STRIKING WHILE THE IRON IS HOT

A case study of the Pohang Steel Company’s (Posco) proposed project in Orissa, India

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PREFACE

The Erasama block of Jagatatsinghpur district in the Indian state of Orissa saw itself placed on the world map on the unfortunate day of October 29, 1999, when a super cyclone hit the east coast of India, devastating the area and killing almost 20,000 people. But as we move from one disaster to the next and memories of the old fade – so did those of this natural calamity. People were rehabilitated and recuperated. Little did they know they would face a devastation of a different kind within less than a decade.

On June 22, 2005 the Orissa government signed a Memorandum of Understanding (MoU) with a South Korean steel giant – the Pohang Steel Company Limited, also known as Posco. This is India’s largest foreign direct investment (FDI), involving the building of a 12-million tonne integrated steel plant and port in Erasama block. 4,500 acres of land have been earmarked for the project in Jagatsinghpur district alone. The land required for the railway, road expansion and mines is not included in this figure.

The proposed steel plant is expected to affect seven villages in three gram panchayats, namely Dhinkia, Nuagaon and Gadakujang. Apart from these villages, communities in Keonjhar district will be affected by the mining of iron ore for the plant. While the project initially drew mixed reactions at the local level, the communities in these villages subsequently united to oppose it.

This case study, done as part of the NCAS’s research on ‘Globalisation, Governance and Grassroots’, attempts to document the local impact of the proposed Posco project and the struggle that has emerged to oppose it. The study also examines the policy scenario at the state and national levels (which let a deal like Posco come through) and looks into the linkages to global forces.

The study is based on interactions and discussions with communities and activists in Erasama block, Jagatsinghpur district and Banspal block, Keonjhar district. Apart from this, for more than a year now I have been associating with several activists and people’s groups across Orissa on the issue of unregulated growth of sponge iron industries, as part of NCAS’s ‘campaign support’ work. I have also relied heavily on information from the news, media reports and other secondary sources.

I would like to thank the people of Nuagaon, who are struggling for their survival every day with great courage, and who were open to hosting me. I would also like to mention the help I received from Abhay Sahoo, Ahkay, Biswajit and Umakant, that was most valuable. Other persons who have provided critical inputs include Sudhir Pattnaik, Lingaraj Azad, Sudhanshu Panda, Prafulla Samanatara and Madhumita Ray.

In late April 2007, an independent four-member team (including me) visited Bhubaneswar and Jagatsinghpur on a fact-finding mission to get an insight into the concerns being raised in relation to the project by the affected communities and to understand the steps taken by the concerned authorities to address these concerns. The findings of the team have been incorporated in this report.

Manshi Asher
1. THE MEMORANDUM OF UNDERSTANDING (MoU)

1.1 Controversy and conflict

The Posco steel project is one of many coming up in the Indian state of Orissa, which is going through a ‘steel revolution’ of sorts. Over the past three years, the state government has signed more than 40 MoUs with companies, both domestic and foreign, mortgaging the 20 billion tonnes of iron ore reserves that it’s supposed to be sitting on. The third largest steel company in the world, Posco, has managed to grab a big chunk of these reserves - about 600 million tonnes - which it expects to exploit over the next 30 years.

The steel market, growing at an annual rate of more than 4%, has been witnessing a global boom since the beginning of this decade. This was what enticed Posco to this eastern state to lead the revolution. As well as the global race for cheap labour and raw materials (iron ore and coal). National and multinational corporations have been making a beeline to resource-rich developing countries to set up mega integrated steel projects and capture mineral resources (like iron ore). The BJD-led government in Orissa has been a willing participant, laying the tracks for this race. It gave the Korean company a deal which it hadn’t even considered the big domestic players eligible for.

However, Posco has faced hurdles from the very beginning in its journey to set up its integrated steel plant. Talks on the project began way back in August 2004, when Posco and BHP Billiton of Australia jointly approached the Orissa government with a proposal to set up a 10-million tonne per annum (TPA) capacity steel plant in the state. Welcoming the proposal with great enthusiasm, the state government agreed to sign a Memorandum of Understanding (MoU) by December 2004. The first stumbling block came when the company insisted on exporting iron ore from India. According to Posco officials, the alumina content in Indian ore is 2-3 per cent higher than required, so it needs to be blended with ore imported from Australia.

In the first week of April 2005, the Orissa government agreed to identify and earmark iron ore mines for Posco. The Korean company sought mining rights for one billion tonnes of ore over 50 years. But state policy dictated that it was not entitled to more than 480 million tonnes for a 12-million tonne plant. Furthermore, existing rules did not permit the state government to offer mining rights for more than 25 years. (www.projectsmonitor.com/detailnews.asp?newsid=9401)

Yet, it reserved the Gandhamardan and Malangtuli mines, with nearly 400 million tonnes of high-grade iron ore deposits, for Posco’s $12billion project. The state-owned Industrial Infrastructure Development Corporation directed the Jagatsinghpur district administration to reserve about 3,000 acres at the Jatadhari river mouth near Paradeep port for the proposed plant.

The Ministry of Commerce (MoC), Government of India, turned down Posco’s proposal in the second week of April 2005, saying it was against any project-linked exports of iron ore and if Posco desired a long-term contract, it could enter into a deal with state-owned trading companies like the Minerals and Metals Trading Corporation (MMTC). Following this, Posco, called off the MoU signing programme scheduled for April 14,
2005. However, the Orissa government and Posco officials continued to maintain that the project was not off. ([http://www.projectsmonitor.com/detailnews.asp?newsid=9401](http://www.projectsmonitor.com/detailnews.asp?newsid=9401))

Around the same time, the company finalized Paradeep in Orissa as the site for the proposed steel plant. Duburi and Dhamra were identified as possible alternatives. However, there was still no sign of progress on signing the MoU with the state government.

On May 16, 2005, the Union Finance Minister P. Chidambaram convened a meeting with Orissa government officials and key Posco executives to discuss the slow progress of the project. By now, Posco had climbed down from its earlier position and was ready to set up the plant without exporting ore. The company had also scaled down its ore requirement.

The much-awaited MoU was finally signed on June 22, 2005. The Orissa government eagerly lapped up Posco’s offer, which Brazil had rejected earlier on the grounds that the company was not ready to pick up ore at market prices. Even investor friendly China had given the Posco deal the thumbs down, refusing to open up its vital ore reserves to foreign investment.

The MoU not only sold iron ore at a discount of Rs2,000 per tonne but also gave the company the right to ‘swap’ the ore. This meant it could export ore of high alumina content and import ore of lower alumina content. This clause came in for severe criticism within and outside the state.

By November 2005, the BJD-led government in Orissa had signed 43 MoUs in the iron and steel sector, worth Rs1,60,132 crores. Of these, six (including Posco) were mega steel projects, all above 3 MTPA capacity. (Annexure 1 – List of MoUs).

1.2 What the project is all about: reviewing the MoU

In order to understand and scrutinize the exact deal that took place between Posco and the Orissa government, almost the entire MoU has been reproduced below. The magnitude of the project and the extent to which the state government will be supporting the multinational are clearly reflected in its clauses.

**Excerpts from the MoU (critical points have been italicized)**

_The Government of Orissa, desirous of utilizing its natural resources and rapidly industrializing the State, so as to bring prosperity and well-being to its people, has been making determined efforts to establish new industries in different locations. The Company is also desirous of developing and operating the following related infrastructure based on the needs of the “Steel Project”, on the basis described in this MoU:_

I. mining facilities in the areas allocated by Government of Orissa/Government of India (the "Mining Project");
ii. road, rail and port infrastructure (the "Transportation Project"),
   including the dedicated railway line from the mine-belt to Paradeep
The Steel Project will be located at Paradeep. The Mining Project will be established at the mining site(s) that are identified as the mineral resources for the Company.

Land Requirement

The Company will establish their registered office and national headquarters in the State of Orissa, in the city of Bhubaneswar. The Government of Orissa will identify, acquire and transfer a suitable tract of land between 20 and 25 acres for this purpose, in accordance with the specifications provided by the Company.
The Company will require approximately 4,000 acres of land (hereinafter referred to as the “Land”) for the purpose of setting up the Steel Project and associated facilities, including the port facilities and a storage yard for coking coal.

In addition, the Company will require approximately 2,000 acres of land for township development, recreational activities and all related social infrastructure development (collectively, the “Integrated Township Development”). Out of this, approximately 1,500 acres would be identified adjacent/near to the Steel project and another 500 acres (approx.) near the Mining Project.

State Government will facilitate all clearances and approvals of the Central Government, if required.

In addition to the land required for the core activities of the Overall Project, the Company may require additional land pockets for development of the “transportation project”, the “water project” and any other project-related infrastructure facilities.

The Government of Orissa agrees to acquire and transfer all the above-mentioned land required for the Overall Project, free from all encumbrances through Orissa Industrial Infrastructure Development Corporation (IDCO) on payment of the cost of land.

On its part, the Government of Orissa will expeditiously and within a reasonable time frame, hand over to the Company non-forest Government land for which the Company has completed all formalities. Acquisition of private land will be taken up on priority.

For rehabilitation of displaced families, Rehabilitation and Resettlement Package would be implemented as per prevailing guidelines and practices.

Raw Materials

(i) Coal: The State Government agrees to recommend to the Government of India for allotment of suitable coal blocks for captive coal mining for the project either directly or through a PSU. Further, the State Government will assist the Company to get the allocation of coal linkage of suitable grade in the desired quantity to meet its requirement until it is ready for mining of its coal block.

(ii) Iron Ore: The Company will need the equivalent of 600 million tonnes of iron ore of an average Fe content of 62%, to meet the requirements of the proposed Steel Project of 12 million tonnes per annum. The Company may swap certain quantities (not exceeding 30% of the total requirement for the Paradeep Plant annually) of such iron ore which have high alumina content with equal quantity of low alumina content iron ore of equivalent or better Fe content imported for blending, in order to produce better quality steel in the Paradeep Project and conserve energy.

(iii) The Government of Orissa agrees to grant prospecting licences and captive mining leases for 600 million tonnes of iron ore to the Company after following prescribed procedures and completion of required milestones including approvals of Government of India.
(iv) The Government of Orissa will recommend grant of the Prospecting Licences only after the following milestones have been achieved:

Formation of the Indian Company referred to in Clause - 3 has been done.

The Government of Orissa will recommend such areas as are free from litigation as well as encumbrances. In the event of litigation at any stage, Government of Orissa will diligently defend their recommendations made in favour of the Company in the appropriate judicial, quasi judicial fora.

All iron ore Mining Leases and Prospecting Licences shall be clean and free of any encumbrances.

The iron ore mining leases shall be granted to the Company initially for a period of 30 years and will be considered for renewal on an application by the Company before expiry, for another 20 years.

The Government of Orissa will assist the Company in obtaining all clearances, including forest and environment clearance and approval of the State Pollution Control Board, and the Ministry of Environment and Forest, Government of India under Forest (Conservation) Act, 1980 and Environmental (Protection) Act, 1986 for opening up the iron ore mines, laying roads, constructing township etc.

The Government of Orissa agrees to provide all possible assistance to the Company for acquiring mineral concession for limestone and dolomite within the ambit of the MMDR Act and MC Rules.

The Government of Orissa will make best efforts and provide all possible assistance to Posco for expeditious clearance of applications relating to mining lease and related matters such as forest, environment etc. so as to enable Posco to start its mining operations in time to synchronize with the commissioning of its steel plant.

Posco have requested to source an additional 400 MT of iron ore from India for their existing steel plants in South Korea. This can be done through a long–term commercial supply arrangement from the open market.

Chrome Ore: State Government will facilitate suitable long term arrangement with OMC and other lessees for supply of chrome ore to meet the requirement of the plant.

Manganese Ore: The State Government would consider assigning appropriate priority to an application of the Company for mineral concession for manganese ore in the State as and when available within the ambit of MMDR Act and MC Rules.

Water

The Government of Orissa will permit drawal and use of water from the Mahanadi barrage at Jobra in Cuttack or any other suitable source for construction and operation of the Overall Project as per the prevailing rates and appropriate terms and approval of the Water Allocation Committee, subject to availability.
The Government of Orissa will allow the Company to operate and maintain necessary infrastructure including creation of water bodies, laying of pipelines etc. to pump required quantity of water for the development and operation of the Project.

The Government of Orissa will facilitate the process of obtaining various approvals expeditiously for the Company.

**Power**

The Government of Orissa have agreed to ensure that about 25 MW of power is made available to the Company to meet the construction power requirements of the steel plant, port, township and also the mining project.

The Government of Orissa will facilitate the execution of an agreement for the Transmission line from the sub-stations to their project sites, under the supervision of GRIDCO.

*The Company will establish a Captive Power Plant (CPP) to meet the power requirement in full or part of the overall project including its components.*

The Government of Orissa will facilitate grant of approvals, if any, required for setting up of this CPP and also execution of necessary Power Purchase Agreement or Agreement for wheeling of electricity or both, with GRID Corporation of Orissa or any other agency designated by the Government of Orissa.

**Environment**

*The Government of Orissa agrees to facilitate and use its best efforts to enable the Company to obtain a "No Objection Certificate" (NOC) through the State Pollution Control Board in the minimum possible time for the development and operation of the Project.*

*The Company will conduct a rapid Environment Impact Assessment ("EIA") and prepare a detailed EIA Report and an Environment Management Plan ("EMP") for the Project. The Government of Orissa agrees to provide any assistance requested by the Company during the time the EIA is conducted and the EMP is prepared.*

The Government of Orissa agrees to use its best efforts to procure the grant of all environmental approvals and forest clearances from the Central Government within the minimum possible time for the Project.

**Incentives and Concessions**

The State Government would consider granting to the Company such incentives and concessions as are provided in the relevant Industrial Policy Resolution (IPR) in force on this date.

*(The Government of Orissa shall recommend to the Central Govt. and facilitate granting of “Special Economic Zone” (SEZ) status as required by the Company. This would include granting to the various aspects of the Project, the status of “SEZ Developer” or “SEZ Unit”, as the case may be, so as to receive the same incentives and benefits as an SEZ (as permissible under the policy of Central Government).*
If the Company makes an application for setting up its different facilities under the SEZ scheme of the Government of India, the Government of Orissa would recommend their case to the Government of India and accord necessary facilitation with regard to the approved scheme of the Government of India as modified from time to time.

Railways

(i) The Government of Orissa shall coordinate with the Ministry of Railways to ensure expeditious completion of Daitari – Banspani broad gauge rail link.

(ii) Haridaspur – Paradeep broad gauge rail link is proposed to be developed through public private partnership by the Rail Vikas Nigam Ltd., an instrumentality of the Ministry of Railways.

(iii) Banspani – Paradeep broad gauge rail link based on the transportation capacities available and project economics, the Company may develop a dedicated railway line from the site of the Mining Project to the Steel Project. All assistance in this regard will be provided by the Government of Orissa.

