Agency reported that in 2008 global production of bioethanol totaled to 50 billion liters. Brazil and the United States are the major bioethanol producers, followed by China and India.

In terms of Asia's role in bioethanol production, the Philippines' case study report documents three existing bioethanol production agreements with private companies, as follows:

1. Memorandum of Agreement between the Palawan Bioenergy Development Corporation and the China CAMCE Engineering Co., Ltd. for the planting of 10,000 hectares of sugarcane in Palawan for bioethanol production projected at 150,000 liters a day;
2. Memorandum of Agreement among One Cagayan Resource Development Inc., Nanning Yong Kai Industry Group Co., Ltd., and China CAMCE Co., Ltd. One Cagayan and Yong Kai shall form a joint venture company in the Philippines to farm sugar cane or cassava for conversion into bioethanol, at no less than 150,000 liters per day capacity. CAMCE shall provide the financing, and machinery and equipment from China; and

3. A joint venture between B.M. SB Integrated Biofuels Company and Nanning Yong Kai Industry group Co., Ltd. for bioethanol production, with the latter providing the investment for the project.

Biodiesel production worldwide is also on the rise, with production in 2007 reaching 10 billion liters. While the EU represents 82% of the biodiesel market, Indonesia and Malaysia are the largest palm oil producers – one of the main crops used for biodiesel production along with rapeseed oil, soy – owning a combined 87% of total global production and more than 90% share in the world market. In Indonesia, the largest investment deal was clinched in early 2005, when PT Smart (Sinar Mas Group) finalized a USD 5.5 billion investment deal with China National Offshore Oil Corporation (CNOOC) and Hong Kong Energy (Krisnantari 2007).

Since 1990, palm oil in Indonesia has replaced other crops as the main plantation product. In 1995, the East Kalimantan Forestry Department allocated 990,000 hectares of the 1.4 million hectares prepared for land plantation to palm oil. Despite the expected economic benefits from such plantations, speculation abounds that forest fires in Indonesia are closely related to the conversion of forestlands to large-scale plantations such as palm oil (Faryadi 2009).

**Table 5: Biofuel production in selected Asian economies, 2007 (millions of liters and %)**

| Economy/Grouping | Ethanol |                           | Biodiesel |                           | Total  |
|------------------|---------|---------------------------|-----------|---------------------------|--------|
|                  | Volume  | Share in world production | Volume    | Share in world production |        |
| World            | 52,009  | 100.0                     | 10,204    | 100.0                     | 62,213 |
| China            | 1,840   | 3.5                       | 114       | 1.1                       | 1,954  |
| India            | 400     | 0.7                       | 45        | 0.4                       | 445    |
| Indonesia        | --      | --                        | 409       | 4.0                       | 409    |
| Malaysia         | --      | --                        | 330       | 3.2                       | 330    |

Source: UNCTAD 2009 World Investment Report

Between 2000 and 2008, Indonesia reported an increase of 1.3 million hectares committed to palm oil production (from 6–7.3 million hectares). An additional 18 million hectares have been cleared for palm oil, although not yet planted.<sup>6</sup> Furthermore, 20 million

<sup>6</sup> There are speculations that the real motivation for acquiring these lands is access to timber and not plantation development.

hectares of land have been assigned for plantation expansion by 2020 primarily in Sumatra, Kalimantan (Indonesian Borneo), Sulawesi, and West Papua. Indonesia is also set to establish the world's largest oil palm plantation along the border of Borneo between Indonesia and Malaysia. Chinese and Malaysian companies have been invited to plant as many as 1.8 million hectares of palm oil along the border (Faryadi 2010).

## Other drivers

Country studies in the Philippines, Nepal, and Indonesia briefly illustrated other drivers of agricultural investments in their respective countries, namely aquaculture and logging.

### **Aquaculture**

Mangrove areas and foreshore lands in the Philippines are facing the pressure of the aquaculture industry. The municipality of Real in Quezon experiences increased utilization of mangrove for fishponds. The rise of the fishpond industry in Real was preceded by the decline in timber supplies because of illegal logging, after which capture fishery became the residents' primary source of income; the village of Cawayan, for example, has about 86 fishponds within its large mangrove forested area (Ablola n.p.).

The municipality of Calatagan, Batangas also in the Philippines developed aquaculture to mitigate decreasing fish catch in the area, as Calatagan supplies 25% of Batangas' total fish produce. About 70 hectares in the northwest and 128 hectares in the east have been utilized for fishpond operations. As in Real, mangrove areas and foreshore lands are being turned into fishponds, leading to the declining mangrove population in the area, according to the Municipal Environment and Natural Resources Office. Worse, most of these fishponds operate without permits. Besides the decimation of mangrove population, other impacts of the expansion of fishponds in mangrove areas include a reduction in marine biodiversity and declines in the quantity and quality of fish catch (Ibid.).

### **Logging**

While Indonesian forestlands are being cleared under the guise of palm oil plantations, environmental groups claim that this land will be used for other purposes, such as massive logging schemes. This speculation follows surveys by the World Wide Fund for Nature, which reported that much of the land acquired in Kalimantan is not suited for palm oil. According to Friends of the Earth, "a lot of plantation concessions issued by the government are not truly developed into oil-palm greenfields. Instead, these lands appear to be abandoned as the concession holder does not work the land" (Faryadi forthcoming)

This argument is further supported by a study by Indonesian NGO Greenomics, which found that "60 percent of all forest conversion for the purpose of planting oil-palm and

pulpwood plantations still occurred in good forests in 2004-2005" (Butler 2007). Further, timber value in Kalimantan is estimated at USD 26 billion. Logging areas assigned to palm oil plantations would earn substantial amounts of revenue for logging firms and tax income for the Indonesian government (Ibid.).

# 5 Land competition for non-agricultural investments

The availability of under- or unutilized cultivable lands and the liberal investment policies of several Asian governments have enticed private investors to develop these lands. Experiences in countries like Nepal, the Philippines, and India show how private sector investments have markedly changed the appearance of lands from agricultural and forests into concrete jungles. Increased commercial pressures on land in Asia are not only caused by the most obvious drivers of biofuels and food security, but also by development of tourism, special economic zones (SEZ), migration, and mining.

## Tourism

Asia's tourism growth is among the fastest in the world, driven by huge populations and increasing wealth in countries such as Taiwan, South Korea, and Malaysia. Increased tourism has prompted the conversion of agricultural lands into parks and beach resorts. This tourism boom increases pressure on land in many Asian countries as areas are increasingly acquired to accommodate this industry.

