

Striking while the iron is hot

A case study of the Pohang Steel Company's (POSCO)
proposed project in Orissa

Manshi Asher



National Centre for Advocacy Studies



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Contributed by : Manshi Asher

The views expressed are that of the author and do not
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About author

The author is an independent researcher and activist. She is currently based in Himachal Pradesh and works on issues of livelihood and environmental rights. She can be reached on manshi.asher@gmail.com. The case study research work was done during the period of 2006-07 when the author was a part of the National Centre for Advocacy Studies. The updation of the information in the case study was done in 2007-08 by the author as a part of the documentation of Special Economic Zones and their impacts - with the help of a fellowship from the Global Green Grant Fund.

Foreword

India is in transition. Unfortunately, this transition is deepening the paradox of India, where on the one hand a very small section of the population is cornering the dividends of a rapidly growing Indian economy, and on the other hand the majority of the people remain excluded from this process of growth and development. The pace of this transition is unprecedented and is fundamentally altering the political, economic and social landscape of the country. Arguably, the most important cause for these changes is globalisation and its accompanying processes. In spite of this enormous impact, globalisation remains as one of the most contested ideas of our times due to the partisan nature of its impact. This has led to deep divisions within the country and divided the polity and society almost vertically on pro and anti globalisation lines.

India is one of the most prominent battlegrounds for the pro and anti globalisation groups in the world. The dominant economic and political elite in the country are aggressively pursuing policies to promote globalisation through privatization of basic services and natural resources like land, water and forests. The State institutions, structures and policies are being drastically altered, often beyond recognition, to provide a conducive environment for the unfettered growth of globalisation and its accompanying processes. This is being bitterly opposed by ordinary citizens, peoples groups and civil society organisations struggling for the protection and promotion of basic human rights of the marginalised people. According to these groups, it is evident that the uncritical acceptance of the processes of globalisation would further exclude and alienate the marginalised groups from their fundamental right to livelihood. However, in spite of these strong and well articulated positions, there is very limited systematic knowledge base on how globalisation is unfolding in the country and how it is impacting the rights and lives of common and ordinary citizens.

This publication entitled *Striking while the iron is hot: A case study of the Pohang Steel Company's (POSCO) proposed project in Orissa* is part of a larger action research project undertaken by the National Centre for Advocacy Studies (NCAS) which interrogates on the governance of land, water and forests in the central Indian adivasi belt spread across five states. The research project is an attempt to develop a holistic and systematic understanding of the processes of globalisation and its impact on poor, ordinary and marginalised people. Importantly, the research for this project has been undertaken by activists and comrades who are directly involved in social action for protecting and promoting the rights of common and marginalised people. This research project attempts to explore the process of globalisation in the country by focusing on how the global is affecting the local, with a particular emphasis on governance of land, water and forests.

Hopefully, this publication would help us bridge the knowledge gap between the processes of globalisation and its impact on the grassroots and prove useful in strengthening peoples struggle for a just and humane world.

Amitabh Behar

Preface

The Erasama block of Jagatsinghpur 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. Four thousand 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 and port is expected to affect seven villages in three gram Panchayats, namely Dhinkia, Nuagaon and Gadakujang. Over the last three years a relentless struggle has emerged from the area as a result of which the project continues to be in limbo despite complete support from the state and central governments. Apart from these villages in the proposed plant and port area, communities in Sundergarh district will be affected by the mining of iron ore for the plant.

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 market forces in the iron and steel sector.

The study is based on interactions and discussions with communities and activists in Erasama block, Jagatsinghpur district and Bonaigarh subdivision of Sundergarh district. Apart from this, I had associated 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 relied heavily on information collected during that period and from the news, media reports and other secondary sources.

I would like to thank the people of Nuagaon and Dhinkia, who are struggling for their survival every day with great courage, and who were open to hosting me several times. 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 Samanatar, Himanshu Patra, Ashwini Mahanta 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

Chapter 1

The Memorandum of Understanding

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 five years, the state government has signed more than 40 MoUs worth Rs.1,60,132 crores with iron and steel companies, both domestic and foreign, mortgaging the 20 billion tonnes of iron ore reserves that it's supposed to be sitting on. (Annexure 1 – List of MoUs). The fourth 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 percent, just before the recent meltdown, had been witnessing a global boom since the beginning of this decade. This was what enticed POSCO to this eastern state to lead the revolution apart from 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 and coal). 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 had not 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, a global mining giant, from Australia jointly approached the Orissa government with a proposal to set up a 10-million tonne per annum (MTPA) 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 land 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>)

Around the same time, the company finalised 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 then 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. In order to understand and scrutinise the exact deal that took place between POSCO and the Orissa government, excerpts of the MoU are reproduced in the Annexure 2.

1.2 What the project is all about

The MoU essentially promises to facilitate the establishment of the project with the following components

- i.** 12 Million Tonne **Steel Plant and Captive Port** at Jagatsingpur district spread over an area of 4004 acres.
- ii.** **Captive Mining facilities for iron ore and coal** in the areas allocated by Government of Orissa/Government of India (the "Mining Project"). Proposal for prospecting the Khandadhar mines (Sundergarh) for iron ore spread over an area of 13000 acres. 600 million tonnes of ore to be sold at Rs.24/- per tonne (Royalty Rate) along with permission

- for swapping of low grade ore by exporting and replacing with imported ore.
- iii. **Infrastructure - road, rail and port infrastructure** (the “Transportation Project”), including the dedicated railway line from the mine-belt to Paradeep;
 - iv. **Integrated township** spread over an area of 2000 acres apart from 25 acres for office at Bhubaneswar.
 - v. **Water supply infrastructure** (the “Water Project”) - 12000 to 15000 crore liters from Jobra barrage river Mahanadi.
 - vi. **Grant of ‘SEZ’ status** for access to subsidies and tax holidays.

The magnitude of the project and the extent to which the state government will be supporting the multinational are clearly reflected in the various clauses that promise expeditious clearances and approvals under various mining, land acquisition and environmental legislations.

The MoU not only had a clause for selling iron ore providing a discount of Rs.2,000 for every 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.