Roads

(i) The Government of Orissa shall provide all support to facilitate the early completion of the National Highway between Haridaspur (Chandikhol) and Paradeep and for upgradation of the State Highway from Cuttack to Paradeep to a two lane road.

(ii) The Government of Orissa shall actively consider construction of two lane, free access, public roads connecting the Steel Project, the Mine Project and the Integrated Township Development to the nearest National Highway or State Highway.

Port

The Company may a) develop a new minor port adjacent to the existing Major Port of Paradeep.

In case the Company decides to develop a new minor port, the Government of Orissa will consider granting the Company necessary permission under its existing policy for development and operation of such a port as per standard concessions prescribed. The Government of Orissa agrees to provide all necessary infrastructure and logistic support required for setting up of the minor port by the Company.

The Government of Orissa shall facilitate drawal of power and water for the port project. For this purpose, the Government of Orissa subject to fulfillment of prescribed procedures and requirements shall grant necessary approvals within its power and facilitate grant of all approvals from the Central Government and other relevant agencies including clearance by the Central Government, the Ministry of Environment and Forest under the Coastal Regulation Zone Notification [S.O.114(E)] of 1991 pursuant to the Environment (Protection) Act, 1986.

Project facilitation
A High Powered Committee shall be constituted jointly by the Government of Orissa and the Company to ensure that the Project proceeds as per the planned schedule. The High Powered Committee shall include as permanent members, senior officers of the departments of Steel & Mines, Industries, Energy, Water Resources, Works, Commerce and Transport, Forest and Environment and representatives from the Company. The Government of Orissa shall establish a special “Single Window Clearance Committee” to ensure clearances under State laws from agencies / departments within specified time limits.

**Nodal Officer**

The Government of Orissa shall appoint a senior officer to be the Nodal Officer for the Project. All applications made by the Company for all relevant clearances, permits, approvals, licenses, consents and the like or facilitation for the Project shall be routed through the Nodal Officer. The Nodal Officer shall diligently pursue the granting of all such approvals/clearances within the minimum possible time and update the Company at regular intervals on the status of these applications.

**Security**

The Government of Orissa will take action to provide overall security as per applicable law, as may be required to all parts of the Project during the operation phase. All necessary steps in this regard including setting up of police stations, if required, would be taken by Government of Orissa.

Once the MoU was made public, it came in for severe criticism from activists and people’s groups across the country. It was obvious the Orissa government was bending over backwards to please a multinational company and be recognized as the state with the biggest FDI. The legal validity of the document has also come under scrutiny. However, the criticism failed to deter the company or the government, which knew it had a strong constituency in the middle class and intelligentsia, based in Bhubaneswar. These sections have been more than overwhelmed by the benefits projects like Posco would bring for ‘developing’ a ‘backward’ state like Orissa.

The company began its operations in India by registering Posco-India, its Indian arm. The first attempt by the district administration to acquire land was thwarted by strong local opposition, the filing of several petitions by activists and local communities with the collector and chief minister, and rallies to the state capital.

What followed was extensive media servicing by the company. Regular press releases were issued highlighting the benefits of the project. The company maintained that all was going as planned, even though the project was finding it difficult to take off. Applications for prospective licences for unexplored mines and mines lease applications for explored mines were filed and the basic design for the site and the port was executed. The Central Water and Power Research Station (CWPRS) had, apparently, been asked to conduct an impact study of Posco’s captive port on adjacent areas. However, when asked about the study, CWPRS officials denied carrying out any such exercise.
The state government, which was pushing hard to obtain mines in the Khandadhar hills of Keonjhar and Sundergarh for the project, faced a setback when the Kudremukh Iron Ore Corporation Limited (KIOCL) laid first claim to these mines, going to the Cuttack High Court to establish its claim. In April 2007, the High Court ordered the Indian government to take the final call on the mine allotment issue.

Another matter that remains unclear till now is the status of environmental and forest clearances for the port and the plant site, although the required applications have been submitted. There has also been strong and continuing opposition from local communities to the setting up of the plant, the leasing of mining rights and the acquisition of land for the purpose.

The only consolation for Posco has been the approval given to the project by the Union Ministry of Commerce (MoC). The ministry granted it ‘special economic zone’ status, which means the company can avail additional benefits and tax exemptions.

2.0 IMPACT ON LOCAL LIVELIHOODS AND THE ENVIRONMENT

Before looking into the larger implications of the Posco project, it would be relevant to study its likely impacts on local livelihoods, the economy and the environment. The local communities at the proposed plant site in Jagatsinghpur have been opposing the project tooth and nail for the past two years, objecting to the forced acquisition of their lands.

The MoU shows that the project has several components, which means it would have diverse implications, both issue-wise and region-wise. The region involved covers the coastal area of Jagatsinghpur, where the plant and port is to be built, as well as the northern districts of Keonjhar or Sundergarh, where the mining lease is likely to be granted. At stake is the socio-economic and environmental future of this region, with its wider implications at the policy and developmental levels for the nation as a whole.

2.1 The plant and port site

Located about 10km from Paradeep port, the proposed plant area would affect seven revenue villages comprising 11 hamlets in three gram panchayats of Erasama block in Kujang tehsil (Jagatsinghpur district). According to the Kujang tehsildar, the total land area sanctioned by the state government for the project is 4,004 acres, of which 3,566 acres is government land and the remaining 438 acres private land. In all, 471 families would be affected, as per official statistics quoted below:

- Gadujang panchayat: Polang village - 62 families, Bhuyalpal village - 12 families, Nuliyasahi village - 135 families.
- Dhinkia panchayat: Dhinkia village - 162 families, Gobindapur village - 90 families.
- Nuagaon panchayat: Nuagaon village - 10 families.

The 2001 census shows that the three panchayats have 3,350 households with a population of 22,000. Almost a third belongs to the Scheduled Castes. Local leaders of the anti-Posco movement say the entire population will be affected by the project.

Historically, Kujanga was part of the kingdom of the Sandha dynasty. With the coming of British rule, the land became part of the zamindari of Bardhaman Pradhan, who
distributed fields to the villagers to cultivate the betel vine. This is the main crop of the region. In his report ‘No to Posco’, former SC/ST commissioner Dr B.D Sharma describes the people of the area thus: “Paan, dhan, macch (beetle, paddy and fish) - the trinity is the essence of their life.”

The sand in this portion of the east coast has a special property – it is less saline. The people call it sweet sand. “If we dig three to four feet we get perfectly potable water with no trace of salt,” they say. Hence, agriculture is a viable livelihood option in the area. Apart from paddy cultivation, paan cultivation is the most widespread income generation source. People aged seven to 70 years are engaged in the upkeep of this perennial crop, the returns being enough to make ends meet.

There are around 5,000 vines in the three panchayats tended by about 10,000 cultivators. The standard investment for paan cultivation is Rs15,000-20,000 per acre, which can be recovered within a month. The average annual income is Rs1 lakh per acre, with another Rs1 lakh of ancillary employment being generated. Many landless families depend on basket making (for packaging paan) or work as daily labourers on the betel vine farms for their livelihood. Around 30 lakh paan leaves are plucked, bundled and transported to Mumbai, Bangladesh, Pakistan and Saudi Arabia every year.

In summer, cashew cultivation is the main livelihood activity in the area. A family engaged in cashew cultivation earns about Rs20,000 per season. An average cashew bush yields 100kg of nuts a year worth Rs4,000.

About 50% of the families are also engaged in pisiculture, mostly prawns. An acre of farm ponds yields prawns worth Rs7 lakh a year. Many other families fish in the Jatadhari estuary - all 108 families in Nolia Sahi hamlet of Gadkujang village depend on estuarine fishing for a livelihood. The average daily catch per person is about 20kg. The hamlet sells around 1.5 quintals of fish every day, the daily earnings per family ranging from Rs100 to Rs5,000. Apart from catering to the local market, a significant portion of the catch is transported to Cuttack for sale.

On July 13, 2005, the hamlet was served a notice asking for details of the total number of families in the area. The tehsil office does not have a proper record, since a large number of people had migrated here from Midnapore (West Bengal) as labourers during the construction of the Paradeep port. Said one fisherman: “My grandfather came here to work in constructing the Paradeep port, which is itself almost 50 years old.” More people have migrated since then and the government has provided titles to many of them for their homestead lands. However, there are a substantial number of families that cultivate the land with no recognized titles.

Official statistics show that only 438 acres of the 4,000 acres required for the Posco site are private land, the rest being government land, recorded as ‘under forest’ or ‘anabadi’. Government records do not show that most of this land has been under betel, cashew and other cultivation for generations. The local people have submitted applications for title claims several times. But the government has yet to initiate any regularization and settlement of the betel vine lands.

The last settlement record was prepared in 1984. It recognizes only claims on agricultural lands under regular occupation. Other uses like grazing, collection of firewood, forest
produce and cashew cultivation or even fishing are unrecorded. These are livelihood activities that account for the subsistence of a large number of families in the area. Yet the records show the land as belonging to the government. That’s why resistance to Posco is so strong. The people know they stand to gain nothing, not even entitlement to rehabilitation, if they lose their land.

The project affected area has a wide strip of land along the shore that is classified as ‘forest land’ and is under the jurisdiction of the forest department. This strip of land has an interesting history. It was transferred to the forest department after a struggle led by a local communist leader, Loknath Chowdhary. He demanded transfer of the land to the forest department so that afforestation could be carried out to provide a natural barrier to protect the villages against cyclonic storms and to provide the basic needs of firewood and stalk for betel vine cultivation. The land was categorized as ‘gramaya jungle’ and trees were planted on it. Over time, some families took up betel vine cultivation in part of this land.

The proposed port to be built at Jatadhari has also raised environmental concerns. Conservationists have pointed out that any damage to the coastline by the construction of the port could pose a threat to the nesting habitat of the endangered Olive Ridley turtles. Especially at risk are the turtle-nesting beaches in the Gahirmatha Marine Sanctuary, where nearly 400,000 Olive Ridleys come to nest every year. A newspaper report points out that “the nesting turtles are already threatened by illegal mechanised fishing, rapid loss of nesting beaches due to casuarinas plantations and industrial pollution”. The proposed port poses a fresh threat.

If built, the port would also directly affect the livelihood of the fishing communities because the Jatadhar estuary serves as a spawning and breeding ground for several species of fish. “Jagatsinghpur’s rainfall drains into the sea through the Jatadhari river. If they block the river by building a port, the area will get waterlogged, so we think the port is a completely illogical idea,” says Abhay Sahu, a local leader of the Communist Party of India, who is at the helm of the anti-Posco movement in Jagatsinghpur.

2.2 The mining area: Khandadhar Hills, Keonjhar

The bigger threat, many feel, will be faced in the proposed mining sites in the districts of Keonjhar and Sundergarh, which are already reeling under the social and environmental impacts of large-scale mining activity.

Keonjhar is located in the north Orissa, bordering Jharkhand. It is part of the iron ore belt of the country, featuring some of the largest iron ore mines in Asia. This is the district that will supply the colossal amounts of ore required by Posco to produce steel. About 105 mining companies, spread over an area of 33,000 hectares, have already set up base
here, excavating 2.4 lakh tonnes of ore daily. Most of the output is presently exported through Paradeep port to Brazil, Australia and other countries.

According to the district mining officer, the revenue generated by the mines was around Rs 75 crores in 2004-05. To a lay person, it would appear that this is a substantial sum that would translate into development of the area. That’s also the logic being offered by the government. But it would shock anyone to know how little - or even none - of this money has been ploughed back into the area.

The mines are all open cast mines. They are ugly sores in the landscape and leave huge mounds of soil in their vicinity. The roadsides are piled high with slag and other solid waste from the sponge iron plants. 24,000 trucks carry the ore from the region to Paradeep port every day, virtually closing the roads to other traffic.

Health problems are rampant in the region, the mine workers and their children being the most affected. The poor health status of the mine workers and the increasing incidence of waterborne and respiratory diseases have been highlighted in a recent ‘State of the Environment’ report.

“This is the status of Joda block. Banspal block is heading for the same fate, considering that eight mining companies are vying for the iron ore in the Gandhamardhan hill range. These companies, Posco among them, have applied for prospecting licences or direct leases for mining. The Gandhamardhan and Malangtoli areas are covered with dense forests sheltering a wide variety of wildlife and flora. The tribal communities, which form 74% of the population in the surrounding area, are totally dependent on these forests for fuel, fodder, fruits and medicinal plants. The water springs here provide water for drinking as well as irrigation.

The mining would also affect the Khandadhar waterfall – a famed tourist destination in the state.

3. GRASSROOTS PROTESTS AND POLITICS AT THE PLANT AND PORT SITE

The opposition at the plant and port site built up rapidly when news of the project spread. While there were mixed reactions initially, the communities soon realized that they faced the threat of losing their land without gaining anything in return. The news of the MoU to be signed was already out in early April 2005. The MoU was signed in June and by July the three Panchayats under threat came together under an umbrella organization called
the Posco Kshatigrasth Sangharsh Samiti (PKSS) to oppose the project. However, many panchayat members were supporters of the Biju Janata Dal (BJD), the ruling party that had signed the MoU, so doubts began surfacing about the dependability of this forum in confronting the government.

Expectedly, the PKEM split by January 2006, with some key members coming out openly in favour of the project. The opposition however, continued, but under several different leaders.

There are three groups presently opposing the plant. The Posco Pratirodh Sangarsh Samiti (PPSS), led by Abhay Sahu of the Communist Party of India, has a stronghold in Dhinkia panchayat, with most households there opposing the project. The Bhita Mati Bachao Andolan is dominated by the Congress. The third group, Nav Nirman Samiti, is a voluntary effort spearheaded by the Rashtriya Yuva Sangathan, the youth wing of the Sarvodaya movement that follows Gandhian principles. The group is active in Nuagaon panchayat.

The groups, though united in opposition, differ on some basic issues. Many local people are not comfortable with political parties dominating the anti-Posco struggle. Rashtriya Seva Dal (RSD) activists feel the CPI, which dominates the PPSS, is politicizing the issue. This fear did come true to an extent during the panchayat elections in February-March 2007. Posco was the dominant election issue and clashes occurred between the Congress and CPI parties as they vied to capture polling booths.

There are ideological disagreements as well. The RSD claims the CPI position on the project is weak because they are not “against industry per se but are only asking for a change of site” and “they don’t have a problem if an alternative site is proposed”. Contends Akhay Kumar, one of the persons active in the struggle, “We want a value-based struggle that takes a clear ideological line in opposition to the neo-liberal agenda.”

The CPI presence in the area is not new. The Erasama constituency was a stronghold of the party in the post-independence period during the tenure of Loknath Chaudhary, who was also a member of parliament. He built local cadres in some pockets like Dhinkia panchayat, earning a lot of goodwill in the process because of his honest approach.