For example, fertile agricultural lands in Nepal are being lost to parks such as the Tribhuvan Park, Balaju Park, Sankha Park, and Ratna Park; and botanical gardens like those in Godavari, Zakir Hussain Rose Garden, Coronation Garden, and Bhrikuti Mandap Exhibition Ground. Because of these developments, lands adjacent to forest resources are being sold at higher prices. Also in Nepal, besides being the gateway to the country, Kathmandu Valley's rich cultural heritage and its seven designated world heritage sites have greatly aided the country's tourism promotion making way for the establishment of more hotels. Industries engaged in this kind of service have bought agricultural lands on the countryside of the Valley to construct resorts and rest houses (Shrestha 2011).

In the Philippines, the government is positioning the country as a primary Asian tourist destination. Tourism is considered a major growth driver in the country, contributing 6.2% to the Gross Domestic Product (GDP). Dive shops in Cebu and Bohol alone generated P26.6 million<sup>7</sup> in gross receipts as tourist inflows increased in 2008.

The boost in the tourism industry has led to the conversion of mangrove forests into privately owned beach resorts, particularly in the municipalities of Batangas and Quezon.

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<sup>7</sup> 1 U.S. dollar = 45 Philippine Pesos



This is encouraged by the local government of Real, Quezon to attract tourists for revenue. Already, more than 30 beach resorts have mushroomed in Real but only 20 of these have permits to operate (Ablola n.p.).

## Special Economic Zones

Asian countries are using Special Economic Zones (SEZ) to open their economies. China's SEZs have been largely implemented in all levels of local government to attract foreign investments and promote the local economy. In 2004, an estimated 6,000 SEZs were scattered all over the country. These SEZs and economic and technological development zones were responsible for 30% of total foreign capital in China that year, but it accounted for less than 1% of total land area. The SEZ in Shenzhen, China, is the largest in the world covering about 20,000 hectares with amenities like ports, power stations, water supply, and airports.

Drawing inspiration from China's success, India established SEZs to encourage foreign direct investments (FDI) and export industries particularly in software, textiles and medicines. As of February 2010, 571 SEZ have been approved (Table 6).

**Table 6: State-wise distribution of approved special economic zones, February 2010**

| State                | Formal Approvals | Notified SEZs | Operational SEZs |
|----------------------|------------------|---------------|------------------|
| Andhara Pradesh      | 102              | 72            | 21               |
| Chandigarh           | 2                | 2             | 1                |
| Chhattisgarh         | 1                | 0             | 0                |
| Delhi                | 3                | 0             | 0                |
| Dadra & Nagar Haveli | 4                | 2             | 0                |
| Goa                  | 7                | 3             | 0                |
| Gujarat              | 48               | 30            | 10               |
| Haryana              | 45               | 32            | 3                |
| Himachal Pradesh     | 0                | 0             | 0                |
| Jharkhand            | 1                | 1             | 0                |
| Karnataka            | 52               | 29            | 15               |
| Kerala               | 25               | 15            | 5                |
| Madhya Pradesh       | 14               | 6             | 1                |
| Maharashtra          | 109              | 57            | 15               |
| Nagaland             | 2                | 1             | 0                |
| Orissa               | 10               | 5             | 1                |
| Puducherry           | 1                | 0             | 0                |
| Punjab               | 8                | 2             | 0                |
| Rajasthan            | 8                | 7             | 3                |
| Tamil Nadu           | 68               | 55            | 19               |
| Uttar Pradesh        | 34               | 16            | 6                |
| Utarakhand           | 3                | 2             | 0                |
| West Bengal          | 24               | 11            | 5                |
| <b>Grand total</b>   | <b>571</b>       | <b>348</b>    | <b>105</b>       |

Exports from India's SEZ has grown exponentially. Table 7 shows export growth rates from 2003-2008. Total exports in fiscal year 2008-2009 amounted to Rs 99,689 crore,<sup>8</sup> 50% more than the previous year's. As of the first three quarters of the 2009-2010 financial year, exports from SEZ have added up to around Rs 1.5 million crore or 127% greater than last year's.

**Table 7: SEZ growth rate for export**

| <b>Year</b> | <b>Value (Rs. Crore)</b> | <b>Growth rate (over previous year)</b> |
|-------------|--------------------------|---|
| 2003-2004   | 13,854                   | 39%                                     |
| 2004-2005   | 18,314                   | 32%                                     |
| 2005-2006   | 22,840                   | 25%                                     |
| 2006-2007   | 34,615                   | 52%                                     |
| 2007-2008   | 66,638                   | 92%                                     |

Source: Rawat, n.p.

The total land area of India is 2,973,190 square kilometers, 54.4% is agricultural land, of which 676 square kilometers are formally allocated to 270 SEZs. Although the benefits in terms of export growth are significant, because most SEZ projects in India are situated on fertile lands they affect many rural communities, as farmlands are converted to non-farming purposes. The SEZ in Polepally has affected more than 350 families, the majority of them from vulnerable communities, namely the Dalits, peasantry, tribal peoples, and Muslims. Bureaucrats and big companies are allegedly the beneficiaries of these investments. Farmers have rarely been consulted, compensated and do not have legal protection. The SEZ central board does not have representation from the farming, Dalit, or Adivais communities, which has led various Indian states to protest movements.

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<sup>8</sup> 1 USD = 46 Indian Rupees

# Migration and increasing demand for human settlement

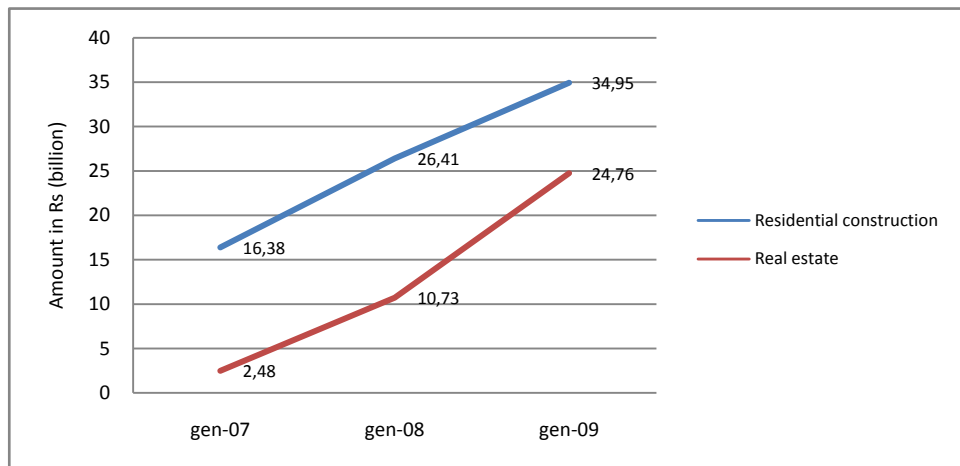
Population increase due to migration has led to more demand for human settlement. The Philippines' Laguna de Bay Monitor cites that urban migration drives population growth consequently resulting to the conversion of forests and agricultural lands into residential, commercial and industrial areas.