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 recognised as the state with the biggest FDI.

The legal validity of the document has also come under scrutiny. Usha Ramanathan, lawyer and researcher in her critique of the MoU states that, “The undertakings made by the state government prejudice the issues of grant of necessary license, consent orders and permits to the company. These decisions will be made on the basis of the contractual mandate of the MoU. In fact, the grant of such permits has been rendered a fait accompli by this MoU. As such, the MoU stands in contravention to the established principles of administrative law. More problematically, there is a real danger of the state government finding itself bound to the promises made in the MoU, particularly if the company acts upon the promises made therein”. However, the criticism failed to deter the company or the government, which knew it had 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.

1.3 A summary of happenings so far

The company began its operations in India by registering POSCO-India, its Indian arm. The first attempt by the district administration to acquire land in the plant and port site was thwarted by strong local opposition starting early 2006. This was followed by the formation of the POSCO Pratirodh Sangram Samiti (PPSS) based at Dinkia village spearheading the

movement against POSCO. Movements against displacement from across Orissa and the country have shown solidarity with the local struggle.

The company meanwhile engaged in extensive media servicing. 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. This has been the stance of the company despite the following issues - the prospecting license application for the Khandadhar mines after much controversy remains to be granted; the forest clearance for the port and plant stand challenged by environmental activists and have yet to be granted; and most importantly – majority of the local people at the plant and port site refuse to part with their land. With the new legislation on the Forest Rights Act (passed in 2006) the individual and community rights of local communities on forest lands both at the plant site (Jagatsinghpur) and proposed mining area (Sundergarh) stand to be recognised and considered inalienable making forced acquisition open to being challenged legally.

The only consolations for POSCO have been the in-principle approval for an SEZ status given to the project by the Union Ministry of Commerce (MoC), and the Supreme Court directives for timely accordance of clearances for the various components of the project from the state government and Ministry of Environment and Forests.

Despite the issues of conflict in this project the role of the state government has been one of protecting and promoting the company's interest. Short of exercising large scale force and violence as has been done in many other instances in Orissa over the years, the government has used several tactics to break the movement led by PPSS. The most prominent events being the use of local goons supported by the ruling BJD to divide local people, false propaganda and attacks on agitators, like the one on the demonstration on 29th November 2007, following which section 144 was declared in the area restricting mobility of local people. Though in a show of strength on April 1 '08 a massive rally jointly organised by PPSS and movements across Orissa reclaimed the area under siege denouncing section 144, the state and company declared that they had no intention of backing out of the project. Through the arrest of Abhay Sahoo, the leader of PPSS, and some other key activist, the state government reiterated this stance in October 2008.

Chapter 2

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 district of 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.

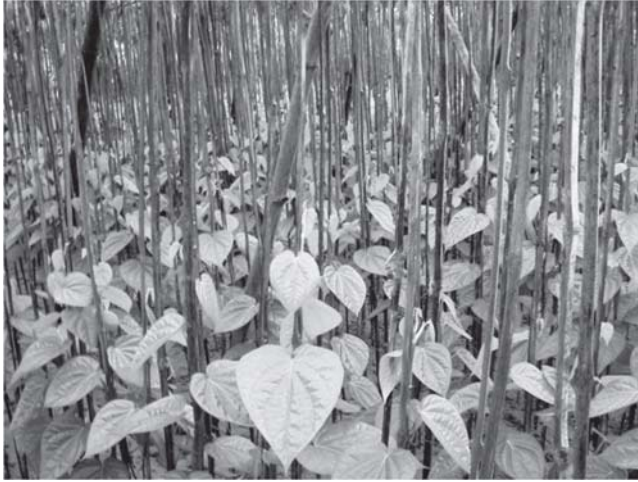
2.1 The plant and port site

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:

- 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 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



Betel Vine Cultivation at Dhinkia, Jagatsinghpur,

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 Rs.15,000-20,000 per acre, which can be recovered within a month. The average annual income is Rs.1 lakh per acre, with another Rs.1 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

Paddy fields at Govindpur



cashew cultivation earns about Rs.20,000 per season. An average cashew bush yields 100kg of nuts a year worth Rs.4,000.

About 50 percent of the families are also engaged in pisciculture, mostly prawns. An acre of farm ponds yields prawns worth Rs.7 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

the area thus: “*Paan, dhan, macch* (betel, 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

is about 20 kg. The hamlet sells around 1.5 quintals of fish every day, the daily earnings per family ranging from Rs.100 to Rs. 5,000. 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 recognised 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 failed to initiate any regularization and settlement of the betel vine lands. This is one of the reasons 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. This reality, however, gets a new dimension with the new legislation on Forest Rights Act passed by the Indian Government in 2006 which recognises community rights over forest lands. (See Box: Encroachers or Right Holders)

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 categorised as '*gramaya jungle*' and trees were planted on it. Over time, some families took up cultivation on this land as well.

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 turtles 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 Jatadhari 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

ENCROACHERS OR RIGHT HOLDERS?

The total land area sanctioned by the state government for the proposed project is 1,620 hectares, of which 1,426 hectares is government land and the rest private land. While the private land in question, pretty tiny in size, is mostly under paddy cultivation, the government land, 87% of which is under the jurisdiction of the forest department, has been under betel vine and cashew cultivation for decades, apart from over 2 lakh casuarina, neem and mango trees and other coastal scrub.

Forest department records show that a break-up of the 1,253 hectares of forest land required for the proposed project is as follows: almost 70 hectares of reserved forest, 1,135 hectares of protected forest, and around 49 hectares of revenue forest. The question then is — has ‘forest land’ been diverted to cultivation, or is it the other way around?

The erstwhile princely states and zamindars had forest rules that recognised various rights and concessions. An account of the local history of Kujang (the proposed project site) suggests that the entire area was once part of the kingdom of the Sandha dynasty; in the post-Mughal era and under British rule the land became part of the Bardhaman Pradhan zamindari. Local communities had been paying taxes to use this land for generations, and cultivation in the area dates back to this time. In the post-Independence period, when the privy purses of the maharajas were abolished, zamindari lands and forests were taken over by the State. In many states, including Orissa, much of this land was transferred to the forest department, and declared either ‘reserved’ or ‘protected’ forest under the Indian Forest Act, 1927 (which is still operational). In Orissa, most protected and reserved forests are either declared as such or ‘deemed’ to be so under the Orissa Forest Act (OFA), 1972.