While the member of the legislative assembly (MLA) from the area, Damodar Raut, belongs to the Biju Janta Dal (BJD) and was State Minister for Panchayati Raj, the CPI also has strongholds in some pockets. Abhay Sahu, state secretary of the party, was sent to the area in July 2005 to the lead the anti-Posco movement and mobilise the party cadres.
According to him, the CPI does not own the anti-Posco movement; it merely provides the leadership. He sees it as a people’s struggle. “The PPSS has 21 members in its executive committee who are chosen by the people,” he says.

Despite their differences the villagers have come together under these various banners on every occasion to raise their voices in protest against the project, barring those families that have agreed to sell their land. The key strategies of protest used so far include:

- Picketing Posco’s local office.
- Holding rallies and demonstrations.
- Gheraoing the local MLA.
- Blockading the area to prevent the entry of all government and Posco officials.

The most effective strategy to stall progress of the project has been the setting up of check-posts in the area by the local communities. These check posts have restricted the movement of local officials and Posco staff at the project site. The people have also been demanding a political dialogue with the chief minister but none of his senior ministers have even expressed a desire to meet the local representatives or talk with them.

4. RESPONSE TO THE OPPOSITION

4.1 Local administration and police

The district administration began serving notices for land acquisition as early as November 2005. However, the attempts of the local officials were effectively stalled once the area was blockaded by the communities. Police presence was minimal till the Environment Clearance Public hearing was scheduled in April 2007.

The other factors that have slowed down movement on the project are:

- The sheer magnitude of the project and its three interlinked but distinct components - the captive port, steel plant and mines - which have each faced separate ‘hurdles’ at every point.
- The regular and consistent questions raised by the opposition in the parliament, by the Congress opposition in the legislative assembly at the state level, and by the left parties at both the state and centre levels.
- While the media has been well serviced by the company and dominated by pro-project middle and upper middle class opinions, there has also been significant reporting of the predicted negative impacts of the project.
- The police firing and death of adivasis opposing the Tata Steel Plant at Kalinganagar in January 2006, and more recently in Nandigram over forced acquisition of land by the state has played a major role in putting pressure on the BJD-led government to tread cautiously in the Posco case.

The government, which openly supports the project, could have used force against the communities - Orissa has a history of doing so. But it has not done so till now. Maybe it is using subtler methods. “Force does not necessarily mean violent oppression. Other methods are being used to break the community unity as well as the people’s resolve, for
instance by booking of false cases,” says Sudhir Pattnaik, an intellectual and activist in Bhubaneswar. This is not far from the truth.

Early in the year the local administrative authorities were involved in ensuring that the panchayat elections, which faced several instances of booth capturing and clashes, went off smoothly without problems. While the polls could not take place in Dhinkia, the other two panchayats saw those opposing the project winning the elections.

In February 2007, however, the heat was turned on again, with police and the local administration bickering with the locals over barricades set up in the area. The announcement of the Environment Clearance Public Hearing for the steel plant and captive port at Jatadhari in the newspapers (in March 2007) made clear that the government intended to wholly back the project in the face of local opposition.

The state, which has resorted to violence many times in the past to suppress peoples’ movements against unjust development - like Kashipur (Alcan), Kalinganagar (Tatas), Lanjigarh (Sterlite-Vedanta) - once again lived up to its reputation, deploying platoons of paramilitary forces around the villages prior to the statutory public hearing. The state administration chose to hold the hearing at Kujang, the stronghold of the ruling BJD party, to make sure that people who would be affected by the project stayed out of the hearing.

Though the Superintendent of Police, Jagatsinghpur claimed the deployment of Orissa Military Police platoons at Kujang was routine, the locals had a different explanation. They said the platoons were used to create an atmosphere of fear in the villages. They cited this as a reason for people not attending the hearing on April 15 (see box on Public Hearing).

4.2 The company

On its part the company made all attempts to woo the local populace as well as the media with ‘humanitarian gestures’. It announced a Rs500 crore package for 200 households in Jagatsinghpur. It also issued reports to the media recently saying it would come up with a “special scheme in which it offers alternative land to betel vine cultivators”. However, no documents of any such rehabilitation package have been released publicly.

The company also mentioned in several media releases that it has engaged the Tata Institute of Social Sciences (TISS) to carry out a Social Impact Assessment to help it in formulating a rehabilitation package for the communities. However, the TISS researchers were not allowed to enter the area by the local people. This did not stop the company from hiring young locals and paying them to carry out the survey work. The women of Nuagaon were not impressed by the activities of these youth. “These anti-social elements have been running a misinformation campaign, doing false propaganda and vitiating the atmosphere in the villages. They hardly worked and only disturbed the peace of the village,” they said. There have been instances of the youngsters creating conflicts and filing false cases (almost 70 cases) against those opposing the project.
Posco continued to maintain, in the media at least, that the project was on track and 'going as planned'. In July 2006, the company was in the headlines in its home country when almost 2,000 workers of one of its subcontractors forced their way into the Posco head-office building in Pohang and staged a week-long sit-in there. Led by their regional union, the workers were demanding higher wages and better working conditions.

Although the workers’ action evoked a lot of criticism from the Korean government and mainstream media, it also brought to light the less than ideal labour conditions that had forced such a large number of people to occupy the building and take the law into their own hands, until they were forcefully driven out by the police.

Even after the strike the company refused to accept responsibility for its labour problems, saying it was not liable for sub-contracted workers.

### 4.3 The state and central governments

The state government continues to turn a deaf ear to any questions raised about the project and keeps touting the ‘employment generation’ argument to those who oppose it. But how valid is this argument? In reply to a question raised in the parliament on the employment expected to be generated by the company, Union Minister of Mines Ram Vilas Paswan said the steel plant, mines and port together would generate direct employment for 13,000 people and indirect employment for another 35,000, giving a total of 48,000. The company promised to reserve 98% of the jobs for Indians.

However, this still does not guarantee employment for those who will be displaced by the project. According to environmental and social activist Prafulla Samantara, “If we look at the number of people this project is going to adversely affect, directly as well as indirectly, it would be an estimated 2.5 lakh, which is much more than the employment that will be generated.”

The union minister also made the following statement in parliament in the context of employment generation by the mining activities: “At the current level of mechanization, if all the reserves are open for mining, it will generate prorata employment of 51 lakh persons. However, experiences of iron ore mining indicate that in large mines there is more mechanisation and lesser direct employment. Mining is an independent economic activity and government has no control over production and employment in this sector. The same is determined by market forces.”

The National Advisory Council of the UPA, under the chairpersonship of a Congress party leader, did raise a few questions and tried to seek clarifications from the Orissa government last year but that seemed more of a passing concern than genuine interest. This became evident when the project was granted SEZ status in late 2006. The prime minister, too, issued a statement recently, stating that the project is being supported and land acquisition needs to be expedited.
Two years after signing the MoU, and despite virtually no movement on the land acquisition front, the government claims it is expediting the diversion of about 1,300 acres of revenue land for the project at Jagatsinghpur. Many such aspects of the project still remain grey, as evident in the list below:

- **Acquisition of land at the plant and port site.** – The 2,000 acres of land, which is not in the revenue and private category but is under beetle vine and other cultivation, is classified as forest land (under the jurisdiction of the forest department). Technically, to acquire this land the company will require forest clearance from the Union Ministry of Environment and Forests (MoEF) – which it is in the process of obtaining as per media reports and local sources. However, another development that could further cloud the issue is the probability of families securing title to the land under the Forest Rights Recognition Act 2006 – if all the provisions in its Rules (which are still at the formulation stage) become applicable.

- **Environmental clearance for the port and steel plant (first phase)** – The environmental clearances for the port as well as the first phase of the steel plant were granted separately (in May and June) amid great confusion, and in a non-transparent manner, by the MoEF. What is again in the realm of darkness is the reason why the MoEF first granted clearance to the port, within 30 days of the public hearing held on April 15 (mandatory procedure for getting environmental clearance for any project), when the application was a joint one and the hearing was common for both the port and the steel plant. Further, the authenticity of the hearing and the Environment Impact Assessment reports submitted by the company are both being questioned by environmentalists and concerned groups (See Box below).

- **Mining lease for the Khandadhar mines spread over 6,200 hectares** – While the state government has consistently recommended allocating the Khandadhar mines to Posco, a public sector mining company, the Kudremukh Iron Ore Corporation Ltd (KIOCL), filed a petition in the Cuttack High Court in 2006 laying first claim to the mines, saying it should not be denied its claim since it was a public sector company. The High Court deferred the case in April 2007, asking the Union Ministry for Mines to take a call on the issue. The ministry is currently evaluating the legal implications of Posco being granted the lease, considering that its application came after KIOCL’s.
5. POLICY AND GLOBAL LINKAGES

5.1 The steel industry in India

In the wake of the Posco project it is imperative to look at the global linkages in the growth of the iron and steel industry in India. Over the past 100 years, the world has looked upon the growth of the steel industry as an indicator of economic growth. Since more than 42% of the world’s steel is used for construction and infrastructure building, growth in the steel sector is considered to be directly proportional to the ‘development’ of a country. The presence of companies like Alcan or Posco in Orissa today can be linked to this belief, which has also led to the globalization of mining and mine-based industries in the 1990s. Developing countries like India have experienced a complete overhaul of their economic policy regimes as a result.

India produced around a million tonnes of steel at the time of its independence in 1947. By 1991, when reforms to open up the economy were initiated, steel production grew to...
around 14 million tonnes. Thereafter, it doubled in the next 10 years. Today, India is the sixth largest producer of iron ore as well as steel in the world. Production of finished (carbon) steel stood at more than 42 million metric tonnes in 2005-06 (Ministry of Steel estimates, www.steel.nic.in). This figure is expected to rise significantly with the spate of investments flowing into resource-rich states in eastern India, like Orissa, Jharkhand and Chhattisgarh. This rapid rise in investments post-2000 can be directly linked to the global boom in the steel sector.

Till the end of the last decade the steel market globally was extremely cyclical and volatile. Russia was once the largest steel producer in the world. With the break-up of the USSR the world steel market witnessed an imbalance, with supply far exceeding demand. Prices of steel hit an all-time low between 1996 and 2001. In 2002, the OECD called for a global agreement and countries were asked to reduce their supplies to control steel prices (http://www.indiansteelalliance.com/globalsteel.asp).

More steel-intensive technologies emerged after 2001, which led to a rapid increase in steel consumption the world over. But it was the Chinese demand and supply of steel that gave a real boost to the global market. That country today accounts for 30% of the world output (http://kwrintl.com/library/2006/OverviewOfGlobalSteelIndustry.htm). The global steel industry, thus, experienced a rapid revival post-2001, crossing the 1 billion tonne production mark in 2006, or 15 kg of steel for every person in the world!

In the west, steel is referred to as a ‘sunset industry’. Brazil, China and South Korea are the important players in the steel industry today. India is not far behind, considering that it is the fourth largest producer of iron ore in the world – its production being around 120 million tonnes per annum (2004). However, though not visibly in the forefront, developed countries are increasingly looking towards growth of assets by setting up their production and manufacturing facilities in developing countries, closer to the mineral supplies. Reduction of costs and access and control over fast-depleting mineral resources (iron ore in this case) are the major factors here.

Consolidation is the catchword today in the steel industry. The last two years saw the Mittal-Arcelor and Tata-Corus mergers in the steel sector. The push behind such moves is the fact that the top 15 steel-making firms in the world contribute only 1/3rd of the global steel output. These companies are now looking at acquiring smaller producers in order to ‘consolidate’ production and reduce volatility in the steel market.

Another global trend in the steel industry is reductions in the workforce of the producers with the emergence of new steel-making technologies. In South Korea, Posco employs 10,000 people to produce 28 million tonnes. Apparently, the thumb rule that can be applied to the direct employment potential of the steel industry is 1,000 per million tonnes.
5.2 The Indian scenario post reforms

5.2.1 National Mineral Policy, 1993 and Amendment of the Mines and Minerals Act

One of the key developments in the mineral sector in the wake of economic reforms in India was the New Mineral Policy of 1993 and the amendments to the Mines and Minerals Act 1957, which brought about the following changes:

- Deregulation of the mining sector by allowing 50% investment by foreign companies in mining.
- Opening all non-atomic and non-mining minerals to private investment.
- Increasing the validity period of prospecting licences and mining leases.
- Almost doubling the area under a single licence.

In December 1999, the Act was renamed the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 and further changes were incorporated, including:

- Introducing a provision for reconnaissance permits.
- Raising the cap on foreign direct investment to 100% in February 2000.
- Giving the states the right to grant leases for exploiting 15 minerals, with the other major minerals still remaining in the hands of the central government.

5.2.2 New industrial policy

The new industrial policy opened up the iron and steel sector for private investment by (a) removing it from the list of industries reserved for the public sector and (b) exempting it from compulsory licencing. Imports of foreign technology as well as foreign direct investment are freely permitted up to certain limits under an automatic route. The Union Ministry of Steel (MoS) plays the role of facilitator, providing broad directions and assistance to new and existing steel plants in the liberalized scenario.

A sector once largely dominated by public sector undertakings (PSUs) has seen large-scale deregulation over the past 20 years. The country witnessed a spate of disinvestments in mine-based industries (essentially producing aluminum and steel) during this period. The government divested its shares in Nalco, NMDC, Hindustan Zinc Limited and many other PSUs. The process continues today and there has been substantial controversy over the Balco disinvestment in recent times.

Orissa had only two iron and steel plants until 1995. Growth in the iron and steel sector remained marginal in the 1995-2000 period but saw a rapid spurt in the post-2000 period. The steel-making route also witnessed changes from the BF-BOF route to the DRI-EAF/DRI-IF route. Today, there are 14 steel plants in Orissa. In addition, four plants are now producing pig iron at Kalinga Nagar and Barbil. However, the state-owned Rourkela Steel Plant is the only large integrated steel plant in the state as of now.
According to the MoS, the Indian government’s target for the steel industry stands at 110 million tonnes by 2019-20, an achievable figure if all the MoUs signed recently come through. Over 102 MoUs have been signed by different state governments, adding up to 103 million tonnes of steel capacity and over US$5,994 million in investments.

Of the total investment committed, about US$17.9 billion is the foreign direct investment component of two large steel projects - Posco in Orissa and Mittal Steel in Jharkhand. (http://www.ibef.org/industry/steel.aspx)

Another important trend in the sector following the amendments in the Mining Act and Policy has been the widespread growth of small-scale iron ore exporters. In 2004, for instance, iron ore exports touched 78 million tonnes, which was about 50% of the iron ore produced in the country that year. In 2005-06, India exported almost 90 million tonnes of its 165 million tonne iron ore production.