Foreshore lands within Laguna Lake are being reclaimed for human settlement despite being categorized as environmentally critical. Although its shoreland is submerged in water for eight months making it unsuitable as housing site, about 25,000 informal settlers abound occupying 175 hectares of Laguna Lake's buffer zone.

Increased land investments in Nepal are also mainly because of increasing population and urbanization. Rural to urban migration is a major driver of urbanization. A 2001 census reported that over 30% of the people living in cities are migrants, who seek employment, are escaping natural disasters, and social stigmatization and wanting to access basic services. As a result, Kathmandu Valley's urban area has expanded significantly, resulting in a 20% decrease in fertile agricultural land in the area between the 1980s and the early 2000s. At this rate, it is estimated that more than 50% of the Valley's grade 'A' land, or 43% of its existing agricultural lands, will be lost to urbanization by 2010 and that by 2025, no agricultural fields will remain.

These losses of agricultural land are due to increased housing demands. The government of Nepal reported that the number of new apartments in Kathmandu tripled from 1,088 in 2007 to 3,385 in 2008. The surge in new apartment buildings is linked to high land prices (reported to have increased by 300% since 2003) and poorly enforced planning laws. Further, the informal land market, conducted by mainly unlicensed land brokers, has led to problems in purchasing land (smaller plots than advertised, etc.).

**Figure 3: Bank loans in the realty sector in Nepal**



Loans from the realty sector reflect the increasing money flow in land transactions (Figure 3). Some 185,000 people and firms have made land and housing purchases in Kathmandu during the last fiscal year. As of 2010, there are more than 150 real estate companies in the Valley.

The realty boom in Nepal is not exclusive only to the Kathmandu Valley, and proliferates in all major cities in Nepal. The Municipal Association of Nepal (2002) foresees maximum urbanization in the Terai flat plain adjoining the Indian border, Kathmandu Valley, and Pokhara. Eastern Nepal cities such as Sunsari (Dharan, Itahari), logged the second highest land and housing transactions after Kathmandu during 2008-2009, as a result of people looking for less expensive lands than those in the Valley and Pokhara.

# Mining

In Nepal, sand, soil, and stone quarries, driven by increased demand in building materials, contribute to the loss of agricultural lands. Quarrying factories contribute to the destruction of the forests, occupy agricultural land, and reduce the production of nearby crops. In Kathmandu Valley alone, over 54 hectares of forest area are quarried. Such mining is proceeding at a staggering rate; for example, the largest company in the Kathmandu Valley, Godawari, extracted 6,000 square feet of marble in 2004. The company employs about 500 workers (325 direct and 180 indirect). There are more than 92 officially registered quarrying factories covering 12 Village Development Committees of the Lalitpur district, of which 15 are operational (Shrestha 2011).

In India, the state of Rajasthan, which has 44 major and 22 minor mineral reserves, owns the most mine leases: 1,324 leases for major minerals, 10,851 for minor minerals and 19,251 quarry licenses for mining stones. It is the sole producer of garnet, jasper, selenite, wollastonite, and zinc concentrates; the leading producer of calcite, lead concentrate, ball clay, fireclay, ochre, phosphorite, silver, and steatite. However, Rajasthan is most popular for its marble, sandstone, and other stones. Rajasthan accounts for 70% of India's and 10% of the world's sandstone output (Rawat n.p.).

In addition to these major players, India has thousands of unorganized mines – some comprising only one-twentieth of a hectare; these mines are not accountable to the government and do not have mechanisms to implement environmental protection measures (Ibid.).

# 6 Characteristics and implications of new land deals

In 2000 Asian economies began to open under the umbrella of the World Trade Organization and the various free trade agreements such as ASEAN Free Trade Area and the China-ASEAN Free Trade Area (Box 1), which allow a flow of investment capital and goods beyond national boundaries. The rapid growth of many Asian economies has led to increased intra-regional trade and investment, even in agriculture. In this new economic paradigm, land is a commodity that can be bought and sold. Land rights, including customary rights, can now be easily transferred and can be used as collaterals for credit. Without land, farmers are left without a choice but to become laborers. Some have become migrant workers.

Although promoters of big land investments boast that these development projects will advance rural development, create jobs and alleviate poverty, reports from case studies in Asia show that these benefits do not come close to justifying the detrimental effects of taking over tracts of land cultivated by local communities. In many of the land deals, farmers and other stakeholders are displaced without fair compensation, are underrepresented in opaque transactions, and no appropriate programs for their rehabilitation are planned.

And since these transactions cover vast tracts of land, the impacts go beyond farmers' livelihoods. These new land deals are threatening host countries' food security, damaging the natural resource base, degrading rural women, and alienating the tribal minorities. As may be expected, farmers resisted some violently, against these deals.

### **Box 1: China-ASEAN free trade area**

The China-ASEAN Free Trade Area (CAFTA) was launched on January 1, 2010. With a combined population of 1.9 billion (1.3 billion in China alone), a Gross Domestic Product of about 6 trillion USD and a trade volume of about 4.5 trillion USD, CAFTA is being trumpeted as the world's biggest free trade area.

Prior to CAFTA, China-ASEAN trade experienced annual growth rates of 24.2% between 2003 and 2008. China's direct investment in ASEAN countries increased from USD 230 million in 2003 to USD 2.18 billion in 2008, while ASEAN investment in China reached USD 5.46 billion from USD 2.93 billion during the same period. China is now the third largest trade partner of ASEAN and ASEAN is China's fourth largest trade partner.

Under CAFTA, the average tariff on goods from the ASEAN to China will be lowered to 0.1% from 9.8%; tariffs on goods from China will be cut back from 12.8% to 0.6% in the six original ASEAN countries, namely Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. By 2015, zero-tariff will be imposed on 90% of all traded goods, and the policy will include the four new ASEAN members: Cambodia, Laos, Myanmar, and Vietnam.