In most cases, however, the rights of communities occupying this land were neither recognised nor settled. Nor have the reserved forests and protected forests been properly surveyed. In the absence of settlement, lands under cultivation or other domestic use were transferred to the state forest or revenue department. In many cases they are under the control of both departments, leading to conflict and confusion between the two. The same has been the case for lands in Kujang tehsil.

In the absence of regularisation of their legal titles on such lands, these “illegal occupants” and “encroachers” have been consistently and systematically displaced and evicted in the name of development and conservation projects, mostly without any rights to rehabilitation.

This historical injustice, after a long country-wide struggle, has now been adequately recognised with the enforcement of a legislation entitled the Scheduled Tribes and Other Forest-Dwellers Recognition of Forest Rights Act (FRA), in 2006. Apart from providing individual rights, the Act also makes place for community rights over everyday use of forests. The most important provisions that communities (residing on or using forest lands) under threat of displacement could benefit from are under sub-section 4 and 5 in Section 4 of the Act which state that rights granted under the Act will be heritable but inalienable, and that beneficiaries of the Act cannot be evicted or removed until recognition of the rights process is complete.

Yet, the state government of Orissa is far from initiating the forest rights settlement process in places like Kujang. Instead, it has used coercive methods to facilitate the acquisition of land for corporate giants like POSCO. Environmental clearance for the project has been granted and, in all likelihood, forest clearance will soon be given, notwithstanding the fact that the Forest Rights Act is applicable on this land.

(Source - Yesterday's 'encroachers' are today's rights-holders by Manshi Asher, InfoChange News & Features, April 2008)

by building a port, the area will get waterlogged, so we think the port is a completely illogical idea,” says Abhay Sahoo, a local leader of the Communist Party of India (CPI) who is at the helm of the anti-POSCO movement in Jagatsinghpur.



Fishermen at Jatadhari Estuary

It is astonishing that the rural way of life and economy still thrive here despite heavy industrial activity in the vicinity. The affected Panchayats are barely 10 km from Paradeep port where several

industrial units have come up over the past few decades. “We have seen the coming up of Paradeep port, PPL, Oswal, IOCL -- people have only lost their lands and gained almost nothing in return. Besides, do you think companies will hire women like her,” says Suru Anna pointing to a woman packing betel leaves back at the village.

The other major impact of the captive port will be on the existing Public Sector Paradeep Port. After the Ministry of Shipping made some noise on the probable impact of the shipping traffic and new construction on the existing Port the Central Water and Power Research Station (CWPRS) had been apparently asked to do an impact study of POSCO's captive port on adjacent areas. However, when the officials of CWPRS were asked about this, they denied having conducted any such study.

Further, the drawing of millions of litres of water from the Mahanadi river is expected to affect the irrigation and drinking water requirements of five districts, apart from Cuttack city. While POSCO has promised the creation of 45,000 jobs, directly or indirectly, through its activities in the region, those opposed to the project calculate that the steel plant, port and mines put together will affect many lakhs of people.

2.2 The mining area

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

The Khandadhar Hill Range, little known to people outside Orissa, where it is located, is a part of the Eastern Ghats and extends from a place called Suakanthi in Keonjhar district to Bonai in Sundergarh district. The range is more popular, especially amongst the state's tourists, for its two enormous waterfalls, one on the Keonjhar side in Bansapal and the other, more taller

one, almost 244 metres, in Lohanipada block, Bonai tehsil of Sundergarh district. Emerging from a perennial stream, Karapani Nala, the waterfall on the Sundergarh sides feeds into the Brahmini river less than 5 kilometres away. It is a steep, rough but brief ascent from the forest at the base of the hill to the most accessible spot where the mighty Khandadhar waterfall greets you with its gushing yet calming sounds. The *Saal* (*Shorea Robusta*) forests do a good job of providing cover to the rock face along which the waters of the Karapani descend like silver tresses.

Fearing the wrath of goddess Kanteshwari who, it is believed, resides in a cave in the Khandadhar forest, the *Paudi Bhuiyans*, a primitive tribal community, who inhabit the forests in this region worship the Khandadhar waters and forests with reverence.

Collection of non-timber forest produce, apart from agriculture, is the main source of self sustenance. Cultivation of paddy and *Mandiya*, *Kulath*, *Gangai*, *Rumha* (all indigenous lentils and millets) is common. The *Paudi Bhuiyas* traditionally practiced shifting agriculture locally referred to as *Podu*. This is done in a two year cycle in specifically demarcated areas (small hillocks around the village) decided upon collectively. Over the years many of them have been given legal titles to fixed land plots but villages closer to the base of the Khandadhar hills still practice *Podu*.

Unfortunately for the Bhuiyans, Khandadhar hills are repositories of good quality iron ore deposit with 69 percent iron content, being eyed by many of iron and steel producers till recently when the State government announced that it is likely to clear the prospective mining license to POSCO for mining 600 million tones of iron ore.

“Eight Gram Panchayats of the Lunipada block with more than 50 villages within a 10km radius of Khandadhar will be directly and indirectly affected by the mining activity that POSCO proposes to carry out in an area of 6,000 hectares. These panchayats include – Talbahali, Kuliphose, Phuljar, Haldikudai, Saskekla, Bhotuda, Khutenga and Kouida”, informs Ashwin Mahanta, a resident from the area who has been working on forest conservation and protection with the adivasis for the last 10 years.

Kishore Chandra Giri from Phuljar, one of the twelve Panchayats to be affected, is quick to react to any question about the project. “The Orissa Mining Corporation has its mines 8 kilometres from our village. They have brought us only trouble. They have ruined the agricultural lands around the mines by dumping wastes on the land and in the streams and our bamboo groves are completely destroyed” he laments. But what bothers him more is the plight of his fellow villagers. 20 of them working on the mines, all of them are today suffering respiratory disorders. “There is no one to hold to account as the contractors keep changing”, he adds. So the local communities are not completely unaware of what the POSCO project many times larger than the OMC mines is likely to bring with it.