The current export policy for raw materials like iron ore was formulated under the 2004 Foreign Trade Policy and is valid till 2009. According to Union Minister for Steel Ram Vilas Paswan, “The existing policy for exports of iron ore is already flexible in that iron ore with ferrous content up to 64 per cent is free for exports, while exports of high-grade iron ore (64 per cent Fe and above) are canalized through the Metal and Minerals Trading Corporation Limited. In relaxation of the policy, mine-owners who have surplus iron ore after meeting the demand of the domestic industry and MMTC are also allowed to export high-grade iron ore under licence.”

During the last three decades, cumulative exports of iron ore were over 1 billion tonnes of mostly high grade ore, bringing in total earnings of around US$30 billion. A study by the National Council for Applied Economic Research (NCAER) cautioned that “reserves of high and medium grade iron ore in the country would last for a mere 19 years even if exports are capped at the present level.” However, this has not acted as a deterrent for a country on the path to globalizing its economy by exploiting its mineral wealth. (http://economictimes.indiatimes.com/articleshow/726856.cms).

5.2.3 Post 2000 - National Steel Policy 2005 and revising the National Mineral Policy

Questions have been constantly raised about the need for India to ‘exploit’ its iron ore reserves judiciously on the one hand and putting in place mechanisms for fast track clearances of mining leases for large greenfield projects on the other. The Planning Commission under the UPA government set up a high-level committee to review India’s
mining policy and suggest further policy changes needed “to attract more foreign and domestic investment in the mineral exploration sector”. The committee under the chairperson Anwarul Hoda is expected to give a ‘new direction’ to the country's mining sector. A glance at its recommendations reveals that the committee sees iron ore and steel as a key thrust sector. It observes that “the present per capita consumption of 31kg has to increase to at least 80kg by 2020 and, perhaps, 300kg by 2050, as against the present world average of 150kg and US consumption of 350kg.”

Emphasizing the criticality of FDI in this sector the committee report says, “In view of the paramount need to take a quantum leap in steel capacity and per capita steel consumption and keeping in mind domestic financial and technology ground realities, there should be no barrier for one or two large foreign entities with a proven track record and access to global finance and cutting edge technology to enter the Indian steel scenario through the platform of an Indian public limited company so that the Indian public at large can also share in their prosperity.”

The report, which is now available on the Planning Commission website, has been thoroughly scrutinized at various levels. Many of its clauses have been points of contention for mineral-rich states and mining companies, the main issue being iron ore exports versus captive mining for steel production. Some areas of concern in the report are listed below:

- Increasing the duration of mining licences and increasing the area limit for prospecting from 25 to 50sq.km and for reconnaissance permits to 500sq.km.
- Making grants for mining licences, prospecting licences and reconnaissance permits seamless to ensure security of tenure for mine owners.
- Vesting state governments with the power to grant forest clearances, which are presently given by the Ministry of Environment and Forests (MoEF). Permitting enumeration of trees and assessment of forest by private consultants.
- Challenging the role of the MoEF by saying that once an in-principle forest clearance is granted for a mine, the application need not go back to the MoEF for final clearance.
- Urging state governments to act as pressure points for securing clearances from various departments.
- Permitting matters (for licence and lease by mine owners) to be taken to the central government if state governments do not respond in a stipulated time period.
- Not requiring fresh proposals for renewing mining leases.

Earlier in 2005, the government had also drafted a National Steel Policy (NSP) with the objective of reforming, restructuring and globalizing the Indian steel industry. The goal of the policy is to take Indian steel production to over 100 million tonnes per annum by the year 2020 from the current production of 35 million tonnes. In order to achieve this goal by 2019-20 the NSP seeks to remove the supply-side constraints to the growth of the industry in an open, globally integrated and competitive environment.

**5.2.4 Special Economic Zones (SEZ) policy**
While Posco’s proposed steel project did not make much headway in land acquisition because of local protests, and in acquiring leases amid the controversy of the new mining policy, it managed to get the approval of the Ministry of Commerce (MoC) for Special Economic Zone (SEZ) status. This implies the project can get several additional benefits in terms of tax rebates and subsidies. The central government is predicted to lose Rs89,000 crores in revenue over the next 30 years as a result of the SEZ tax sops, the figure for the Orissa government being Rs22,500 crores.

It is not just Posco getting SEZ status that has raised eyebrows. The SEZ policy has itself been in the line of fire on several fronts. Introduced in 2000 by the National Democratic Alliance (NDA) government, as a part of its EXIM policy, the SEZ policy seeks to boost production for exports in the country by attracting investments in various sectors. Almost all the states interested in SEZs issued notifications, orders or policies for SEZs by 2003, offering tax benefits, single window clearances, power, water and land-related concessions and simplification of labour and environment laws.

So Posco came to India at a time when the Orissa government had an SEZ policy in place. Its MoU with the state government contained several incentives, including the promise of SEZ status. In 2004, the state introduced the Orissa Industries (Facilitation Act), (2004) to facilitate the setting up of single window clearance authorities at the district and state level for scrutiny, consideration and final disposal of applications of entrepreneurs proposing to start industries in the state and for matters connected therewith or incidental thereto. Thus an environment for speedy clearances of mega-projects was being created.

The current SEZ approval is under the legislative framework of the SEZ Act 2005, which empowered the MoC to be the clearing house for all SEZ projects. While the 2000 SEZ policy outlined the mechanisms to attract investment, the Act 2005 provided the recognized structures and clauses to support the policy and give it legal backing.

Within a year of enacting the legislation the MoC cleared almost 237 SEZ projects in the country, of which five are in Orissa. While currently it is IT projects that are getting the most SEZ approvals, the government is looking at mining and mine-based industries as potential SEZ candidates. However, the National Steel Policy and the Hoda Committee reports do not speak about SEZ projects in the sector at all, so the government perspective on granting iron and steel mega projects SEZ status remains unclear.

Issues raised in the context of the SEZs include:

1. **Economic logic:** The big question being raised is: Will the Chinese model work in India? A significant counter argument to the SEZ policy given by economists, analysts and even the finance ministry is the heavy cost to the exchequer. The ministry predicts that the country stands to forfeit up to Rs1,60,000 crores by 2010 because of the SEZ tax subsidies.

2. **Social implications:** The issue has assumed a new dimension because of protests by farmers from states like Maharashtra, Haryana and Punjab. Loss of livelihoods and land grab – around 1,25,000ha will be acquired for 400 projects – have emerged as major fallouts. Another major social concern is the issue of labour exploitation. It is a different matter that many of these projects will create more
high-end employment. Inspite of this, the classification of SEZs as ‘public utility services’ will affect the collective bargaining mechanisms of workers.

3. **Environmental costs:** The environmental costs of these projects cannot be fully visualized or computed in detail but one can assume that large tracts of forest and other common lands will be acquired. There will be largescale exploitation of water resources and usurpation of coastal lands. Issues of increasing pollution threats are also being raised. But the most critical issue is the dismantling of the environment governance regime. SEZ projects have been exempted from conducting ‘public consultation’ before being granted environmental clearance under the SEZ rules as well as the Environment Impact Assessment Notification 2005.

4. **Governance issues:** The power of all regulatory bodies will be unclear as the Development Commissioner at the state level will acquire unprecedented power. At the local level there is bound to be conflict of interest with the Panchayati Raj Institutions of local self governance, such as the gram sabhas and panchayats, which have now been given some discretionary powers to oversee and control the utilization of local resources for development.

It is within the purview of such a policy that huge investments are being made in the steel sector in the states of Orissa, Jharkhand and Chhattisgarh. Last year saw Laxmi Mittal making an entry into India to set up a steel plant in Jharkhand. Not surprisingly, the Jharkhand government could not get much groundwork done because of two problems – protests over land acquisition and identifying iron ore mines. Mittal subsequently announced a project in Orissa as well and is waiting for some movement from either state.

Local militant action against forced acquisition of land continues to build up. It is not uncommon for government officials or survey teams of private companies to be chased out of villages by both tribal and non-tribal residents.

5.2.5 *Orissa’s New Industrial Policy, 2007*

The Orissa government notified its new industrial policy in March 2007. In order to attract investors, the policy created a framework of governance structures with the sole purpose of speedy and easy establishment of industrial projects. The bodies to be created at various levels to look into clearance of projects include the District Industries Centre (DIC) as the District Level Nodal Agency (DLNA), Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) as the State Level Nodal Agency (SLNA), and Team Orissa as the Common Focal Point for extending single window services to investors. At the helm, the High Level Clearance Authority (HLCA) chaired by the chief minister, and State Level Single Window Clearance Authority (SLSWCA) chaired by the chief secretary, are responsible for providing overall direction and guidance.

The policy repeatedly underlines the need for PPP (Public Private Partnership) in infrastructure projects to support industrial development in the state.

5.2.6 *World Bank and ADB support for infrastructure development in Orissa*
The past five years have seen a stepping up of the World Bank’s (WB) overall funding to Orissa. The Bank had devised India’s Country Assistance Strategy (CAS) 2005-2008, with a renewed focus on Orissa. This has guided its rising engagement with the state government on issues like Orissa Vision 2020, State Financial Accountability Assessment (2004), state-level Investment Climate Assessment, assessing the implementation of second generation reforms in the power sector, and outlining industrial development and mineral exploration in Orissa.

The involvement of the WB and Asian Development Bank (ADB) in the state intensified in the post-reforms period, with the WB providing loan guarantees and low-interest loans for a number of projects in Orissa. The WB financed projects include a coal sector rehabilitation project, power sector restructuring, coal-fired plants, and the Talcher coal-fired power project. The ADB has been supporting the expansion of Paradeep port, power sector restructuring and the AES/Ib Valley power project.

Other financiers of Orissa's infrastructure include the US government, which loaned US$232 million for the Ib Valley coal-fired power plant and will invest an additional US$75 million. France provided US$607 million for the construction of an aluminum smelting complex at Nalco, the Kaniha and Ib Valley coal-fired power plants, and the Ananta coal mine. Japan has invested US$125 million in coal mining expansion in Orissa, while the EXIM Bank of Japan has agreed to co-finance the Daitari-Banspani railway line, and OECF of Japan is expected to invest US$100 million to promote tourism in the state. The UK has invested US$40 million in upgrading the Hirakud dam, and an additional US$75 million for privatization of the power sector.

On the water resources front, the ADB has assured the Orissa government assistance of US$200 million for its integrated water resources management programme (IWRMP). Irrigation infrastructure and lift irrigation points north of the Mahanadi river will be improved under the Rs1,200 crore programme, which would also strengthen the ‘pani panchayats’ (water users’ associations).

NGOs and activists have voiced their reservations about the programme and the involvement of the ADB in drafting the New Water Policy 2007. They fear that the agenda of privatization of water resources is being pushed once again. The country recently saw the formation of a People’s Forum against ADB, which is voicing its protest against the secrecy and non-transparency inherent in ADB lending. Several groups in Orissa are active in this forum.

### 5.2.7 Rehabilitation and resettlement (R&R) policy

It is a telling indictment that a country with a history of displacing more than 60 million people for development projects since independence has, to date, no definite rehabilitation policy or any legislation to ensure rehabilitation of displaced persons. The union government did come up with a National Rehabilitation and Resettlement Policy in 2004, which took nearly two decades of discussion and drafting to prepare. It did not survive long in the face of trenchant criticism from people’s groups and NGOs. Its biggest drawback was that it ignored the issue of land acquisition and its associated problems, which had been widely discussed at across the country.
The Ministry of Rural Development is currently sitting on a draft National Rehabilitation Policy 2006, which has also come in for serious criticism for not adequately addressing displacement and rehabilitation issues. Opposition to the draft policy has focused on the following aspects:

- It was pushed in secrecy.
- It did not address issues raised in the policy draft prepared by civil society groups in 1995 and 2000.
- It continued to accept displacement as unavoidable and given.
- It was vague in details and specific provisions for R&R.
- It took a welfare approach rather than a rights approach.
- It continued to have a cash-based component.
- It had no provisions for addressing second generation problems.

In spite of this, states like Orissa went ahead and designed state-level polices along the lines of the 2004 policy. Orissa’s draft policy of 2005-06 came three decades after the virtual non-implementation of a shoddy 1973 Rehabilitation Policy. The figures of development displaced people in the state stood at approximately 5.5 lakh in 1995. Of these, around 64% have not been resettled. Scheduled castes and tribes account for about 50% of the displaced.

While the 1973 policy came with WB support for mega power projects, the 2005 policy saw the involvement of global aid agencies like UNDP and DFID, who ensured the presence of civil society groups to give the policy drafting process a ‘participative’ touch.

Posco has come up with its own rehabilitation package, spurred by the strong local opposition to its proposed steel plant project. The company issued statements that it was taking the help of various institutions to study the magnitude of the problem and its impact in order to work out an appropriate package for the area.

One of the two institutes involved is a US-based NGO called the International Watch Society (IWS), which even submitted a proposal defining a role for itself in carrying out the rehabilitation work. The website of the NGO states: “One major goal of International Watch is to facilitate the signing of the Memorandum of Agreement (MoA) between Posco and the State of Orissa, after the feasibility studies by the company are completed. If the Posco project fails to take off for some reason, it will be a great loss to the state of Orissa as well as India. Furthermore, if the project fails, other multinationals eyeing India for investment will back off, and that will be the greatest loss of all.” The IWS proposal also states that “our primary goal is to see that hardships of project-affected people are mitigated as much as possible”.

It mentions that IWS has set up a US$5 million ‘tribal rehabilitation fund’ for STs and SCs displaced as a result of the Posco project. News reports reveal that the NGO has been in direct touch with the PMO and the NAC for its rehabilitation project.

There is a twist to the tale. In September 2006, Posco apparently refused to endorse the IWS proposal. This led the NGO to openly make statements about the company’s ‘disregard for social welfare’. One press release went as far as to say that IWS would support the people’s struggle against Posco!
The NGO’s u-turn may seem peculiar. But it needs to be viewed in the context of the history of large development agencies who get involved in such projects to minimize damage to the local areas. As Roger Moody, an environmental activist working on mining issues points out: “In the nineties, CARE assisted implementation of a highly damaging mineral sands project in Sierra Leone, by designing for the company a relocation programme for thousands of farmers who had been forced to shift. CARE considered it was an expert at mitigating the impacts, but later had to admit it had been responsible for dumping people on inferior quality and malaria-infested land. We discovered the project was backed with fourteen million pounds of investment from the UK Commonwealth Development Corporation. None of these things may really be as they seem. But I've yet to come across a big NGO which can be thoroughly trusted: the net result of their manoeuvres is to disempower, not empower, communities.”

So all in all, it’s just another brick in the wall that is being built to serve the interests of profit-making corporations.