ASEAN Secretary General, Surin Pitsuwan, said that the free trade pact would be advantageous to both China and ASEAN, and help the world economy recover from the crisis. He also added that it will help promote cultural exchanges, regional integration and mutual understanding between the countries involved (China View 2010). To its promoters, CAFTA can serve as a model for regional cooperation not just in Asia, but in other regions as well. Philippine President Gloria Macapagal-Arroyo expressed that CAFTA as a "formidable regional grouping" could possibly rival the United States and the European Union (Bello 2010).

However, many experts are apprehensive of the possible negative implications of Chinese imports on ASEAN agriculture and industry. The experience of Thailand in its Early Harvest Program showed that their agricultural products suffered greatly from dumping of competitive Chinese products. This caused a lot of resentment and unrest. In the Philippines, there are fears that the progressive elimination of tariffs on goods and services will eliminate existing barriers and restrictions imposed to protect agricultural lands from being exploited by foreign investors. With the liberalization of regulations on investments and services, and the rising cost of crops for food and fuel, it can be expected that TNCs will take advantage of the increasing prices of commodities and invest more in agricultural production (de la Cruz 2011).



# Farmers' livelihoods

Advocates of palm oil plantations in Indonesia say that the 1.8 million-hectare Kalimantan Border Oil Palm Mega-Project, which is proposed to be established in three national parks, protected forests, and production forests under logging concessions, will generate nearly 400,000 jobs and an annual inflow of USD 45 million in tax revenue. In 2005, 3.7 million hectares of palm oil situated on nucleus estates provided employment to about 1.5 million people on the estates, in palm oil mills, management, and transportation. However, working conditions of smallholders and laborers involved directly or indirectly with large-scale plantations are often very poor. Employment promised in exchange for land surrendered is short-term, and will only last for a few years. Many smallholders turned laborers, therefore, end up indebted and landless (Faryadi forthcoming).

Dr Lisa Curran (Butler 2007) explains that in Borneo, people are usually eager to join palm oil plantations, as timber resources are becoming scarce leaving few economic options. Without legal titles, land deals are structured so that the community gets two to three hectares of land, and a USD 3,000-6,000 loan from the company at an interest rate of 30% per year to purchase seedlings and inputs. However, it takes about seven years before these lands become productive, and when they do, the estimated income for a two-hectare plot is only USD 602-900 per month, so the expenses incurred over seven years are not completely offset by the small income generated. This low level of income and high start up cost – plus high interest rates – inevitably make farmers perpetually indebted to palm oil companies that rake as much as 26% annual return on investment (in West Kalimantan) because of the huge demand for biofuels.

In the poor province of Biliran in the Philippines, Philippine National Oil Company and the Department of Agriculture allegedly offered to lease agrarian reform beneficiaries' landholdings for a little more than USD 100 per hectare per year for 10 years for jatropha production. In addition, the farmers were promised payment of the full amount of the 10-year lease upon signing the contract. Because these landowners are poor and often do not get adequate support services from the government to make their lands productive, most of them are tempted to take the cash. In reality, USD 1,000 per hectare (over 10 years) is irrelevant if compared to the potential of profit for the investing firm. Even more unfortunate, farmers might lose control of their land entirely given that the agrarian reform law allows the sale of distributed land after 10 years, thereby putting significant risks on the farmer (de la Cruz 2011).

About 80% of farmers in Pakistan cultivate less than two hectares of land, or are landless. Civil society activists fear that the CAF policy will engender a social catastrophe, as these small-scale farmers will be forced into competition against highly modernized agriculture producers. It is also feared that small-scale farmers will be forced to sell their lands to corporate farms at meager prices, and that instead of allocating land to the landless the government will allocate land for corporate farming, which would lead to migration towards urban areas. Politicians in the Sindh province, known to be the power base of big

landlords, insist that corporate farming will solve the problem of landless farming, and maximize quantity and quality of produce per hectare. However, the CAF policy does not ensure that the farmers will be shareholders in the corporate farms, where they get to receive the same kind of financial assistance as corporate farms, or have a share of the profit (Arif forthcoming).

When land prices in Nepal became highly competitive, majority of the small farmers sold their fertile agricultural lands – even marginalized, unirrigated land – and used the income to enter other sectors. Many small farmers benefitted from the sale of their land in terms of raising their income, which enabled them to invest on health, education and better food, among others.

But these changes go beyond income levels and livelihood strategies, and are sometimes costly to the overall community. Local residents of Lubhu and Lele VDC in the fringe area of the Valley say that commercial pressures on land have resulted to the fragmentation of agricultural land. Now, landowners are becoming instant millionaires, and take pride in the high prices obtained from sale of land, rather than its productivity. This change of attitude, the locals say, has disrupted social harmony and synergy in their village. Now that landowners are self-sufficient because they have access to financial resources to meet their demands, there is a feeling of unsocial, unaffectionate behavior among those who have increased their purchasing power.

Furthermore, farm labor is increasingly scarce in the Valley, as the labor force has been diverted to construction, which usually pays slightly higher wages than farm jobs. Over 10,000 farmers have also gone to look for better opportunities abroad. Overseas remittance in Gross National Product (GNP) increased in 2008 by more than 20%, but at the expense of diminishing food supplies because of the loss of farmers (Shrestha 2011).

Similarly, rehabilitation and compensation packages offered by SEZ companies have not done much in improving the lives of small- and medium-scale Indian farmers. Because most are uneducated they do not know what to do with the compensation, and it is wasted rather than invested. Even with more knowledge, the marginal compensation provided is not enough capital to start a business. It has also been recorded that middlemen with links to officials and bank managers exploit poor farmers by swindling portions of their already meager compensation.

Ultimately rural people are those displaced and disadvantaged by investments on agricultural lands, as they are unable to find employment in the new investment projects. It is mainly the educated elite who benefit from employment and other opportunities provided by new industries. While the presence of industries exudes a sense of development in the areas of operation, their surroundings have remained largely underdeveloped. Such is the experience of Heavy Engineering Corporation Ltd. in Ranchi, Bharat Heavy Electricals Ltd. in Haridwar, or the Steel Plants at Bokaro and Bhilai (Rawat n.p.).

# Food security

Increased commercial pressures on land have caused increased prices and reduced availability of food in Asia. Lands for domestic agricultural and food production are being used for other intentions such as SEZ, biofuels, residential, and other commercial purposes, putting food security in great danger.