The communities around Upper Khandadhar hills where the Koida mines are being operated

by private companies are facing similar problems. Not far away from the Lohnipada, where the 12 Panchayats to be affected by POSCO are located, is the Bonai block where the highly polluting Sponge iron factories are spewing poisonous gases into the air. If looked at aerially, the Lohnipada section of Khandadhar is the only region that has been spared of factories and mines till now. The POSCO project is going to alter this permanently.

Vasundhara, an NGO based in Bhubaneswar is conducting a Comprehensive Biodiversity Study of the Eastern Ghats. "The GIS survey done in a 10 km radius of the Khandadhar hills as a part of this study indicates that in an area spread over more than 30,000 hectares, more than 65 percent are under dense and open forests. Agricultural land is spread over 10,000 hectares forming about 32 percent while about 412 hectares in under habitations/settlements" adds a member of the organisation. More than 26 streams from the Khandadhar hills flow into the Brahmini river and hence the range forms a critical watershed in the region.

While the social and environmental costs of this project if accounted for would render it completely unfeasible for the state, several analysts have raised questions regarding the very economic sense of the plan, specifically the mines. "POSCO has been promised a flat rate of royalty at Rs. 27/tonne of iron ore to the Government of Orissa. This results in less than Rs.1620 crores to Government of Orissa over time of the contract of 600 Million Tonnes." Till early this year the global market rate of iron ore was over USD100/tonne. Now with the recession the iron ore prices have taken a beating. Going by the earlier rates, for 600 million tonnes of iron ore (that POSCO would mine) the price would amount to Rs. 240,000 crores. "We suddenly realised that POSCO has effectively been given this ore free. Accounting for mining costs and the total investment package (less than 10% of the costs) the people and the state of Orissa are getting less than 1 percent of open market price of iron ore" say economists Sanat Mohanty and Sandip Dasverma in their analysis.

Chapter 3

Grassroots protests and politics

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 organisation 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 PKSS 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.

Till last year three separate groups were opposing the plant. The most prominent of them has been the POSCO Pratirodh Sangarsh Samiti (PPSS), led by Abhay Sahoo of the Communist Party of India (CPI), with a stronghold in Dhinkia Panchayat, with most households there opposing the project. The other group with a political affiliation was Bhita Mati Bachao Andolan, dominated by the Congress which has been more or less inactive. 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 used to be active around Nuagaon Panchayat.

The groups, though united in opposition, differed on some basic issues. Rashtriya Seva Dal (RSD) activists felt that the CPI, which dominates the PPSS, is politicising the issue and were not comfortable with political parties dominating the anti-POSCO struggle. 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.”

However, 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 (MP). 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 BJD and was State Minister for Panchayati Raj, the CPI also has strongholds in some pockets. Abhay Sahoo, state secretary of the party, was sent to the area in July 2005 to lead the anti-POSCO movement and mobilise the party cadres. Over time people developed a faith in the consistent and focused leadership provided by him to the anti-POSCO movement.

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

- Picketing POSCO's local office.
- Holding rallies and demonstrations.
- Gherao and detention of government and company officials entering the area
- 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, where women and children keep a 24 hour vigil, have restricted the movement of local officials and POSCO staff at the project site. Initially, PPSS also demanded a political dialogue with the Chief Minister but none of his senior ministers expressed any desire to meet the local representatives or talk with them. The state government has instead responded with backhanded tactics to divide the movement (See Section 3.1)

On the mining site front, in August 2007 the Khandadhar Suraksha Samiti under the leadership of BJP All India Vice President and MP from the area, Mr Jual Oram submitted a Memorandum to the Governor of Orissa demanding that the mining lease to POSCO should not be granted considering the impacts on the local environment and life. The Memorandum states "The Khandadhar Water fall a 245 meters cascading side is not only a place of tourist attraction but a natural flow of irrigation system that caters the needs of six to seven Gram Panchayat located in Lahunipara Block under Bonaigarh Sub-Division of Sundergarh district. Any de-mutation of volume of water from Khandadhar River will affect thousands of families whose vocation is agriculture. There is a proposal of leasing out Khandadhar Hill range to the POSCO for lifting of Iron Ore. Our bitter experience has been that a small mines been operated by OMC in these area has greatly diminished the flow of water. Any large scale excavating and lifting of iron ores will dry up the water fall of Khandadhar."

Subsequently, the MP has been silent on the issue, not surprising considering that the party is in coalition with the ruling BJD who is a staunch supporter of the project. Similarly the CPM

as well as the Congress Party formed their own organisations to oppose the mining lease but did not sustain the momentum. In early January, 2008, an autonomous group, Khandadhar Suraksha Sangram Manch (KSSM) was organised that would be separate from party influences. “The group is yet to gear up mobilisation activities in the area but it is clear that the heads of the villages are not likely to allow the project. We have already driven away POSCO officials from the area when they came to negotiate with us”, says Ashwini.

3.1 Response to the opposition

All through, the state government continued to turn a deaf ear to any questions raised about the project 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 percent of the jobs for Indians. (Annexure 3 – Parliamentary Debate on POSCO)

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 mechanisation, 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 (NAC) of the UPA, under the chairpersonship of a Congress party leader Ms Sonia Gandhi, did raise a few questions and tried to seek clarifications from the Orissa government in 2006 but that seemed more of a passing concern than genuine interest. Today the NAC is a virtually defunct body. Even the Prime Minister issued statements stating that the project is being supported and land acquisition needs to be expedited.

Despite this the key factors that 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 procedural ‘hurdles’ and protests 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, West Bengal 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.
- With the state Legislative Assembly elections around the corner (early 2009), and many of the opposition parties raising issues with the Project, the pressure on the BJD led government intensified further preventing it from taking 'extreme measures' to procure land for POSCO.

While the District Administration condemned the blockading of the area by the communities and also registered several criminal cases against activists in the area from early on, police presence was minimal till April 2007.