In the context of the Posco project, the observations on rehabilitation related issues of an independent fact-finding team that visited Jagatsinghpur on April 19-22, 2007 are given below:

- In order to look into the rehabilitation and resettlement of the families/persons displaced/affected due to coming up of the project, a Rehabilitation and Periphery Development Advisory Council (RPDAC) under the chairmanship of the Revenue Divisional Commissioner has been formed. The RPDAC was formed under Notification No. 23108 dated June 21, 2006 by the Revenue and Disaster Management Department and is expected to review the socio-economic conditions and make recommendations to the government for appropriate measures. As per the government order, the RPDAC, which comprises local NGOs as well, is expected to hold meetings once in three months and conduct consultations with the local people.

- The local administration informed us that consultations with people by the RPDAC were ongoing. However, on asking for details they said they did not have any written report or recommendations of the RPDAC. We were told that the records of the RPDAC meetings were confidential.

- On the issue of rehabilitation the local authorities said the Orissa Resettlement and Rehabilitation Policy, 2006 is applicable to all projects in the state. We were given a copy of the policy. We have examined the policy and found that tentative expressions of addressing rehabilitation make it a weak one. When discussed with local leaders they were of the opinion that the rehabilitation policy in its current form does not address the concerns of the community as far as loss of livelihoods in the proposed project area is concerned. The overwhelming opinion of the locals and others we interviewed seems to be that the Orissa Resettlement and Rehabilitation Policy, 2006, was, in fact, hurriedly passed as a result of pressure from the Tata’s and Posco.

- The local administrative authorities said that rehabilitation concerns specific to the Posco affected area are being looked into and that a special package has been designed by the company for the same. No papers or documents of this were made available even on request.
On discussing with the local communities we found that they were not in a position to consider rehabilitation because the alternative sites as well as the quantum of alternative land being considered would not support betel vine cultivation. They mentioned about the typicality of the geographical location and topographical features of the soil etc which made betel vine cultivation qualitatively better and productive in the existing area.

On the issue of looking for an alternative site for the project we were informed by the Superintendent of Police that an alternative site was explored 10km down the coast but it was a Coastal Regulation Zone-I area with a lot of creeks and water bodies where statutory provisions do not permit industrial activity on environmental grounds. Further, we were told that the company finds the present site to be most appropriate and is not willing to shift because of access to the port base. Our impression is that the government’s efforts for ‘options assessment’ have been highly inadequate.

The state of Orissa is obviously reeling under the impact of global market forces. Forests, rivers, lands and common properties are being appropriated by industrial, infrastructure and other large projects – even universities (e.g. Vedanta) and hospitals owned by corporates are acquiring huge tracts of land. Worst affected have been the poor and their natural resources. The Posco example is an illustration of how governance structures from the lowest units – panchayats - to the highest bodies in the state and central government are being influenced and made to serve the interests of private and multinational corporations at the cost of the people.

References:

4. Dr B.D. Sharma: No To Posco in Orissa - An ode to the ‘Daughters of Sand’ in Kufiang that is unique.
8. Advocacy Internet on Mining, National Centre For Advocacy Studies.

Websites:

2. www.steelworld.com
4. http://orissagov.nic.in/

Annexures

1. The Sammi workers struggle in South Korea.
2. Largest but worst respected polluter – Posco.
3. List of steel projects in Orissa.
4. Critique of the environmental clearance proceedings for the proposed port.
5. Letter to the Ministry of Environment and Forests from civil society groups.
6. Fact-finding report of the independent civil society team.
7. Lok Sabha debate on Posco (edited).
<table>
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<tr>
<th>Sl. No</th>
<th>Name of the Company</th>
<th>Location</th>
<th>Capacity in MTPA</th>
<th>Investment Rs. in crore</th>
<th>Date of signing of MoU</th>
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<td>M/s Bhushan Group of Companies</td>
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<td>24</td>
<td>M/s Patnaik</td>
<td>Purunapani, Joda</td>
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<td>Topodih, Barbil, Keonjhar</td>
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<td>M/s Konark Ispat Ltd</td>
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<td>M/s Beekay Steel &amp; Power Ltd</td>
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<td>M/s Rungta Mines Ltd</td>
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<td>M/s Brand Alloys Ltd</td>
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<td>37</td>
<td>M/s Jai Balaji Jyoti Steels Ltd</td>
<td>Tanisar, near Lathikata, Sundargarh</td>
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(A) 21.94 28570.18
# LIST OF MEGA STEEL PLANT PROJECTS FOR WHICH MoUs HAVE BEEN SIGNED WITH STATE GOVERNMENT (AS ON NOVEMBER 03, 2005)

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<th>Sl.No</th>
<th>Name of the Company</th>
<th>Location</th>
<th>Capacity in MTPA</th>
<th>Investment Rs. in crore</th>
<th>Date of signing of MoU</th>
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<td>4</td>
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<td>M/s Jindal Steel &amp; Power Ltd.</td>
<td>Benefication Plant at Deojhar, Keonjhar &amp; Steel Plant at Angul</td>
<td>6.00</td>
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<td>M/s Bhushan Steel &amp; Strips Ltd.</td>
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Total (A+B) 58.04 137,156

C. 12.35 22,975.85

Gr. Total (A+B+C) 70 160,132
The Sammi Workers struggle Against POSCO

On December 26, 1996, the POSCO publicized it would take over partial facilities of Sammi Specialty Steel Co., and it concluded the contract for property sale with SSSC on February 17, 1997. And in terms of employees and unions, the POSCO management ignored the collective agreement which lasted for more than 10 years, to selectively rehire part of Sammi workers.

The takeover of Sammi Special Steel by POSCO was a de facto business takeover, that is, POSCO took over all the facilities and workers of Sammi steel company. Nevertheless, the POSCO concluded the contract of purchase and acquisition (P&A). Subsequently, Sammi workers had to accept the "re-admission" procedure to POSCO selectively, in the course of which those workers were denied by the new management who used to be active in the union activities and who had been branded as trouble-makers by the management.

As a result, two thousand out of total workforce 2,342 (including non-union managerial officers) were driven to the street. At that time, average Sammi workers, in their forties, were in 15 years' service for the company. In their families, it was a very important time to raise their children.

The reason was clear why the POSCO refused to rehire Sammi union leaders and activists: POSCO didn't want any independent and democratic union, thereby sticking to its existing NON-UNION policy. So this is the first case in which the employers utilized the P&A method for union busting in business transfer. Therefore this case was a potential threat for Korean workers at large. In a word, the government-invested POSCO trampled one of the basic labor rights guaranteed in the Constitution and ILO conventions: the right to organize. By the P&A contract, the POSCO could eliminate the union, nullify the collective agreement, hard-won standard for working conditions, and dismiss all the possible trouble makers.

In protest of these unfair treatment by POSCO management, 200 Sammi workers have carried out robust struggle for their reinstatement more than 3 years.

First of all, dismissed workers initiated the legal actions. Both local labor relations committee and central labor relations committee made the decision that all the dismissed workers be reinstated. In response, POSCO brought an appeal to the Seoul High Court. However, it passed a judgment that workers' demands are right. Despite a series of defeats, the POSCO brought a final appeal to the Supreme Court, instead of implementing the court decision. Last three years, Sammi workers walked around the street, continuing their struggle for reinstatement. This was a tough time for the dismissed workers and their families. One worker of 41 years old, Lee Kwangsu, committed suicide after tough years of divorce and re-marriage. And many workers are suffering from diseases like gastritis and hepatitis. Family debts are growing. Furthermore, the government has repressed workers in various ways, like arrest, detention, fine, custody and so on, while it has left intact the POSCO management who refused to implement the reinstatement decisions.
Largest but worst respected polluter POSCO

- From a national proud to world polluter; Image change from economy contributor in 70es and 80es to environment polluter and energy consuming monster in 90es and after.
- World largest steel company means world worst carbon dioxide emission polluter.
- Social, political and economic trouble maker in their local societies. POHANG and KWANG-YANG are POSCO palaces politically and economically. POSCO is an absolute power player so to speak in 2 cities.
- Environment friendly image is only seen at national TV advertisement but opposite in real.
- Endlessly, new plant projects like power plant etc has been coming from the beginning.
- Pohang and Kwang-Yang are leading cancer chemicals producing regions in Korea.

POSCO in Kwang-Yang, 2nd POSCO plant in Korea

- Serious respiratory problems checked by a research team of Seoul National University for elementary school children in Kwang-Yang POSCO, 2005 but POSCO refused to accept the result as usual.
- Record breaking high concentration of carcinogen chemical PAHs(poly aromatic hydrocarbons) has been detected by special surveys supported by central government in 2005 and 2006.
- Problems like high concentration Dioxin contaminated waste water were raised by lawmakers at the national parliamentary inspection.
- Parliament members did special inspection.
- Thousands of local village people around 5 counties around have been protesting almost every year.
- Special air pollution regulation zone and Economic free zone at the same time.
- Most frequent alarming of Ozone air pollution in Korea.

Source - Friends of the Earth Korea, Korean Federation for Environmental Movement

The Kwang Yang Steel Plant of POSCO in South Korea
Annexure 3

PART II PROCEEDINGS OTHER THAN QUESTIONS AND ANSWERS (XIV LOK SABHA)

Title : Shri Basudeb Acharia called the attention of the Minister of Mines to the situation arising out of recent agreement of Orissa Government with Korean Steel Major POSCO allowing them to export mineral wealth of the country and steps taken by the Government in this regard.

SHRI BASU DEB ACHARIA Sir, I call the attention of the Minister of Mines to the following matter of urgent public importance and request that he may make a statement thereon:

“Situation arising out of recent agreement of Orissa Government with Korean Steel Major POSCO allowing them to export mineral wealth of the country and steps taken by the Government in this regard.”

SHRI BASU DEB ACHARIA : Madam Chairperson, the Memorandum of Understanding between the Government of Orissa and POSCO of South Korea will facilitate … (Expunged as ordered by the Chair) of such scarce mineral iron ore of Orissa. You will be surprised to know that a huge concession is being given to this particular company. They will set up a steel plant at Paradeep.

SHRI ARJUN SETHI (BHADRAK): Madam, I would like to draw your kind attention to his words. The hon. Member, while speaking, has said that 'it will facilitate … of mineral wealth'. Will it go on record? No Government, whether the Central or State, will … (Interruptions)

… (Interruptions)

SHRI B. MAHTAB (CUTTACK): If Shri Basu Deb Acharia is going to suggest what should be the MoU to be entered by the Government of Orissa, let him come up with the proposal. … (Interruptions)

SHRI BASU DEB ACHARIA : Madam, I have every right to say. If I have used any unparliamentary words, you can expunge them. I have not used any unparliamentary word.

SHRI BASU DEB ACHARIA : They will set up a steel plant with capacity of 12 million tonnes and captive iron ore mines will be given to POSCO[reporter36]. They will extract 600 million tonnes of iron ore from the captive mines. The Steel Plant will be set up after 33 months from the day of the company getting the licence. Why such favour is being given to this particular company? They will start extracting iron ore
immediately after the issuance of licence, although the permission and approval of the Central Government will be required in it.

Out of 600 million tonnes of iron ore, 30 per cent will be exported to Brazil as the iron ore in Orissa has high percentage of Alumina. On the other hand, they are being allowed to import similar quantity of iron ore from Brazil, which has lower percentage of Alumina. Over and above 600 million tonnes, this company will be permitted to export 400 million tonnes of iron ore for their own steel plant in South Korea. It means that 600 million tonnes per 1,000 million tonnes of iron ore this company from South Korea would get from Orissa.

Madam, we have 18 billion tonnes of iron ore in our country, and Orissa has 4.5 billion tonnes of iron ore. Nearly 36 MoUs were signed with various steel manufacturing companies prior to this MoU. The total capacity for it would be about 40 million tonnes of iron ore. What was the price at which they were permitted to purchase iron ore from the Orissa Mineral Development Corporation at the time of signing these 36 MoUs? They were permitted to purchase iron ore at the market price. What is the price of one tonne of iron ore today? It is Rs. 2,000. But in the case of POSCO, the cost of extraction or the total cost of production per tonne of iron ore would be only Rs. 400. Why is there such a difference in it? Why this particular company is being permitted to take iron ore at a much lower price? How much will be the loss to the State of Orissa as a result of the lower price that has been fixed in the MoU? The loss for the Government of Orissa would be about Rs. 1.20 crore.

Moreover, the steel plant would be set up in the Special Economic Zone (SEZ), and it would mean that this company would enjoy concessions in income tax, excise duty, and other taxes. How much would be the loss for the Government of Orissa on this account?

MADAM CHAIRMAN: Mr. Acharia, please be brief. I am saying this because there is another Calling Attention to be taken up after this. Therefore, please put your question to the hon. Minister[ak37].

SHRI BASU DEB ACHARIA: I am coming to the question, Madam.

This company first tried to have an MoU with the Government of Brazil. Brazil has the largest deposits of iron ore. With the same conditions, which the Government of Orissa has agreed to, the company went to Brazil. But the Government of Brazil did not agree to those conditions. They agreed to provide iron ore at the market price. The Government of Orissa has signed an MoU to supply iron ore at a much lower price. Madam, what will be the benefit for the people of Orissa? A thousand acres of tribal land will be acquired. Total employment will be only 13,000 as per the statement of the Government of Orissa.… (Interruptions)

SHRI DHARMENDRA PRADHAN: This is totally wrong information. … (Interruptions)

MADAM CHAIRMAN: I will give time to your leader and he will have his say.
SHRI KHARABELA SWAIN: There is no tribal there. … (Interruptions)

SHRI BASU DEB ACHARIA: In the MoU, rehabilitation and resettlement of tribal people has not been provided.

SHRI BRAHMANANDA PANDA (JAGATSINGHPUR): He has absolutely no fundamental idea about what he is talking about.

MADAM CHAIRMAN: Shri Acharia, now there is no point. Please conclude.

SHRI B. MAHTAB: Shri Acharia had himself migrated from Orissa. He should not forget that fact. I am just reminding him of his ancestors.

SHRI BRAHMANANDA PANDA: The learned Member should have a fundamental idea of the point before speaking on it.

MADAM CHAIRMAN: Shri Acharia, please conclude now. There is another Member to speak from your own party. Within two minutes, you will have to conclude.

SHRI BASU DEB ACHARIA: Madam, the Koreans are being given this iron ore despite India not having enough iron ore reserves even to last for 50 years. Our per capita consumption is the lowest among the developing nations; it is only 32 kgs. However, the per capita consumption in China today is 270 kgs. This will not remain at this. Our per capita consumption will increase. Our demand also will rise. If 30 per cent of the reserves are given to this particular company, what will happen to the other steel manufacturing companies?

SHRI B. MAHTAB: In China?

SHRI BASU DEB ACHARIA: Already 36 MoUs have been signed. They require huge quantities of iron ore. I would like to know from the Minister of Mines or the Minister of Finance, whosoever replies … (Interruptions)

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): The Minister of Mines will reply.

THE MINISTER OF MINES (SHRI SISH RAM OLA): I will give the reply.