The World Bank reported that over the period between 2002-2008 (Faryadi forthcoming) prices of some of the most consumed foods such as wheat, soybeans, corn, and rice increased by 140%, which plunged 100 million more people into poverty. Although the rise in oil and agrochemical prices contributed 15% to the food cost increase, biofuels accounted for 75% of the increase. In 2007, food prices rose by 37% from the previous year prompted by biofuel promotion policies. Biofuel's massive production is influencing priorities of producers in industrialized countries to favor fuel instead of food crops production because of the significant potential profits.

Nepal is a country that is vulnerable to food insecurity and high inflationary pressures, and relies substantially on food and fuel imports. The UN World Food Program (2006) cited by the Nepal case study estimates that 40% of the country's population is undernourished, and 6.4 million people struggle to attain food security. Because of the alarming increase in food prices, about 2.5 million rural people in Nepal are in need of immediate food assistance according to the 2008 World Food Program Report. The Nepal Living Standard Survey of the Central Bureau of Statistics in 2005 showed that the average Nepalese spends 59% of overall income on food, while it is around 65% for those living below the poverty line. Prices of major food grains rose by 17.8%, while sugar and sugar products increased by 57%. Vegetables and fruits, and pulse crops also experienced price hikes of 40% and 35% respectively (Shrestha 2011).

Rapid urbanization, particularly in the Kathmandu Valley, contributes to the spike in food prices, due to losses of agricultural land resulting in reduced domestic food supply. In the Lalitpur district alone, a decrease in area planted for food grains of 40.5% between 1998/1999 to 2008/2009, although cropped area for vegetables and fruits tripled in the last ten years. Presently, Kathmandu outsources 90% of its food supplies and is heavily reliant on cereal and vegetable imports (Ibid.).

Pakistan has also started importing wheat and soybeans – commodities it used to export – to meet its population's food needs. Food rights campaigners are afraid that profit-driven agribusiness TNCs will use Pakistan to export cash crops that would replace staple cereals currently planted in the country. The Islamabad-based Network for Consumer Protection asserts that the government is handing over control of the nation's food supply to multinational companies (Arif forthcoming).

The same is happening in India where rural people, who used to be self-sufficient for their food, are now buying food at high prices at the markets. Since their lands were utilized

for SEZ, fruits, pulses, and grains that they once grew on their lands have become unaffordable which has negatively impacted the health of the rural communities.

## Environment

Major environmental problems, ranging from the destruction of rainforests to the pollution of water resources, result from land use changes. As highlighted in the country cases presented above, forestlands are being converted into plantations, farmlands into consolidated housing plots and foreshore lands into fishponds. This has significant impacts on the following issues.

### Loss of biodiversity

Rapid and unplanned urbanization in Nepal has taken a toll on the environment. Population growth is considered a major cause of environmental degradation as it puts more pressure on the natural resource base. Only 22% of the 9,580 hectares of natural forest area have good forest cover. Expanding human settlements and public infrastructure have put many endemic flora and fauna species on the endangered list, with 33 bird species, and many insects – some beneficial to farming – having disappeared from the Kathmandu Valley because of habitat destruction. Many herbal and medicinal plants have also disappeared.

In the absence of agricultural lands, forests are converted into agricultural plantations. This has been done in Sumatra and Kalimantan and greatly contributes to deforestation in Indonesia. From 2000 to 2005, FAO recorded Indonesia's deforestation rate as being the fastest in the world, at 1.871 million hectares of forest lost every year. It is estimated that half of the country's 143 million hectares of tropical forest area have been lost or degraded – more than double the land area of Viet Nam (Faryadi 2009).

Forest concessions are being blamed for the increasing deforestation in the country. Forest fires, which razed an estimated 55 million hectares of forests worth USD 1 billion in Kalimantan and Sumatra in 1997, occurred mostly in forest concessions, leading to speculations of a causal link between land conversion for palm oil plantations and forest fires (Ibid.)

Often, regulations meant to protect biodiversity are conflicting. Again, in Indonesia, there is a policy that prohibits "clear cutting in production forest areas." But another policy that allows "timber and oil palm plantation companies to clear cut production forest areas to give way to timber or oil palm plantations." More often than not big investors are successful in challenging these policies, despite adverse impacts on people and the environment (Faryadi forthcoming).

Environmental groups claim that massive oil palm production are destroying Southeast Asia's rainforests, emitting billions of tons of carbon dioxide, aggravating climate change,

and imperiling rare species like the Sumatran tiger and the orangutan. Despite moves by organizations such as the World Wide Fund to halt the Indonesian government's plan to establish the world's largest palm oil plantation along the border of Borneo, a known biodiversity hotspot, the government has not formally cancelled earlier commitments to expand plantations in the area (Ibid.).

India's government has failed to regulate illegal mining activities in forest areas, demonstrated by high mining rates in the most forested area in Rajasthan, Udaipur, and the flourishing of mines in the Sariska and Jamwa Ramgarh sanctuaries despite Supreme Court orders to close them down. Consequently, forest cover in Rajasthan has been drastically reduced. From 1971 to 1991 the dense forests of the Bijola area has been reduced by nearly 90%. Worse, mining for asbestos continues even though the mineral has been banned all over the world.

### **Water degradation and shortages**

Stone and sand quarrying are also exploiting forest resources and destroying riverbeds in Nepal, with fertile soil being converted into deserts because of brick factories and kilns. The heavy use of pesticides and chemical fertilizers is also causing water pollution. Although Nepal's greenhouse gas emission level is low with a per capita consumption of only 0.0013 kilograms, the loss of agricultural land has affected groundwater supply and quality. The physico-chemical and biological qualities of water are degrading and the increasing temperature is causing the proliferation of mosquitoes and other insects. The Kathmandu Valley population is impacted by the absence of snowfall, and the depletion of soil and water (Shrestha 2011).

Aside from destroying Pakistan's Aravallis Range, turning it into a rocky wasteland, the extensive mining of sandstone, marble, and other minerals in Rajasthan has negatively affected groundwater. Soil erosion is rampant and riverbeds are infiltrated with coarse sand, posing serious harm to the region's water bodies. In New Surjana village, located near the mines, people are experiencing acute water scarcity and recession in the groundwater table. The water table has dropped as low as 400-500 feet when, in the past, it could be found at 25 feet. Mining is also responsible for the rendering groundwater in Chittogarh City unfit for drinking and cooking due to marble slurry dumping from an abandoned mine. Laboratory results of tests conducted by the Public Health Engineering Department showed that the level of total dissolved solids found in the groundwater is 5,040 milligrams/liter, while the acceptable limit is only 500-1,500 milligrams/liter. Calcium carbonate is recorded at 2,550 milligram/liter exceeding the limit of 200-600 milligrams/l (Arif forthcoming).