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 used overt force till now. This time around it relied on using subtler and covert 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 independent journalist 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 Dinkia, the other two Panchayats saw those opposing the project winning the elections.

In February 2007, however, the heat was turned on, 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: Environmental Clearance Public Hearing)

ENVIRONMENT CLEARANCE PUBLIC HEARING KUJANGA, APRIL 15, 2007

The Environment Clearance Public Hearing for the proposed Posco project was not the first of its kind in Orissa or in the country for that matter. It is officially and widely known that most such hearings are staged merely to complete a procedural formality.

According to Madhumita Ray of Action Aid, who attended the Public Hearing on April 15, “The atmosphere in the public hearing was of intimidation; those supporting the project verbally and physical 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 2006 EIA notification were raised – these were submitted in writing by some NGOs and people from surrounding villages. The proceedings of the public hearing were abruptly wound up, without even allowing some persons to submit their memorandums.

What is really being questioned is the authenticity of the data in the EIA report submitted for the project, since government officials and the people have repeatedly clarified that no survey process of any kind – land, socio-economic or environmental - has been done in the area because of the blockade imposed by opponents of the project. Questions about the authenticity of the hearing itself as most of the local populace boycotted the hearing. (Annexure 4 full critique of the EIA and Public Hearing)



Women at the 1st April Rally from Dhinkia to Balitutha

Since the Environment Clearance to the project was granted soon after the hearing and the applications for the Forest Clearance at the plant and port site were strongly backed by the state, the company remained confident and announced that the ground breaking ceremony would be held at the site on 1st April 2008. The agitations on the grounds intensified in this period but so did efforts to divide the movement.

On its part the company made all attempts to woo the local populace

as well as the media with ‘humanitarian gestures’. It announced a Rs. 500 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 (SIA) to help it in formulating a rehabilitation package for the communities. However, few researchers have been 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 propoganda 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.

“In Dhinkia Panchayat, of the 550 families, 42 decided to back the project. Due to community pressure, they were forced to leave the village. They now live in transit camps provided by the company outside Balitutha.” A few empty houses in Patna are evidence of this. “We will take them back if they are willing to stand in unity with the rest of the village at all costs,” a resident of Dhinkia and active member of PPSS, Suru Nano testified. Families from Nuagoan and Gobindpur also moved to the transit camp set up by POSCO, in the hope of jobs and a good rehabilitation package.

Tension in the area intensified after in October and November 2007. On 21st November, a group of employees of the Hyderabad based Dharitri Company attempted a *puja* to start the dredging work of river Jatadhari claiming that it was a contract job of the oil refinery in Paradeep. The agitating villagers were obviously suspicious and asked the employees to leave the place. But, the chief of the local Mahaveer Peetha (a place owned by fundamentalist Hindu groups) who was supposed to perform the Puja entered into a verbal duel with the agitators which ultimately resulted in a conflict causing injuries to a few people from both sides. Their chief called Raju Baba, a close associate of ruling party MLA, and his henchmen on 23rd November 2007 broke the check gate constructed (to prevent the entry of POSCO and state officials) by the protesting villagers. (Independent Media, Bhubaneswar)

A procession of anti-POSCO villagers marching towards Nolia Sahi to repair the check gate were

Police at the 1st April rally





Khandadhar water fall at the mining site

face of growing resistance, and yet the company announced that the ground breaking ceremony would be held on 1st April 2008 as planned.

1st April, is also celebrated as Orissa Utkal Diwas, and the PPSS decided that they would not allow any ground breaking to happen. A huge rally demonstration was announced with a single agenda – to reclaim the entry point into the area at Balitutha, which had been under siege by the police and local administration. Following this the ground breaking was called off by the company at the last minute. The cancellation, however, failed to deter the 2000 marchers who had gathered under the banner of PPSS who organised a rally with the support of people from other people's movements across the state and party workers from parties like CPI and CPI-ML Democracy.

Although the 1st April 2008 rally in Kujang was a critical milestone in the three-year anti POSCO agitation, the battle seemed far from over. In August 2008 the Supreme Court of India while taking a call on the Forest Clearance recommendations on POSCO's project

Farms at Khandadhar



attacked by an armed gang under the leadership of Raju baba on 25th November 2007. The brutal attack led to many women and agitators getting critically injured. Following this the police barricaded the entire area sending in police platoons to keep vigil and declaring section 144 to restrict public mobility and gatherings. This affected the local movement and was seen as a ploy to dissipate the agitation to facilitate a socio-economic survey by the administration for the project. The survey was never completed, in the

asked the State government to expedite the process to allow the company to go ahead with its plans. But the real blow to the movement came on 12th October 2008 when Abhay Sahoo the leader of PPSS was arrested and put under judicial custody, charged with 25 criminal cases. The PPSS has resolved to continue the agitation as support and solidarity flows in from across Orissa and the country.

The people's movement against

POSCO has received solidarity by declarations of support from several Korean social organisations including the Korean Confederation of Trade Unions (KCTU) and Korean House of International Solidarity (KHIS), on February 19, 2008. In July 2006, POSCO 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. POSCO come under scanner for environmental issues. Recently, Vietnam rejected POSCO's project on the grounds of potential environmental impacts of the planned steel mill in a coastal area. The United Steel Workers (USS-POSCO's steel workers union) in March 2008 also condemned the November 2007 violence in Kujang and appealed to the company through a letter to withdraw the project. (Annexure 5 – Solidarity letters from South Korea)



A Paudi Bhuiyan tribal at Khandadhar

At the national level petitioning, conventions and rallies have been held in solidarity with the movement. After the arrest of Abhay Sahoo and other PPSS activists a solidarity forum called POSCO Pratirodh Solidarity has come together to support the Anti-POSCO campaign with the following demands:

- Withdrawal of all cases against Abhay Sahoo and other PPSS activists.
- Immediate and unconditional release of Abhaya Sahoo and other PPSS activists.
- Immediate withdrawal of police forces which have surrounded the area affecting the day-to-day life of the people.
- Scrapping of the POSCO project, which has been strongly resisted by the local people since it displaces people, violates their land rights, deprives them of their livelihood and destroys natural resources and the ecology of the region.
- Stop repression on people fighting to protect their lands and resources throughout the state.