MADAM CHAIRMAN: Shri Acharia, put your questions please.

SHRI BASU DEB ACHARIA: I would like to know from the hon. Minister as to how the future requirement of our country will be met. Why such a concession has been given to this particular company? Why POSCO was not offered market price, as has been offered to the other 36 companies who will set up the steel plants in the State of Orissa? The capacity will be about 40 million tonnes. Why in their case it is market rate of Rs.2000 or Rs.3000, but in the case of POSCO it is only Rs.400?

SHRI B. MAHTAB: Who will give this answer? The Minister of Mines is not capable to answer this question.
MADAM CHAIRMAN: He will say something. I am giving him chance. It is all right.

SHRI B. MAHTAB : This question can only be addressed to the Orissa Government. This question has no scope to be answered by the Minister of Mines [KMR38].

Now, there is a need for mines policy. Should not there be a detailed discussion? There should be a detailed discussion on mines policy before MoUs are signed. … (Interruptions) Before it is exhausted, the Government of India should announce the mines policy.

MADAM CHAIRMAN : Keep something for your own party Member. Now, please conclude.

SHRI BHANWAR SINGH DANGAWAS (NAGAUR): According to the rules, he can be given only 10 minutes.

MADAM CHAIRMAN: I am looking into it.

SHRI BASU DEB ACHARIA : The Minister of Mines has stated in his statement that the Ministry of Mines will examine the proposal in detail because the Government of Orissa has not sent the proposal for approval in accordance with law and in consultation with the concerned Ministry. When an application is received duly forwarded by the State Government, the views expressed by the hon. Members here in this House today will be given due consideration. I would like to know from the Minister, in view of the widespread criticism in the country in regard to the MoU signed by the Government of Orissa and POSCO… …(Interruptions)

SHRI B. MAHTAB : All newspapers supported this MoU. … (Interruptions)

SHRI BASU DEB ACHARIA : Apprehensions have been expressed here about the favour shown to a particular company and the financial loss for the Government of Orissa as well as the Government of India. Will the Government of India before approving this proposal... … (Interruptions)

SHRI ARJUN SETHI : Madam Chairman, my point is.... … (Interruptions)

MADAM CHAIRMAN: You will get time.

SHRI ARJUN SETHI : My point is that whenever any subject concerning the State Government comes before the House, the same is not allowed. … (Interruptions)

SHRI BASU DEB ACHARIA : But people are complaining…… (Interruptions)

There cannot be any conflict of interest between the development of a State and the nation development. After all, it is all national resource and if Orissa prospers, the national also will be benefited. It is a national prosperity. So, there cannot be any dispute about
Orissa's prosperity and the national prosperity. But the issue is that the basic national resource is limited. We should use it judiciously and carefully taking into account particularly our per capita steel consumption. What is the projection of demand in the perspective plan for the coming 20 or 50 years or so when India is emerging as the fast growing economy? Finance Ministry is always claiming that we are emerging as a very fast growing economy. We are the fastest growing economy. … (Interuptions) Steel is the key sector. carefully protect your legal interest, your constitutional interest and your economic interest. But what I want to know from the Union Government is this. According to Section 5(1) of the Mines and Mineral Development (Regulation) Act, 1957, the Union Government had given the prior approval[R39].

On what criteria was the approval given? Did they know that there was going to be a clause of a swap? If that clause of a swap was taken into consideration, whether the technology concerned was also taken into consideration? It is because, the technology being brought in our country is not the latest one… (Interuptions) I am one with the claims made by our steel majors. I am not naming them.

SHRI B. MAHTAB : Why are you not naming them?… (Interuptions)

SHRI RUPCHAND PAL : Many of our public sector and the private sector steel majors have stated that they are capable of providing this technology but they are not being given equal status and there is no level-playing field. What is being given to the multinational company, had it been given to our steel majors, they could have provided Orissa a new steel plant with the latest technology. But it is not being done, and it is being denied to them. (Interuptions)

(Interuptions) … *

SHRI RUPCHAND PAL : Madam, I am asking the Union Government whether there has been a level-playing field or not.

There was a story about the high alumina content and the technology involved in the process, what is called the Fenic Process. Does it suggest that we, in the process of our development of the steel technology, are not at a stage where we could match the technology and resources that are being provided by the current steel major, who badly needs our precious underground process, which the world over is yet not planned in a judicious manner, which is being given a go-by by the Orissa Government and approved by the Union Government?

I charge the Union Government whether they have applied their mind before giving prior approval.

SHRI ARJUN SETHI : Madam, I am very much thankful to the hon. Minister of Mines for narrating, in detail, in his statement about the MoU that has been signed recently by the Government of Orissa with the Korean steel major, POSCO. The statement of the hon. Minister reveals everything. It also clarifies whatever allegations or points have been raised here. This particular MoU could be possible only because the Government of India -- the
hon. Finance Minister is present here -- have allowed 100 per cent FDI in the mining sector. In consequence of this particular announcement, this MoU could be possible. Otherwise, no such MoU could be possible. So, only after the policy decision of the Union Government to allow 100 per cent FDI in the mining sector, the MoU was signed between POSCO and the Orissa Government. Madam, the statement of the hon. Minister of Mines specifically says: “However, the Ministry of Mines is yet to receive any proposal for grant of prospective licence or the mining lease to M/s. POSCO through the State Government of Orissa[40].”

I am simply astonished that incidentally all the hon. Members are from West Bengal. Fortunately or unfortunately, we do not pull your West Bengal. This is the history. … *

SHRI ARJUN SETHI : Madam, my point is that the Orissa Government is very much competent, with the approval of the Central Government on policy matter, to enter into MoUs provided those MoUs do not go against the policies of the Central Government. If this is so, why are they so much worried? Nothing has yet been achieved. The Orissa Government has not yet sent the proposal to the Central Government. As has been stated here by the Government, they will look into the details. They will have consultation on everything. Why are they still so much agitated about this particular MoU? When the Government of India has declared that hundred per cent foreign direct investment is very much there, why are they very much opposed to it? If there is anything - I won’t go into the details - the Government of Orissa is competent enough to discuss that with the Government at the Centre. At that point of time, the Central Government can decide everything on merit. So, there is no point in saying that it has gone against the interests of the country…. (Interruptions)

MADAM CHAIRMAN: Arjun Charanjit, you know that, as a leader, if you want to ask anything from the Union Government, you can do so by putting questions.

SHRI P. CHIDAMBARAM: If you have some questions, just put them… (Interruptions)

SHRI ARJUN SETHI : Madam, I would like to know whether the lease would be governed by the Minerals and Metals (Regulation and Development) Act. If so, will the hon. Minister assure the House that the Government would grant licence to the Government of Orissa as well as the steel major when it conforms to the provisions of this particular Act?

Madam, it has been said that some amount of minerals will be exported to other countries, that is, Korea and Brazil. It has been pointed out here and incorporated in the MoU that swap will be permitted up to 30 per cent provided the POSCO equally imports 30 per cent of the minerals[41].

Moreover, it has also been mentioned in that particular MoU that after having gone into the details etc., if it is found that it has alumina content to the permissible limit, then there will be no need of exporting or importing. It has been mentioned there.
Annexure 4

To

2007
Dr. Prodipto Ghosh
Secretary
Ministry of Environment and Forests
Paryavaran Bhawan
CGO Complex, New Delhi-110003

Subject: Concerns regarding process of environment and forest clearances for the POSCO projects in Orissa

Sir,

We would like to bring to your attention that as per the Memorandum of Understanding (MoU) signed by the Pohang Steel Company (POSCO) and the Government of Orissa in 2005, POSCO plans to set up an Integrated Steel Project in the state which has the following components:

- A Mining Project or captive mines to meet the iron ore requirement
- A transportation component – a captive port along with road, rail infrastructure including the dedicated railway line from the mine-belt to Paradeep
- An integrated township; and
- A water supply infrastructure Water Project
- Integrated Steel Plant of 12 MTPA to be constructed in three phases

With the delay in the grant of Special Economic Zone (SEZ) status, POSCO has begun pursuing clearances of the mining, steel plant and port components of the project separately. In regard to the processes prior to the clearances by MoEF we would like to raise the following concerns with you –

1. **Inadequacy of the EIA reports** - The Environment Impact Assessments (EIAs) for the port and the first phase of the steel plant have been prepared and are currently pending for environment clearance with the MoEF as we write to you. One of the key issues that the local people have raised is that considering that the area has been blocked by the local villagers since past two years for government and POSCO related persons, no ground surveys or any assessment studies have taken place. Therefore, the data used in the EIA report is clearly not from field surveys. We also have detailed critiques of the EIA reports by technical experts which question the authenticity of the data and state that the report is inadequate. We will shortly send you a detailed critique of the same.

2. **Violations in conduct of the Public Hearing** - A public hearing for the above mentioned projects was held under police pressure on 15\textsuperscript{th} April 2007. With paramilitary platoons deployed in the affected area prior to the public hearing, the public hearing site being 20 kilometers away, and the documents not being available in the relevant places, the public hearing process could not be carried out in a free and fair manner.

Further, the Orissa Pollution Control Board conducted a joint public hearing for the first phase of the steel plant and the port. Given the restrictive circumstances, the joint public hearing did not give scope to deal with concerns related to either in a detailed manner, so that the impacts could be understood and responded to by the locally project affected people. All this is clearly against the mandate of the EIA notification which states that, “The Public Hearing shall be arranged in a systematic, time bound and transparent manner ensuring widest possible public participation at the project site(s) or in its close proximity District -wise, by the concerned State Pollution Control Board (SPCB) or the Union Territory Pollution Control Committee (UTPCC).”

3. **Lack of a cumulative impact assessment of the entire project** - The POSCO project has three components. The environment clearances of all the three
projects are going to be appraised by three different Expert Appraisal Committee at the MoEF, and the forest clearance will also be pursued separately. At no stage will there be a scope to look at the project impacts cumulatively and only after that the decision is arrived at, which is critical.

However, what is of greater concern to the people of the area and many of us is that each of the project components is linked and cannot operate in isolation. If this were not so, the MoU would not have clearly stated the projects being integrated. In this light, it is unethical for the company to pursue separate clearances.

It is very likely that the grant of clearance in one project and the subsequent investment in the construction will be used to argue for the grant of clearance of the other. Surely, the MoEF is aware of many such instances that have come before them for consideration. We have before us the example of the ongoing case of the Vedanta Alumina Refinery and Mining project, also from the State of Orissa which is pending before the Supreme Court.

4. **News of “In-principle Clearance” to the Port** - According to news reports, the Ministry of Environment and Forests (MoEF) has granted “in principle” environment clearance to the project, as stated by project proponents, however, the MoEF website shows it as pending. The current environment clearance process has no provision for an “in principle” clearance, and if the MoEF website does not indicate the status as cleared, we clearly feel that such statements by the company are misleading the public.

We would like to bring to your attention the National Environment Policy finalized by the MoEF in 2006, where it is clearly stated in its preamble which draws from Article 21 of the Indian Constitution “It is recognized that maintaining a healthy environment is not the state's responsibility alone, but also that of every citizen. A spirit of partnership should thus be realized throughout the spectrum of environmental management in the country. While the state must galvanize its efforts, there should also be recognition by each individual - natural or institutional, of its responsibility towards maintaining and enhancing the quality of the environment.”

It is with this spirit that we bring the above facts to your attention. With impacts on livelihoods, the rich coastline, water sources and the issues of displacement as
well as huge diversion of forest land, it is critical the MoEF takes the strong position and not granted scattered clearances for the POSCO project. The project needs to be viewed in its entirety and impacts assessed accordingly.

We request the MoEF to stay the process of grant of separate clearances for the project and demand that a cumulative impact assessment and free and fair public consultation process be carried out. Further, till the issues of local opposition and oppression as well as legal tussles in the mining component be resolved, the project not be considered for the grant of either forest or environment clearance.

Enclosed is the Report by an Independent fact finding team that visited Jagatsinghpur and Bhubaneswar between 19th and 23rd April 2007. We will send you more documents that will provide details about the concerns being raised by different groups and the local people shortly.

Look forward to your immediate action in this regard

Sincerely,

Debjeet Sarangi, Living Farms, Orissa
Sudhir Patnaik, Journalist, Orissa
Prafulla Samantra, Lok Shakti Abhiyan, Orissa
Bharat Bhushan Thakur, Ekta Parishad, Orissa
Sumit Chakravarty, Mainstream Journal, Delhi
Madhumita Dutta, Corporate Accountability Desk, Chennai
Kanchi Kohli, Kalpavriksh, Delhi
Bijulal, M.V. Indian Social Institute, Delhi (09968161012)
D. Manjit, Kashipur Solidarity Group, Delhi
Annexure 5

REPORT BY THE INDEPENDENT FACT FINDING TEAM ON ISSUES RELATED TO THE PROPOSED POSCO PROJECT IN JAGATSINGHPUR (ORISSA)
19th to 22nd April 2007

A strong people’s resistance has been going on in the parts of Jagatsinghpur district of Orissa against a steel plant and captive port proposed in the area, since July 2005, a month after the Memorandum of Understanding regarding the project was signed between the Government of Orissa and Pohang Steel Company Limited (POSCO). Things seemed to have come to heat when several platoons of Orissa Military Police were deployed in the area on 9th of April, six days before the mandatory environmental clearance public hearing on 15th April 2007, and pressure to expedite the implementation of the project continued to mount at various levels.

A team of independent observers comprising Sumit Chakravartty, Editor Manistream Weekly, New Delhi; Sridevi Panikkar, Delhi Solidarity Group; Bijulal M V, Indian Social Institute, New Delhi; Manshi Asher, National Centre
for Advocacy Studies, Pune, visited Bhubaneswar and Jagatsinghpur between 19th and 22nd April 2007, for a fact finding inquiry with the following objectives:

- to get an insight into the concerns being raised in relation to the project by the affected communities
- to understand the steps taken by the concerned authorities to address these concerns
- to assess the processes that have taken place over the last two years in relation to the project

**Background**

On 22nd June 2005 the State of Orissa in India, signed a Memorandum of Understanding (MoU) with the South Korean Steel giant– Pohang Steel Company Limited, also known as POSCO. Touted as India’s largest Foreign Direct Investment( worth Rs. 52,000 crore), the project involves building of a 12 Million Tons Per Annum (MTPA) integrated steel plant and a captive port in the Ersama Block of Jagatsinghpur district, Orissa. As per the MoU, based on the needs of the “Steel Project”, the Company will also develop and operate the following infrastructure:

i. Mining facilities in the areas allocated by Government of Orissa/Government of India (the “Mining Project”);

ii. Road, rail and port infrastructure (the “Transportation Project”), including the dedicated railway line from the mine-belt to Paradeep;

iii. Integrated township; and

iv. Water supply infrastructure (the “Water Project”).