CAF in Pakistan is feared to exacerbate water scarcity, which is already a political issue in Sindh and Punjab. Because the land utilized for CAF will be in barren areas, without irrigation infrastructure, irrigation will be supplied by deep aquifers of groundwater. Irrigation systems are already pumping water from reservoirs faster than they are being refilled. Water is also being polluted by run off of pesticides and herbicides from agricul-

tural activity, harming beneficial microorganisms. The Indus River is drying up and large tracts of land are barren because of the absence of water (Ibid.).

## Plight of women

Women in many parts of Asia endure cultural, political, and economic disadvantages. As the India case notes, women's problems are manifold. In Pakistan and similar Islamic countries, there is a prevailing perception that gender-sensitive development is a western – thus foreign – concept that is not applicable to local societies and cultures. In Nepal, men are paid more than women for the same work.

Thus, women suffer from poverty more acutely because of their low status, negligible endowment of land and productive assets, and limited access to social services and economic options.

Moreover, rural women do not look at land as a mere economic resource, but as a source of culture, honor, and dignity. Interviews with women in India reflected sentiments of hopelessness, economic powerlessness, and futility arising from the loss of their lands (Box 2).

### **Box 2: The Women of Polepally**

Polepally is a small village 80 kilometers off the city of Hyderabad in India. While truly rural, the presence of SEZ is transforming the village into an industrial area. This change is affecting not only Polepally's physical landscape, but also its people, especially the women.

"Land is my life, my feeling of being with nature, my culture. It is never an economic resource," said Laxamma, a mother of four belonging to the Dalit sub caste, Budaga jangam, who is protesting against the SEZ projects in her village. She lost her land to SEZ and now feels orphaned.

Mogulamma, 45 years old, lost her husband shortly after the acquisition of their land. The meager compensation she got from the sale of her land went to her parents-in-law. With no education and five children to care for, she now works as a laborer. "I used to have buffalos, milk, curds and vegetables. Now, I cannot buy anything from the market as prices are sky rocketing," she said. Among her children, her daughter is most adversely affected by the loss of their land, as it is difficult to find a suitable husband. In the village, all marriage alliances depend on land, so no one is interested in marrying children from Polepally – "Without land, no one is interested to see them."

The elderly Chandi and Yadamma mourn the days when they had abundant fruits,

vegetable and food grains. Now, they are finding it hard to find food.

“Land is our life, symbol of pride, matter of self confidence, gives us identity in the community. We women feel comfortable in working our own fields. Our children, spouses respect us but now, the situation is different,” Chandi said.

Yadamma echoes Chandi’s laments. She feels guilty for having to depend on her children for her needs. For her, no monetary compensation can equal the value of her land.

Money never matters to us. Even if you give us thousands of rupees every day, they are going to disappear soon. Money never brings us social status, self-confidence, pride and sustainable income, and the satisfaction of owning a property. Now I am totally dependent on my children; I’ve lost my independence. What do my children think of me, especially my grand children, who always demand grandma for gifts?

Despite being 70 years old, Yadamma is ashamed for not being able to work in her fields anymore. As long as they are still able to work their land, retirement is out of the question for rural people.

The stories of Laxmamma, Mogulamma, Yadamma and Chandi of Polepally, India depict the plight of most rural women who are producers, cultivators and laborers. Most of their life is attached to the land. Losing their land is like having a great part of their life taken away.

Source: Rawat, n.p.

# Tribal alienation

As more and more large-scale investments arrive in the rural areas, indigenous peoples are also increasingly being alienated from their territories. They are pressured to surrender their ancestral lands and await rehabilitation or work as laborers for the industries. The problem roots from the lack of protection and recognition of indigenous peoples' customary rights.

The massive expansion of palm oil plantations in Kalimantan, Indonesia, affects, directly or indirectly, 5 million indigenous peoples who comprise about 45% of the territory's population. Between 1 million to 1.4 million indigenous peoples will be affected by the proposed 1.8 million-hectare Kalimantan Border Oil Palm Mega Project. Such schemes turn indigenous peoples into smallholders on their own land, in exchange for technical assistance, seed stock, fertilizers, and pesticides, to be paid back with interest. Many of them are unable to do this so they accumulate debt overtime, forcing them to work for the companies permanently (Faryadi forthcoming).

The United Nations Permanent Forum on Indigenous Issues (2006) has noted the severity of the problem, which stems from a lack of protection of indigenous peoples' rights under Indonesian law. The Constitution recognizes "traditional communities along with their traditional customary rights" as long these rights do not interfere with national development policies. There are also laws that restrict indigenous peoples' rights and livelihoods, particularly Law No.41 of 1999 on Forestry and Law No.18 of 2004 on Plantations. The '*transmigrasi*' (transmigration) policy is another policy that threatens indigenous peoples' land, as millions of people from high population density areas are moved to low population density areas. Clashes erupt between new settlers on the land and the traditional occupants. The Kalimantan Border Oil Palm Mega Project could also result in transmigration and conflicts, as new plantation workers will eventually be brought in, the increase in migrants is expected to exacerbate land conflicts with the Dayak peoples and other traditional groups (Ibid.).

SEZ and mining contribute to tribal alienation in India. The Planning Commission of the Government of India appointed a committee of experts to look into tribal minorities' access to land after the conflict that broke out in Chhatisgarh. In this situation, Maoist guerrillas claimed to fight for indigenous rights concerning mining and land alienation. The committee reported the rise of rural unrest in most tribal areas and cited major contributing factors as tribal people's displacement and eviction because of commercial projects, conversion of land from communal to individual ownership, growing indebtedness, increasing urbanization, and lack of substantive possession by tribal peoples of land allocated to them by the government (Rawat n.p.).

The recommendations included an urgent examination of tribal ownership of resources, especially land, water, and forest from where the tribes generate their living. A revision of the Panchayat Extension to Scheduled Areas Act, among others, was recommended to clarify legal gray areas and include villages outside scheduled areas where a sizable



population of concerned tribes live. It also recommended a neutral party reassessment of projects acquiring land for industry or mining; a resettlement zone for displaced tribes that meets their social, ecological, and economic affinity; and the completion of resettlement and rehabilitation before the commencement of any project. However, the Government of India has yet to respond to the Committee's recommendations, and industrial firms continue with major land acquisitions in tribal areas (Table 8).