GREY AREAS IN THE POSCO'S PROJECT STATUS

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 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 2007) 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 2007 (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.

Forest clearance and CEC's recommendations - The setting up of the steel plant and port requires a diversion of 1,253.255 hectares of forest land for non-forest use. There is a mandatory procedure to be followed as per the Forest Conservation Act, 1980. The grant of clearance would mean felling of about 280,000 trees. As per procedure, the proposal was considered by the Forest Advisory Committee (FAC) under the MoEF on 9 August 2007. This committee recommended the grant of forest clearance. However, the grant of clearance also required the project to be scrutinised by the Central Empowered Committee (CEC) of the Supreme Court. In November 2007 the CEC, linking the three components of mining, steel plant and captive port recommended that “instead of piecemeal diversion of forest land for the project, it would be appropriate that the total forest land required for the project including for mining is assessed and a decision for diversion of forest land is taken for the entire forest land after considering the ecological importance of the area, number of trees required to be felled, adequacy and effectiveness of the R&R plan for the project affected persons and benefits accruing to the state.” Apart from this it also recommended that an independent expert committee including representatives of the NGOs should undertake a site visit in order to assess the impact of the deforestation.

Not paying heed to the CEC recommendations in August 2008 the Supreme Court passed an order where they asked the Ministry of Environment and Forests to take “an appropriate decision on the matter”.

Mining lease for the Khandadhar mines spread over 6,200 hectares – In the same instance and case the Apex court directed the Orissa government to dispose of all the POSCO's applications seeking prospecting licenses for the Khandadhar within four weeks. It has been few months since the directive, and while the prospecting license has still to be issued, news reports indicate that it will happen soon.

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 matter went back and forth between the state and central government. But before a decision could be reached the Supreme Court of India had given its decision.

Chapter 4

Growth of mining and mine based industry – An overview

4.1 The trends

The political dynamics that have unfolded in the POSCO story narrated above are not necessarily unique in the history of mine based industrialization in India. The tales of social marginalisation and exclusion, environmental devastation and conflict of interest have dominated the mining scenario of the country from the pre-independence period. The establishment of the Tata Steel Plant in Jamshedpur of erstwhile Bihar in early 1900s met with tribal agitations and workers struggles – both crushed, often using violent means, a trend that continues to date (Jayaraman, N 2006). The most jarring recent example is of the police firing at adivasis opposing Tata Steel's project in Kalinganagar, Orissa in 2006.

Barring a few private capitalists like the Tatas, the post independence mining sector remained was controlled largely by the State. But problems of displacement of indigenous populations or exploitation of mine workers continued to prevail. The establishment and running of NALCO, BALCO, NMDC, Mahanadi Coal fields – all Public Sector undertakings are also ridden with examples of gross human rights violations.

However the most critical differences in the narrative around mining in the privatisation scenario as opposed to the time, between 1950 and 1990 when mines and mine based industries were largely in the Public Sector, can be attributed to:

- massive growth in size and magnitude of the industry itself
- devolution of powers to state governments
- opening up of the market and industry to foreign capital

The world in the past few decades looked upon the growth of industries like steel and aluminum as an indicator of over all economic growth. Since more than 42 percent 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 any country.

As a result one of the key developments in the mineral sector in the wake of economic reforms in India was the 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 percent investment by foreign

companies in mining.

- Opening all non-atomic and non-mining minerals to private investment.
- Increasing the validity period of prospecting licenses and mining leases
- Almost doubling the area under a single license.

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 percent 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.

Simultaneously the new industrial policy of the 90s also opened up the 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 licensing. Imports of foreign technology as well as foreign direct investment were freely permitted up to certain limits under an automatic route.

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). The global steel industry 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!

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. 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.

The government expects this to change significantly with the spate of investments flowing into resource-rich states in eastern India, like Orissa, Jharkhand and Chhattisgarh. 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. According to the Ministry of Steel, 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.

Similarly in iron ore India is the fourth largest producer in the world – its production being around 120 million tonnes per annum (2004). An important development in the iron ore sector was the export policy for raw materials which was formulated under the 2004 Foreign Trade Policy allowing flexibility in export of minerals. In 2004, for instance, iron ore exports touched

78 million tonnes, which was about 50 percent 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.

Owing to the opening up for private and foreign players, 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.

The mining industry in India has grown at more than 10 percent in the post-reforms period (between 1993 and 2003) as the mining sector was opened up for private and foreign investments. In this period 73 FDI mining project proposals have been cleared. Some of the major companies include POSCO, De Beers, BHP Billiton, Mittal and Rio Tinto.

Though not visibly in the forefront, developed countries are increasingly looking towards growth of assets by setting up their production and manufacturing facilities in the global south, 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 global steel market.

4.2 Issues of concern

The fallouts of these trends in the global and national mining industry can be classified into two categories. First the direct socio-economic deprivation and environmental devastation as a result of unregulated growth of the sector. Second the political dynamics emerging from the corporate-state nexus to facilitate this growth either using the law or violating it. The deadly combination of the two has meant a gradual erosion of the different pillars of democracy leading to conflict and severe human rights violations.

Depleting resources

During the last three decades, cumulative exports of iron ore were over 1 billion tonnes of mostly high grade ore. 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 globalising its economy by exploiting its mineral wealth. (<http://economictimes.indiatimes.com/articleshow/726856.cms>). In Orissa alone, which is the leading producer a iron ore, the current steel production of 2 MTPA is expected to rise 56 MTPA in the next five years. This will require 2250 MT of iron ore – an additional 527 MTPA.

The iron and steel industry with its forward and backward linkages is considered to be a resource guzzling one requiring large amounts of land and water apart from the raw materials like iron and coal. As mentioned before, there has been a quantum leap in the scale of mining and size of mine based projects as well. In the last five years alone more than 350 mining leases have been granted covering an area of 39,000 hectares – the largest ever. Of the total area almost 29 percent will be for iron ore mines.