The construction of the steel plant and captive port are expected to have far reaching socio-economic and environmental impacts. As a result, there has been growing opposition to the project in the project affected area as well as the state in general. The proposed plant and port will adversely affect 11 villages and hamlets in three Gram Panchayats in Jagatsinghpur district, namely – Dhinkia, Nuagaon and Gadakujang. The opposition at the plant site built up rapidly when the news of the project spread. While there were mixed reactions initially, the threat of losing lands in return for nothing soon caught up with the communities. Around April 2005 news of that a MoU is to be signed, was already out. The MoU was finally signed in June and by July 2005 the three Panchyats that were to be affected came together to oppose the project. There are three groups at present who are opposing the plant- POSCO Pratirodh Sangarsh Samiti (PPSS), Nav
Nirman Samiti and Bhita Mati Bachao Andolan. These groups, though different in their methods, are united in their protest against the project. The local opposition is based on the ground that they will lose their critical sources of livelihood, which are unique to this area and hence irreplaceable, as fallout of the land acquisition for the project.

4000 acres of land have been earmarked in Ersama block of Jagatsinghpur district for the purpose of setting up the Steel Project and associated facilities, including the port facilities and a storage yard for coking coal by the Company and the government. The land that would be required for the railway, road expansion and mines is not included in this.

According to the MoU, the Government of Orissa is to permit drawal and use of water (near about 12 thousand to 15 thousand crore liters) from the Mahanadi barrage at Jobra and Naraj in Cuttack for construction and operation of the “Overall Project”. Concerns have been repeatedly raised over the past two years by citizens of the area and technical experts that this would severely impact the drinking and agricultural water supply of Cuttack and neighbouring four districts. These concerns have not been addressed by the government yet.

While notices for land acquisition were served by the District administration as early as November 2005, all attempts of the officials were thwarted once the area was blocked for entry by the local communities. The mandatory Environment Impact Assessment and socio-economic survey reports have been submitted by the company. However, the locals as well as government officials have confirmed the fact that no survey teams have been able to visit the area.

On 15th April an Environment Clearance public hearing was held for the steel plant and the captive port of the project. It has been widely reported in local newspapers, more than 20,000 people from the three affected gram panchayats boycotted the hearing organised at Kujanga dubbing it a “farce”. The fact that the Orissa government deployed several platoons of armed paramilitary forces in the Jagatsinghpur District on 9th April, five days before the hearing, also had an impact.

On 18th of April, hundreds of children from Dhinkia, Patna, Gobindpur and other villages marched through the streets of the 3 gram panchayats, giving slogans such as ‘Posco Hatao, Ama Bhitamati Banchao (drive away POSCO, Save our land). Amidst this and the ongoing resistance, pressure continues to build on the state government at all levels to expedite the implementation of the project. Prime Minister Manmohan Singh has, in a meeting with Orissa Chief Minister
Naveen Patnaik on 19th April 2007, asked the state government to expedite the process of land acquisition for the project.

**Persons interviewed during the visit**

The team met with the following persons during the visit to Bhubaneswar, Dhinkia, Nuagaon and Jagatsinghpur

- Local people from the affected areas – Suhas Mahapatra, Tilottama Raut, Hemlata Raut and several others (in 2 focused group discussions) from Dhinkia and Nuagaon Panchayats
- Abhay Sahoo, President of the POSCO Pratirodh Sangram Samiti
- Members of the Nava Nirman Samiti - Akhay, Biswajeet, Umakant
- Devindra Kumar Singh, Sub Collector, Jagatsinghpur
- Y.K.Jethwa, Superintendent of Police, Jagatsighpur
- Debasish, Tehsildar, Kujang
- Dr. Damodar Raut, MLA from Erasama constituency and Ex-Minister of Panchayati Raj, Orissa
- Nityanand Pradhan, State Secretary of the CPI Orissa
- Madhumita Ray, Programme manager, Action Aid, Bhubaneshwar
- Srikant Jena, Local Congress Party Leader and Former Member of Parliament
- Suresh Mahapatra, Revenue Divisional Commissioner( telephonic interview)

The team contacted the POSCO office in Bhubaneswar for a meeting with the concerned officials but did not receive any response. However, we got a letter from the Executive Director of the POSCO-India Pvt limited, Mr G.W. Sung on 28 April 2007.

**Observations**

2. **On dependence of the communities on the local resource base and the socio-economic profile of the area**

   - As per data received from Tehsildar, Kujang, the total land area that has been sanctioned by the government for the project is 4004 acres out of which 3566 acres is government land, and the rest of land, 438 acres, is private land. In all 471 families would be affected from three Panchayats, according to official statistics quoted below:
Gadkujang Panchayat - Polang village-62 families, Bhuyalpal village-12 families, Nuliyasahi village-135 families

Dhinkia Panchayat - Dhinkia village-162 families; Gobindapur village-90 families

Nuagaon Panchayat - Nuagaon village-10 families.

The Tehsildar acknowledged that these figures are just an approximation, as no thorough survey has been done till now and therefore there could be an error of 5%.

The Company in its letter to the team puts the figure of to-be-displaced families even lower, at 450.

- However, as per the local leadership of the movement against POSCO more than 4000 families and a population of 22000 will be affected by the project in the area. These include all those persons directly dependent on the betel vine cultivation, pisciculture, cashew nut cultivation and fishing in the Jatadhari Muhana where the port is expected to come up.

- Loss of livelihood, of a self sustained and thriving local economy and of an entire way of life are concerns on which the local resistance to the project is largely based on. These were continually articulated by women and men from the community. Tilottama Raut from Nuagaon said "They are asking us to leave from here... what do they mean? We leave this soil, this wind, this sky and the peace we enjoy here...no we will not leave, this is our motherland...We have many examples of the families who were displaced in Trilochanpur by the IOCL plant. Those families are today in a state of misery. They have spent their compensation money and the women have suffered the most – having to do hard labour all day to support the family”.

- Though, according official statistics, merely 438 acres land of the required 4000 acres is private land, displacing 471 families. The rest is government land, under forest or recorded ‘anabadi’. What Government records do not reflect is that most of this land has been under betel, cashew and other cultivation for generations. Applications for claims on titles have been repeatedly made by the local
communities; however regularisation and settlement of the betel vine lands has not yet been initiated by the government. The Settlement record was prepared last in 1984. It recognizes only claims on agricultural lands under regular occupation. Other uses like grazing, collection of firewood, forest produce and cashew or even fishing go unrecorded.

- The local economy is a thriving, labour-intensive one, based on agriculture and fishing. The economy is based, apart from crops such as paddy, coconut etc., largely on cash crops such as betel, cashew, supari and kewra. Fishing and pisciculture are also prominent sources of livelihood. Most of these sources provide income and employment throughout the year.

- The uniqueness of the betel vine cultivation economy, due to the typicality of the geographical and topographical features like soil, was highlighted repeatedly by everybody the Team interviewed. It is a thriving, highly labour intensive activity which provides income throughout the year, supporting and providing work to a wide age group of people – from the young to the old – who are engaged in various productive tasks related to cultivation, plucking, transport and marketing of betel leaves. Though the Orissa Government and POSCO often quote that the plant and port would create an estimated 48,000 direct and indirect jobs in the region, there is an overwhelming skepticism regarding these figures. The locals are certain that they will not be able to get most of these jobs because they do not have the requisite skills. Even if they do manage to get a few of these jobs, they emphasise, the steel project and port will not be able to provide with the kind of secure livelihood they currently enjoy.

- The Jatadhari river, estuary and the forest resource base play a very important role in supporting the cultivation, fishing as well as household needs like fuel wood etc. In the late 1960s, Loknath Chaudhary, a local leader and MLA, led a struggle for transfer of much of the common land in the area, some of which was already under betel vine, from the revenue records to the forest department so that afforestation initiatives could be carried out to provide a natural barrier for protection of villages from impacts of cyclone and to provide for the basic needs of firewood and stalk for betel vine
cultivation. Finally the land was transferred to the category of gramya jungle or community forests.

- We found in our interactions with a cross section of people that the concern of loss of livelihoods dependent on betel vine as a result of the project was commonly recognised by all as genuine – including the local government officials, law and order authorities, political representatives, civil society members and others.

3. Other concerns raised on the impact of the project

- Dr Damodar Raut clearly raised a concern pointing out that "the SEZ status that has been granted to the project (principle approval has been granted by the Ministry of Commerce) would deprive the government of taxes and pose a threat to security of the country considering the location of the project which has also been highlighted by the Home Ministry." He said that he was in support of the project without the SEZ status.

- Members of the community based Nava Nirman Samiti repeatedly highlighted the fact that the project was problematic on the grounds that it is a Foreign Direct Investment where the Multi National Company is clearly interested in capturing the iron ore and minerals on a large scale which will affect the national economy and the local natural resource base. They termed it as unsustainable. They also highlighted that the Bank of New York had a major share in POSCO and were of the opinion that the proposed project including the port would serve the interests of the US.

- They also said that some local organizations are distributing learning materials and other materials as gifts through schools, which they said was routed through these organizations by the company. According to local people in Nuagaon village, this act had been objected by them, at least in two occasions.

- It was pointed out that initially, the Paradeep Port authority as well as TR Balu, central Minister for Shipping, Raod Transport and Highways and former Chairman of the Cochin Port Trust had raised concerns about the captive port affecting the business of the government port at Paradeep.
Nityanand Pradhan and others informed us that extraction of large quantities of water for the project will affect, not only the local communities but would have far reaching impacts—severely affecting the drinking water supply up to Cuttack and irrigation supply of four neighbouring districts.

Several environmental concerns including deforestation and destruction of coastal, riparian and estuarine ecosystems which will have impacts on the entire East coast in the long run were raised. The sea ingress as a result of forest loss is also an area of concern.

The Jatadhari river and the Muhana are crucial to rainwater drainage of the whole of Jagatsinghpur district. Concerns have been raised time and again that if a port is built on the Muhana, this natural drainage system will be adversely affected, resulting in increased siltation in the river, water logging and increased chances of floods.

4. **On the issue of legal titles for cultivators in government land**

The government authorities and the local communities informed us that the land under betel vine and other cultivation expected to be acquired by the project was under the category of government land—inclusive of revenue land, forest land and also village forests or ‘gramya jungle’, to which people do not have legal titles.

It was found however that the land in question has been in possession of the people for several generations. This is proven by the fact that the people have been paying an illegal occupancy fine to the local revenue administration since time immemorial. Royalty for betel vine sales is also being paid.

As per the Sub Collector, according to the Orissa Land Reforms Act, 1960, peaceful, continuous, uninterrupted possession of land, if proved, mandates regularisation of titles and recording of rights. Applications for claims on titles have been repeatedly made by the local communities; however regularisation and settlement of the betel vine lands is yet to happen.

5. **On the question of rehabilitation and alternative site for the project**
We were informed by the Superintendent of Police and Sub-Collector that in order to look into the rehabilitation and resettlement of the families/persons displaced/affected due to coming up of the project, a Rehabilitation and Periphery Development Advisory Council (RPDAC) under the chairmanship of the Revenue Divisional Commissioner has been formed.

The RPDAC was formed under Notification no. 23108 dated 21st June 2006 by the Revenue and Disaster Management Department and is expected to review the socio-economic conditions and make recommendations to the government for appropriate measures. As per the government order, the RPDAC comprising of local NGOs as well is expected to have meetings once in three months as well as have consultations with the local people.

The local administration informed us that consultations with people by the RPDAC were ongoing. However, on asking for details they said that they did not have any written report or recommendations of the RPDAC. We were told that the records of the RPDAC meetings were confidential.

On the issue of rehabilitation the local authorities said that the Orissa Resettlement and Rehabilitation Policy, 2006 is applicable on all projects in the State. We were given a copy of the Policy. We have seen the policy and found that tentative expressions of addressing rehabilitation make the policy a weak one. When discussed with local leaders they were of the opinion that the Rehabilitation Policy in its current form does not address the concerns of the community as far as loss of livelihoods in the Proposed Project Area are concerned. The overwhelming opinion of the locals and other we interviewed, seems to be that the Orissa Resettlement and Rehabilitation Policy, 2006, was in fact hurriedly passed as a result of the pressure from the Tata’s and POSCO.

The local administrative authorities said that the rehabilitation concerns specific to the POSCO affected area are being looked into and that a Special Package has been designed by the company for the same. No papers or documents of this were made available even on request.
- On discussing with the local communities we found that they were not in a position to consider rehabilitation because the alternative sites as well as the quantum of alternative land being considered would not support the betel vine cultivation. They mentioned about the typicality of the geographical location and topographical features of the soil etc. which made betel vine cultivation qualitatively better and productive in the existing area.

- On the issue of looking for an alternative site for the project we were informed by the Superintendent of Police that an alternative site was explored 10 kilometers down the coast but it was a Coastal Regulation Zone-I area with a lot of creeks and water bodies where statutory provisions do not permit industrial activity on environmental grounds. Further we were told that the company finds the present site to be most appropriate and is not willing to shift because of access to Port base. Our impression is that the government’s efforts for “options assessment” have been highly inadequate.

- It is important to reiterate here that the local movement that has been building up in the area since 2005 in opposition to the project has differences in expression of protests, however the local community is united in their opposition to the project being set up in the proposed area.

- The claims by the Government and the Company that the Orissa R&R Policy 2006 will address the people’s needs are debatable. The policy through its statement that alternate land will be made available subject to availability, has clearly remained non-committal to ensuring land for land compensations, which is essential to agrarian communities, when projects come up in their land. The policy is also non-committal and vague about guaranteeing employment for project affected individuals. Based on the history of implementation of rehabilitation packages in Orissa and elsewhere, from Hirakud Dam to the Indian Oil Corporation Limited plant in Jagatsinghpur itself, the community’s mistrust in such policy and claims by both the government and the Company is explicable.

6. **On the issue of public consultation and environment clearance public hearing**
The local authorities informed us that informal consultations with the people are going on to arrive at a mechanism to resolve various issues. However, the scenario and developments at the higher level, especially after the meeting between the Prime Minister and Chief Minister, are suggestive of the fact that the decisions on the project have already been made and are not dependent on consultations with the people and that these are being carried out, if at all, as mere formalities.

The statements of the Chief Minister indicate that the process of land acquisition will be expedited. Our impression is that in the current situation at the ground level such focus on expediting the process and a deadline to do so will not facilitate genuine and participatory consultation, or mandatory “prior informed consent” of local people.

On 15th April an Environment Clearance Public hearing was held for the steel plant and the captive port of the project. The legality of this Public hearing is questionable on the grounds that:

- The hearing was held 20 kilometers away from the affected area at Kujang, which is against the given statutory provisions in the Environmental Impact Assessment Notification 2006. The location of the hearing was also cited as one of the reasons for the local people not being able to attend the hearing. It was repeatedly reiterated even at the public hearing that as a consequence of this the hearing should be declared null and void.