**Table 8: Major land acquisitions in tribal areas in Raigarh, Chhattisgarh, India**

| Company                         | Village   | Area (ha) |
|---------------------------------|-----------|-----------|
| Jindal Power                    | Dongamoha | 964       |
| Jaisawal Nicco Kondkel          | Kondkel   | 885       |
| Monet Steels                    | Milupara  | 830       |
| Jindal Steels and Power Limited | Dongamoha | 705       |
| Raipur Alloys and Steel         | Karwahi   | 336       |
| South Eastern Coal Fields       | Barod     | 72        |

There have been complaints lodged by *gram sabhas* (a council composed of the men and women of the village) for land acquisition without consultations, and non-provision of rehabilitation or compensation. Despite government promises of humane displacement including rehabilitation, approximately 40 million people (about 40% Adivasis and 25% Dalits) have been displaced and 75% of them are still awaiting rehabilitation (Rawat n.p.).

## Farmers' resistance and state's responses to land conflicts

Farmers have demonstrated a range of reactions to land acquisitions by multinational corporations and governments have responded with varying degrees of force to quell farmers' protests. These interactions have escalated to violence in several cases. For example, in Kalinga Nagar, Orissa (India), police opened fired at tribal protesters opposing a mining project in their area, killing 14 tribal men and women, and tribal leaders who dispute the mining operations are threatened with assassination. To closely monitor the situation, police presence has recently increased in Kalinga Nagar under the pretext of road construction; however, police randomly arrest villagers based on false charges. The government of Orissa is considered to be among the greatest offenders of the rights of the tribal people. In the Chhatisgarh state in Bastar, rather than involving the police as in Kalinga Nagar, the government has quelled communities' resistance to mining by

creating a tribal militia, Salwa Judum, to contend with the rebels. This move by the government was taken as an instigation to kill people and divide tribal groups just to accommodate mining projects (Rawat n.p.).

Despite government heavy-handedness in responding to communities' protests, some of these actions have succeeded in at least delaying the projects. In Karnataka, India, rural people's outrage over the Mangalore SEZ, which threatens biodiversity and the displacement of thousands of farmers, has delayed the acquisition of land by the investors (Ibid.).

In the Philippines, the public was successful in peacefully resisting the China-Philippine Agreement, a contract between People's Government of Jilin, China Development Bank, and Jilin Fuhua Agricultural Science and Technology Development from China, and the Departments of Agriculture, Agrarian Reform and Environment and Natural Resources from the Philippines. The agreement provided the lease of one million hectares of "land lawfully owned by the Philippines" for hybrid corn, hybrid rice, and sorghum farming, in exchange for an expected Chinese investment of USD 3.84 billion. There was significant public backlash regarding the agreement, which resulted in a series of congressional inquiries and a case filed before the Supreme Court questioning the constitutionality of the contract. "Land lawfully owned by the Philippines" is a classification that is non-existent in Philippine legal jurisdiction, which only recognizes public domain and private lands. Because the Constitution prohibits foreign ownership of public domain lands<sup>9</sup> (AR Now case study n.p.), the Department of Agriculture of the Philippine Government unilaterally suspended the Agreement.

Similarly in Raigad, India, 26 villages formed a committee opposing Reliance Industries. The committee held a referendum concerning public approval for the SEZ project: 95% of voters said "no." Although the media covered the referendum, the result was not made public. Nevertheless, Reliance Industries is no longer interested in the project after due to the negative public response. The company only acquired 13% of the mandated 70% land acquisition (the remaining 30% was to be acquired by the government) and majority of the employees have been let go. The Maha Mumbai Shetkari Sangharsh Samiti, which led the resistance, claimed it to be a major victory (Rawat n.p.).

There are more success stories in Dharavi Island, Vagholi, Mann, Gorai, Shahapur, Dherand, Aurangabad, Nashik, Chakan, and Khed in India and other places where community resistance through non-violent means has paid off.

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<sup>9</sup> All lands of the public domain and other natural resources are owned by the State. With the exception of agricultural lands, all other natural resources shall not be alienated. The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least 60% of whose capital is owned by such citizens. Such agreements may be for a period not exceeding 25 years, renewable for not more than 25 years, and under such terms and conditions as may be provided by law.

# 7 Conclusion and recommendations

The opening of Asian economies triggered greater competition for agricultural lands. What used to be a local concern, primarily between the landlord and the tenant, has now become an international commodity, sometimes implicated in official agreements among countries. Governments, for example, are now contracting out food and bio-energy production to other countries. This has greatly changed the dynamics in land governance. Now, farmers have to contend not only with landlords but also with foreign companies in the competition for land. As a result, farmers have to adjust to the new mode of production and new legislation, taking into account these changes in relationships concerning land may be required to address various concerns.

The new commercial pressures have also intensified conflicts, as reports of evictions of farmers, tribal communities, and agricultural workers abound. Widespread environmental degradation has been documented with disproportionate impacts on the most vulnerable groups – small-scale farmers, indigenous and tribal groups, women, etc. Whatever accomplishments agrarian reform had achieved are now threatened to be reversed.

This phenomenon highlights the importance that host country governments play in land deals. Questions emerge over whether government should function as a “property agent” to attract investors; direct its policies towards the preservation of the common good and, in the case of the land deals, the survival and the preservation of the farmers, fishermen, and tribal communities; and promote national food security and agriculture before foreign investment and industry. In the case of Pakistan, where corporate farming is categorized as an industry, should government enact laws for rural workers similar to industrial labor to protect their rights?

Given the millennium development goal of ending poverty and hunger, a primary consideration in crafting a coordinated response on the increasing commercial pressures on land is to ensure that farmers’ tenure on land is secured to facilitate the meeting of this goal. In alignment with this objective, the following recommendations are forwarded.

# Reconsideration of investment policies considering the predicament faced by local farming communities

Reports of eviction, displacement, and exclusion of farming communities due to large investments are inimical to the national interest and may not be economically sustainable in the long-term. Recommendations from the various experiences in Asia range from imposing a moratorium on these policies to outright termination.

## **Strengthening land administration**

Granted that governments' intentions are to attract foreign investments to generate employment and hasten development, it is imperative that these deals are in line with existing agrarian legislations and programs. Government agencies overseeing and regulating these deals must do so with transparency, including: appropriate consultations with local communities and full consideration of their concerns, strong accountability measures for those enforcing the laws, and the establishment of dispute resolution mechanisms that encourage participation and transparency. For example, in the Philippines, a national regulatory mechanism for foreign investment proposals involving leasing of agricultural land has been recommended by CSOs along with a publicly accessible national registry for such projects.