Interestingly a large part of this land is under forests, especially in states like Orissa, Jharkhand, Chhattisgarh and Madhya Pradesh. The ecological losses and the resultant depletion of natural resources like water are not even calculated in the costs of the project.

Since the Forest Conservation Act came about in India in 1980 more than 317 cases of diversions of forests for mines have been seen till 1997. From 1998 to 2005, more than 881 mining projects led to diversion of forestlands over thousands of hectares. More than one lakh hectares of forest has been diverted for non-forest uses in the three mineral rich states of Orissa, Jharkhand and Chhattisgarh alone. This is almost 11 percent of the total forest area diverted in the entire country since 1980. Most of this is for mining and related industrial and development purposes.

Exploitation of the natural resources for the industry is only one dimension of the environmental degradation problem – the other, more stark, visually and in terms of its impacts, is the problem of the irreversible damage to the air and water as a result of pollution by mining activities that makes lives of those in and around mining areas impossible.

Livelihoods lost versus employment gained

The loss of forest lands translates directly to losses in livelihoods, especially of adivasi communities, who depend on the forest regions for their day to day survival. The POSCO case has illustrated that amply. The statistics indicate that between 1950 and 1995 alone almost 25 lakh people have been displaced by mining activities in India. This may not include those displaced by factories and plants to process the ores. Further, it is after 1995 that the scale of mining and mine based projects has intensified and hence the figure though not available would probably be much larger for this period. Additionally of the 25 lakh displaced persons more than 50 percent have been adivasis – of whom not even one fourth have been resettled (Fernandes.W et al, 1997).

This displacement is justified with two logics – one, that the industry will create more

employment and two, for the indigenous communities this would provide an opportunity to integrate with the mainstream. Unfortunately both the arguments have provably failed. Statistics show a decline in the number of persons employed with mining industries by 30 percent in the period between 1991 and 2004 – when the sector is growing at a 10 percent rate. Even on the manufacturing side a global trend in the steel industry is reductions in the workforce of the producers with the emergence of new steel-making technologies. POSCO in South Korea employs 10,000 people to produce 28 million tonnes of steel. Apparently, the thumb rule that can be applied to the direct employment potential of the steel industry is 1,000 per million tonnes. (http://en.wikipedia.org/wiki/Global_steel_industry_trends/Material_for_development_and_war).

The volatility in the global steel market makes the employment scene even more unreliable. The recent economic crisis and financial melt down has seriously affected the demand for steel and big producers are cutting down production by 15 to 20 percent leading to large retrenchments.

Besides, these arguments are more for the direct employment – in India most of the labour being employed is contract and casual labour and hence the job-guarantees are anyway absent. The New National Mineral Policy of 2008, makes a strong push for more mechanised, less labour-intensive mining, where the industry will largely depend on “skilled” labour with a high level of technical competence. (Sinha Saha, S. 2008)

As far as the ‘mainstreaming of the indigenous populations’ argument is concerned, it holds almost little validity in a country which has had a long history of tribal exploitation. The fact that uprisings and popular movements in the mining belt have seen an upsurge in the last few years is a comment on what the communities feel about the expropriation of their resources in the name of their development.

Revenue and fiscal loss

The other major attraction for the private and foreign investors apart from cheap labour is the favourable fiscal regime. By keeping the royalty rates and taxes on mining and related industries low compared to other countries, India has tried to be a favoured destination for investment. For instance, the iron ore royalty in India is a measly Rs. 27/tonne for good grade iron ore and as low as Rs.8 for low grades. The global rate of iron ore in 2008 was as high as Rs. 1500/tonne.

Even the tax and excise duties for these companies are 44 percent lower than China and Latin America, the other mineral producing states. If one looks at the contribution of mining to the Gross Domestic Product in leading mineral producing states like Orissa, it is around 6 to 6.6 percent. In comparison that of agriculture is close to 33 percent. Despite this it is the mining sector that is on the State’s priority list and all attempts at increasing the tax rates for miners are being resisted by the strong mining lobby.

Apart from states providing exemptions from certain taxes and subsidised electricity and water, the new Special Economic Zone (SEZ) Policy and legislation at the central level provides additional tax holidays. More than the tax holidays the provisions of the SEZ policy provide flexibility in environment and labour laws.

Projects like POSCO may not have made much headway in land acquisition because of local protests but have managed to get the approval of the Ministry of Commerce (MoC) for Special Economic Zone status. The central government is predicted to lose Rs89,000 crores and the state of Orissa an additional Rs 22000 crores in revenue over the next 30 years as a result of the SEZ tax sops to POSCO alone.

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 – the most crucial being that of grabbing of prime agricultural land for the purpose of real estate projects at great losses to the land losers as well as the state's exchequer.

Deregulation and devolution

At the Indian Steel Conclave organised by FICCI in 2008, the Union Minister of Steel said that there are many problems being faced by the Steel industry in India because of its highly capital intensive nature. Many of the Greenfield projects are behind schedule by 2 years as a result. "Land Acquisition and forest clearances are the two major bottlenecks being faced by most of the greenfield steel projects. There is also the issue of delay in iron ore mining lease to major steel producers", he said. (<http://www.galatime.com/2008/11/08/steel-production-price-cuts/>)

This statement provides an insight into how the government views social and environmental regulations as bottlenecks and has over the past decade made all initiatives to dilute the already weak environmental and social justice related governance mechanisms to facilitate the growth of the mining industry. Common sense would suggest that a rapidly growing sector would require strengthening of protective mechanisms for the people and their environment. Unfortunately, the case in India has been the opposite.

The Anwar-ul-Huda committee set up by the Planning Commission last year made recommendations for the New National Mineral Policy, which have been severely criticised. Some of the problematic recommendations of the Committee include:

- Increasing the duration of mining licenses and increasing the area limit for prospecting from 25 to 50sq.km and for reconnaissance permits to 500sq.km.
- Making grants for mining licenses, prospecting licenses 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 license 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 renewal mining leases.