- The authenticity of the data in the EIA report submitted for the project is questionable since the government officials and people have repeatedly clarified that no survey process of any kind – land, socio-economic and environmental -- has been done in the area because of the blockade imposed by the people since the past two years. It also therefore raises a question about the authenticity of the hearing and basing of an Environment Clearance on such a report that lacks field data.

- According to Madhumita Ray, who attended the Public Hearing, the atmosphere in the public hearing was of intimidation; those supporting the project verbally and physically assaulted those who raised objections, the Public Relations Officer of POSCO was sitting on the dais; and very
few people from the affected area were present in the hearing. Several violations of the EIA notification 2006 were raised – these were submitted in writing by some NGOs and others from surrounding villages. The proceedings of the public hearing was abruptly wound up, without even allowing some persons to submit their memorandums.

➢ On 9th April, a week before the hearing, paramilitary forces were deployed in the area, creating an environment which was not conducive for people to attend and freely participate in the hearing. Suhaas Mahapatra of Dhinkia village informed us that several false cases have been filed against them and therefore the mobility of the people has been restricted due to fear of arrest.

7. On Law and order related questions

- The area has been barricaded by the local people since the announcement of the project. When we enquired about the barricades, the villagers informed us that it was done as a measure of protection from use of coercive and dubious tactics by the state government to put pressure on the people to accept the project against their will. The Superintendent of Police, Jagatsinghpur said that this barricading is illegal; however no action has been taken yet.

- Local women informed us of instances of harassment and attacks by henchmen of POSCO who have been paid to support the company. These anti-social elements have been running a misinformation campaign, doing false propaganda and vitiating the atmosphere in the villages. There have been instances of them creating conflict and filing false cases (almost 70 cases) against those opposing the project.

- Though the Superintendent of Police, Jagatsinghpur informed us that the deployment of the Orissa Military Police platoons at Kujang was routine, the local persons have a different opinion. They said that the presence of the platoons is creating an atmosphere of fear in the villages. This was also cited as a reason for people not attending the public hearing on 15th of April.

- It is our considered view that it is difficult to hold a democratic and inclusive dialogue in such an atmosphere.
It is apparent from our interview with the SP, Jagatsinghpur and from the letter received from POSCO that both the government officials and the Company are trying to portray the local resistance as a law and order problem, branding the anti-POSCO movement as “disruptive elements”. There seems to be an indiscriminate misuse of legal provisions to threaten and curb the right to dissent and organise by the law and order agencies to quell the sustained people’s struggle, which forestalls all chances of a democratic dialogue.

**Recommendations**

It is clear that the situation in the area is tense. If force is used to expedite land acquisition, there is a high possibility of a violent confrontation. There is a clear lack of trust on the part of the local communities towards the local authorities since all decisions and processes in the past two years have been based on consultation only between the administration, government and the company, exclusive of the affected people.

Based on our observations, we make the following recommendations:

- During our interviews with the local community as well as a cross section of persons in different fields, we have come to an understanding that various aspects regarding the project require more clarity. Questions have been raised regarding many aspects of the project for which the government has not yet given satisfactory responses. Therefore we demand that the Orissa Government must issue a white paper on the project and the issues related to it. (Please find a detailed note on this at the end of this report).

- This project is yet another case of clear misuse of the Land Acquisition Act, 1894 and the colonial principle of ‘eminent domain’. We strongly recommend that **Government should not use the Land Acquisition Act to acquire land for companies** and to coerce people to give up their land.

- Nearly 900 acres of the so called government land which is to be acquired for the project belongs to the Forest Department and the rest belongs to Revenue Department. The entire land, both revenue and forest, has been, according to the locals, in their continuous possession and been used by them for betel vine cultivation for generations. They have also been paying fines to the authorities for which they have requisite government
receipts. This means that the occupying cultivators have already acquired “occupancy” rights on the revenue land they cannot just be asked vacate it without due process. These lands should be legally given to the villagers as per the Orissa Land Reforms Act, 1960.

Regarding betel vine in land under the Forest department, The Scheduled Tribes and other Forest Dwellers (Recognition of Forest Rights) Act 2006 bestows rights on these occupants as they are traditional forest dwellers.

The team felt that there is an attempt by the government to obfuscate the whole issue of land stating that 3566 acres belongs government and only 438 acres are in private hand when in fact the occupying cultivators have had already acquired occupancy right over the revenue land and the rights under the Forest Dwellers Act 2006.

A permanent, legal recognition of their tenural rights must be recognized, **regularization and settlement process must be guaranteed in a time bound way**

The Detailed Project Report (DPR) of the project must be made available to all concerned people who have objections regarding various aspects of the project, in local language/s.

- The **73rd and 74th Amendment of the Constitution** recognises that any and every planning exercise should begin with the lowest unit; which is the gram sabhas in the villages. These constitutional amendments also give a **complete right to communities to plan the use of their natural resources, which include riparian rights and rights to common property resources.** It is important to **ensure that this right is protected.**

- The project should not be allowed to come up against the wishes of those affected by it.

- **Political dialogue** on the concerns related to the entire project should be initiated **between the people of the concerned villages and the government**, in a conducive atmosphere.

- As a first step towards building such an atmosphere, **police and para-military forces, currently deployed in the surrounding areas, should be withdrawn immediately.**
• In the prevailing situation there is every possibility of a confrontation breaking out; such a confrontation could lead to violence and take the shape of civil war. Every effort should be made by all concerned to prevent such an eventuality in the larger interest.

Pending the white paper and a democratic dialogue between those affected by the project and the government, the project must not be implemented.

Why we need a white paper on the POSCO project from the Orissa State Government

The White Paper is demanded in the interest of making the information and the processes related to this largest ever Foreign Direct Investment in India available to all concerned, in the context of an ongoing protest on various aspects of the project at the proposed project site as well as an emerging global solidarity to their concerns. There is a grave lack of transparency which indicates concentration of decision making at the higher levels of bureaucracy. The administration seems to over utilize outdated information and data in order to finalize the official requirements to approve the project in an unjustified pace.

The white paper may consider the following areas of concern:

It is quite evident that the larger interest of the directly affected persons, the people living in the nearby areas, larger public interest relating to the effective use of natural resources, sustenance of ecosystem, drinking water and irrigation needs of the riparian districts of Mahanadi were not given due consideration while finalizing the project.

? While Paradeep port is advancing interims of its ability to service more cargo why there is a need for another port for POSCO, affecting threat to operations of Paradeep port?

? What are the guidelines for the operations for the proposed POSCO port and how, it differers from the operations of the state owned port at Paradeep?

? What is the status of the much publicized report of the Revenue Divisional Commissioner following his visit in villages in October 2006, recommending the change of project site?

? What were the objections raised by the Orissa government for the environmental clearance of the project initially?
How is it justified to have unusual fortification of armed police around the affected places, while the dialogue with the democratically established bodies is not effectively conducted in the processes?

Provide all the details of the consultation processes since 2005 including the minutes of the RPDAC meetings.

What is the compelling factor to overrule the statutory privilege of the gram sabha as the final decision making authority on issues of land acquisition?

Why is the land settlement in the villages not taking so that the villages get permanent possession on the lands they were occupying for generations, while the state Land Reforms Act, 1960 allows giving titles to cultivators in government land who have records of ‘continuous peaceful occupation of land’?

Is there any guarantee that processes for extraction for minerals will not bring environmental and livelihoods crises in different regions, the usual case in Orissa, wherever mining has happened before?

Why is it that the 30 years has been stipulated as the period for extraction of mineral resources, in this case how has the wider national interest has influenced this decision?

What safeguards are in place to prevent indiscriminate use of mining practices fetching permanent livelihood crisis?

What are the strategies to deal with flood water from four districts once the river mouth is closed for the POSCO port’s needs?

What are the estimates on impact on the livelihoods of fisher folk, cultivators, seasonal migrants etc.?

The Detailed Project Report and the project’s cost benefit analysis must be made public.

Demand to the state government and CAG

Investigate into various cash transactions which POSCO has done and verify the allegation from some local people that POSCO is trying to influence officials and others through bribes.
Annexure 6

Evaluation of the Rapid Marine Environmental Impact Assessment (RMEIA) for Setting Up of a Captive Minor Port at Jatadharmohan Creek near Paradeep in Orissa

and

Evaluation of the Rapid Environmental Impact Assessment (REIA) for 4 Metric Ton per Year (MTPY) Integrated Steel Project to be Set Up near Paradip in Orissa

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This document expresses the opinion of its author and not necessarily the opinions of the U.S. office of the Environmental Law Alliance Worldwide or other individuals or organizations affiliated with the Environmental Law Alliance Worldwide.
Evaluation of the Rapid Marine Environmental Impact Assessment (RMEIA) for Setting Up of a Captive Minor Port at Jatadhamohan Creek near Paradeep in Orissa

1. The RMEIA fails to assess the impacts of a worst-case spill and require double-hulled tankers for cargo vessels powered by bunker (heavy) fuel oil

If granted environmental clearance, numerous, large cargo vessels would come and go from the captive port for Posco’s proposed steel plant near Paradeep. Many of these vessels would be powered by bunker (heavy) fuel oil. Page 115 of the RMEIA states:

“Ship traffic poses a risk of pollution from the following sources: …

- minor spills caused by the release of bunker oil during terminal operations (2-20 tons)
- major spills caused by the rupture of a bunker oil tank in a bulk/cargo vessel collision (500 tons), shipwreck of a bulk/cargo vessel (1500 tons)”

Many spills of bunker fuel from cargo vessels have wreaked havoc on the environment.\(^2\)

For this reason, the countries of Denmark\(^3\), Norway\(^4\), and the Netherlands\(^5\), have requested that the International Maritime Organization (IMO) amend the International Convention for the Prevention of Pollution from Ships (MARPOL convention) to require double-hulls for cargo vessels that are powered by bunker (heavy) fuel oil. In March 2006, the IMO adopted a regulation under the MARPOL convention requiring that all cargo vessels with a bunker (heavy) fuel oil tank built after 1 August 2007 or delivered after 1 August 2010 be made of double-hull construction or comply with accidental oil fuel outflow performance standards.\(^6\)

India and South Korea are member states of the MARPOL convention.

If a cargo vessel coming or going from the captive port for Posco’s proposed steel plant near Paradeep were to rupture, the spill of bunker (heavy) fuel oil would have disastrous impacts on flora and fauna along the coast of Orissa. Therefore, the RMEIA should have either:

1) Provided decision-makers with essential information about what would happen if 500-1500 tons of bunker fuel oil were to be released into marine waters in the vicinity of the proposed port; or 2) Required that cargo vessels powered by bunker fuel using the port be equipped with double hulls.

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\(^2\) Cargo Ship Bunker Tanks: Designing to Mitigate Oil Spillage
http://www.sname.org/committees/tech_ops/bunkertank/michelwinslow.doc

\(^3\) PROTECTION OF FUEL TANKS, Proposal for a new regulation 14A of Annex I of MARPOL 73/78
Submitted by Denmark http://www.sname.org/committees/tech_ops/O44/imo/de/47-6.pdf

\(^4\) INTERPRETATION AND AMENDMENTS TO MARPOL 73/78 AND RELATED INSTRUMENTS, Protection of fuel tanks. Submitted by Norway

\(^5\) WORK PROGRAMME AND AGENDA FOR DE 47 Protection of fuel tanks against collision and stranding
Submitted by the Netherlands http://www.sname.org/committees/tech_ops/O44/imo/de/47-6.pdf

\(^6\) http://www.sname.org/committees/tech_ops/O44/imo/imo/mepc/54-5.pdf
Evaluation of the Rapid Environmental Impact Assessment (REIA) for 4 Metric Ton per Year (MTPY) Integrated Steel Project to be Set Up near Paradip in Orissa

1. The REIA fails to describe and assess the impacts of the 87-kilometer water pipeline

The REIA states that it will be necessary to build an 87-kilometer pipeline to supply water necessary for the proposed integrated steel manufacturing facility near Paradeep. A pipeline of this extraordinary length is unusual for industrial manufacturing facilities of this nature, which often meet their water demands via local sources of water. There is no further information in the EIA about the pipeline, such as its route, or an assessment of how the pipeline would effect the environment.

The project proponent must assess the impact the pipeline would have on the environment. Constructing the pipeline would require clearing a path several meters wide necessary for laying of the pipeline. For example, if the path were only 6 meters wide, more than 0.5 km² of land (50 hectares) would need to be cleared for laying of the pipeline. If the route of the pipeline between Jobra barrage and the proposed steel plant passes through forests, then these forests would be cleared and fragmented, causing impacts on forest ecology that the REIA must assess.

2. The REIA fails to characterize the health impacts of projected increases in ambient air levels of pollutants

It is commendable that the REIA provides a quantitative predictions of increased ambient air pollutant levels that would result from the proposed facility. However, it is incorrect for the REIA to state, as it does on page 6-17, that “the ambient air quality would hardly get polluted with RD (respirable dust, also known as PM-10), SO₂ and NOₓ.

Table 6-2 of the REIA states that the predicted increase of PM-10 from 0.5-5 km from the plant would be between 7-13 mcg/m³ above baseline levels.

Using baseline information in the REIA regarding existing ambient air quality (65 mcg/m³) demographic information in the REIA (approximately 70,000 persons in the study area), and using mathematical formula developed by experts at the World Health Organization, I calculate that a 10 mcg/m³ increase of PM-10 above baseline levels (from 65 to 75 mcg/m³) would result in an expected disease burden of nearly 2.8 added deaths per year, including 1.15 deaths among children under five years of age and nearly 1.2 deaths among adults over thirty years of age from cardio-pulmonary effects.

See attached spreadsheet: PM_Burden_nearParadeep.xls

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7 87 km x 0.006 km = 0.522 km²
3. The REIA fails to describe and assess the impacts of waste disposal

Pages 6-24 to 6-26 of the REIA describe how the project proponent would manage solid wastes from the proposed facility. Although it is commendable that the project proponent plans to recycle or reuse many of these wastes, it is obvious that a large volume of wastes (as much as 120 tons per day of sludge; 8 490 tons per day of dusts) 9 would be dumped.

With regard to these wastes, the EIA states only: “From the Table 6-3, the expected dumping of solid wastes will be nominal, not even 10 per cent of the total generation. Land area measuring around 900 acres has been earmarked for dumping of these unused wastes.

This is untenable!!! Dumping more than 600 tons of waste on 900 acres of land holds the potential of immense environmental destruction. At the very least, the REIA must:

- Characterize the chemical characteristics of these wastes, including the leachability of toxic heavy metals from these wastes.

- Identify the precise location of the 900 acres of land on which these wastes will be dumped

- Identify the design and operation standards to which the dump site will be engineered

- Assess the impacts of the release into the environment of contaminants from these wastes

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8 10% x 1200 tons per day
9 70% x 700 tons per day