## **Formulate land use management policy**

Appropriate measures need to be taken to decelerate if not completely halt the conversion of farmlands into other commercial purposes. The government should strictly implement land categorization and develop land zoning particularly of agricultural lands. It should streamline land purchases, real estate and residential building constructions, among others. These suggestions are part of the proposed comprehensive land use planning advocated by fisher folks and other NGOs in the Philippines (AR Now case study n.p.).

## **Make the people part of the program**

A specific recommendation is to establish minimum standards to protect the rights and consider the inputs of farmers, farm workers, and indigenous communities in land acquisition processes. Local communities interviewed lament about being merely informed of their displacement and not of the procedures leading to such a decision. This violates their rights. There should be complete moratorium on land acquisition unless the investment framework has undergone discussions and consultations with the communities involved. Farmers must be made partners in the developmental process. In Pakistan, it has been suggested that farmers become shareholders in the company.

Furthermore, affected communities should be provided just compensation before any acquisition can take place. A compensation package should include relocation for the communities, as well as livelihood inputs and access to basic services and facilities such as schools and hospitals. Such proposals are now being integrated in land deals in the Philippines as advocated by PADCC.

## Empower civil society to increase government accountability

The implementation of agrarian reform, dubbed as a social justice measure by many governments, has made progress in many Asian countries. Though some find the accomplishments grossly inadequate, the social movements that emerged out of the struggle for improved land tenure and access have provided a platform for communities to stand up for their rights.

Civil society organizations and land rights movements should be strengthened to enhance local communities' capacities. Priority capacity building programs include accessing information, continuing education, and strengthening community organization and mobilization. To ensure informed participation in the debates surrounding land acquisition, local capacities should be built for legal education to scrutinize contracts, negotiation and entrepreneurial skills, access to market information, and financial management. As the experiences have shown in India, Indonesia, and the Philippines, illegal acquisitions of land have been avoided because of organized community responses.

Furthermore, farmer organizations and other support groups should also encourage fact-finding missions in different locations to provide data that can help pressure governments and international agencies to adopt appropriate measures. They should champion public interest and the focus should be on ensuring justice to farmers and rural poor who have lost their lands.

# Bilateral and multilateral development inputs required to strengthen land governance

Bilateral and multilateral development agencies should promote international land policies and guidelines that help strengthen land governance systems (including securing land rights for small farmers and reducing landlessness) in developing countries. The FAO-led Voluntary Guidelines process has the potential to help poor countries improve their land governance systems and be better prepared to take advantage of investments in the agricultural sector while minimizing their potential adverse effects.

Given that many land deals are contracted between Asian governments and under the influence of trade agreements, development aid organizations should coordinate with regional institutions such as the Association of South East Asian Nations (ASEAN), the Asian Development Bank (ADB), and other relevant institutions to ensure transparency.

Bilateral and multilateral development agencies should also continue to engage farmers in dialogues, forums and conferences at various levels of operation but most importantly at the international level. This provides venue for farmers to air their positions and opportunities for developing a common agenda.

# Annex 1: Definitions

## Land tenure

IFAD defines land tenure as “the rules, authorities, institutions, rights and norms that govern access to and control over land and related resources. It defines the rules and rights that govern the appropriation, cultivation and use of natural resources on a given space or piece of land. It governs who can use what resources, for how long and under what conditions. Strictly speaking, it is not land itself that is owned, but rights and duties over it,” (IFAD 2008).

## Land tenure security

In IFAD’s definition, “land tenure security refers to people’s ability to control and manage a parcel of land, use it and dispose of its produce and engage in transactions, including transfers. There are three main characteristics of land tenure security:

- Duration – how long will different land rights last?
- Protection – will land rights be protected if they are challenged or threatened?
- Robustness – are the holders of land rights able to use and dispose of these rights, free from interference of others?” (IFAD 2008)

## Access to land

“Access to land refers to ‘the ability to use land’ and ‘other natural resources, to control the resources and to transfer the rights to the land and take advantage of other opportunities.’ There are three main aspects to enhanced access to land: (i) strengthening land tenure security and land rights; (ii) increasing the amount of land that someone has access to; and (iii) improving the productivity of land. Alternatives to enhancing access to land for agriculture may include promotion of non-farm activities and urbanization,” (IFAD 2008).

## Contract farming

In the context of TNC participation in agricultural production, “contract farming can be defined as non-equity contractual arrangements entered into by farmers with TNC affiliates (or agents on behalf of TNCs) whereby the former agree to deliver to the latter a quantity of farm outputs at an agreed price, quality standard, delivery date and other specifications. It is an attractive option for TNCs, because it allows better control over product specifications and supply than spot markets. At the same time it is less capital intensive, less risky and more flexible than land lease or ownership. From the perspectives of farmers, contract farming can provide predictable incomes, access to markets, and TNC support in areas such as credit and know-how,” (UNCTAD 2009).

FAO defines contract farming as “agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the produc-

tion and marketing of a farm product or products. Typically, the farmer agrees to provide agreed quantities of a specific agricultural product. These should meet the quality standards of the purchaser and be supplied at the time determined by the purchaser. In turn, the buyer commits to purchase the product and, in some cases, to support production through, for example, the supply of farm inputs, land preparation and the provision of technical advice" (FAO 2009)

### **Agri-based vs Agri-related TNCs**

UNCTAD contrasts agri-based TNCs from agri-related TNCs in that the former concentrate on the agricultural production side of agribusiness, while the latter are engaged primarily in upstream or downstream stages of the value chain. In UNCTAD's list, the top 25 agriculture-based TNCs have significantly more developing country firms among their ranks as opposed to agri-related TNCs (WIR 2009).

### **Foreign direct investment**

FDI is defined by the International Monetary Fund as "the investments made by a resident entity in one economy (direct investor) with the objective of obtaining a lasting interest in an entity resident in an economy other than that of the investor (direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise" (IMF 2001). It differs from "portfolio" investment, which refers to short-term capital flows linked to the sale or purchase of financial instruments.

### **Official development assistance**

The World Bank defines Official Development Assistance as "loans, grants, and technical assistance that governments provide to developing countries."  
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This report is part of a wider initiative on Commercial Pressures on Land (CPL). If you would like further information on the initiative and on the collaborating partners, please feel free to contact the International Land Coalition.

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