The line being taken is of further decentralisation and deregulation of all regulatory mechanisms and regimes to ensure easy and speedy clearance of mining projects in complete absence of accountability mechanisms. The new Policy is likely to be followed with a series of amendments in the MMDR Act 1957, the only piece of legislation governing mining companies in India. The new Policy clearly aims at providing a ground where these violations can appear legal and permissible with support of the state and central government.

Similarly the state governments are coming up with their own policies for ensuring deregulation. The government of Orissa notified its new Industrial Policy in March 2007. In order to attract investors, the Policy created a framework of governance structures at the district and state level with the sole purpose of speedy and easy establishment of industrial projects.

Prevailing lawlessness

Neither the judiciary nor any organs of the State have been able to ensure the implementation of the most critical legislations like the Panchayat Extension to Scheduled Areas (PESA) Act 1996 and the Samata judgment, both of which protect the interests of adivasi communities. While PESA makes essential the consent of the Gram Sabha of the village to be affected by a project in Schedule V (adivasi dominated) areas; the Samata ruling, in the context of mining, held that any transfer of land (immovable property) from an adivasi to a non-adivasi person was null and void.

The archaic and draconian Land Acquisition Act 1894 continues to acquire private lands forcibly in the name of public purpose even for private mining activities. In the absence of any positive amendment to the Land Acquisition legislation and introduction of a Central law on rehabilitation there is virtually no protection for those who lose their lands and livelihoods. The recently passed Forest Rights Act 2006 may come to the rescue of forest dwelling communities affected by expropriation of land and forest resources but the implementation of the Act has been slow and ridden with problems.

Infact, the only legal and functional mechanism by which public opinion is sought on industrial and mining projects is the 'Environment Clearance Public Hearing', which has been reduced to a stage managed charade by the main protagonists - company henchmen and corrupt officials of the local administration and the Pollution Control Board. Experiences of public hearings of mining related projects across the country have shown how each time the "public" has been kept out of the hearing violating critical provisions of the Environment Impact Assessment Notification, which itself is facing threat of further dilution under pressure from industrial lobby and the Prime Minister's Office.

Despite the efforts of the government officials and project proponents to scuttle the hearing process, communities across the country have used the forum to express their sentiments related to the project. But even in the few cases where public opinion has been reflected in the reports of the hearing, when the project comes up at the Ministry of Environment level for clearance, the same is granted despite the clear environmental and social implications of the project.

Violence and corruption

According to Rich Lands, Poor People: Is 'Sustainable' Mining Possible? (State of India's Environment: 6th Citizens' Report) published by the Centre for Science and Environment in 2007, all the mineral rich districts of the state of Orissa are in the list of the 150 most backward districts of the country. This is telling of the state of development in relation to mining. A comparison of mineral production and per capita domestic product figures demonstrates that there exists an inverse relation between mining and economic growth. This trend is amply evident in the three mineral-rich states of Orissa, Chhattisgarh and Jharkhand.

The report further goes on to point out that most of the mineral-rich regions are also affected by the Naxalite movement. What could be better evidence of the unrest than the recent 'Salwa Judum' campaign in the tribal state of Chhattisgarh. A civil war of sorts raged in Bastar region of the state in the past three years. With assistance from the ruling BJP as well as the Congress Party in opposition, the local administration has pitted the adivasi population of the area against the naxals in what they have termed as a peace campaign called Salwa Judum. The resulting conflict situation has led to displacement of more than 80,000 people from their homes into refugee camps or migration to neighbouring states. "The aim of this war is not just to exterminate Maoists, but also to implement industrialisation plans that have faced sustained opposition from tribal society" claims journalist Alok Putul, drawing linkages between the pushing through of the Essar and Tata steel projects in the face of local opposition and the unleashing of conflict and chaos within adivasi communities via Salwa Judum. ('No Man's Land', Caterpillar and the Mahua Flower, 2007)

The POSCO case is just one illustration, amongst many, in this large country, of how governance and administrative structures, from the lowest units to the highest bodies, in the state and central government are being influenced and made to serve the interests of private corporations by corrupt governments, dispossessing communities of their resources, livelihoods and environmental rights.

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For further information about the Anti-POSCO movement please visit
www.stoPOSCO.wordpress.com

ANNEXURE 1:**List of steel projects in Orissa****LIST OF STEEL PLANT PROJECTS FOR WHICH MoUs HAVE BEEN SIGNED BY THE STATE GOVERNMENT (AS ON NOVEMBER 03, 2005)**

Sl. No	Name of the Company	Location	Capacity in MTPA	Investment Rs. in crore	Date of signing of MoU
1	M/s Bhushan Group of Companies	Lapanga, Sambalpur	Phase-I- 1.2 Phase-II- 1.6	1650 1850	15.05.2002
2	M/s Aarti Steels Ltd	Ghantikhal, Athagarh, Cuttack	Phase-I- 0.5 Phase-II- 0.5	512 374	01.10.2003
3	M/s Neepaz Metalicks (P) Ltd	Chadrihariharpur, Rourkela, Sundargarh	Phase-I- 0.26 Phase-II- 0.15	202.5 197.5	01.10.2003
4	M/s Scaw Industries (P) Ltd	Gundichapada, Dhenkanal	Phase-I- 0.25 Phase-II- 0.55	310 514	01.10.2003
5	M/s Deo Mines & Mineral (P) Ltd	Bonai, Sundargarh	0.325	316	01.10.2003
6	M/s Visa Industries Ltd	Jhakhapura, Duburi, Jajpur	0.35	345.78	26.12.2003
7	M/s SMC Power Generation Ltd	Hirma, Jharsuguda	Phase-I- 0.25 Phase-II- 0.15	141 314	26.12.2003
8	M/s Shyam DRI Power Ltd	Pandoli, Rengali, Sambalpur	0.27	224.71	09.02.2004
9	M/s Sun-Flag Special Steels Ltd.	Bomlai, Sambalpur	Phase-I- 0.35 Phase-II- 0.65	348.74 588.45	26.08.2004
10	M/s Orissa Sponge Iron Ltd.	Gurla, Govindpur, Sambalpur	Phase-I- 0.35 Phase-II- 0.6	395 642	26.08.2004
11	M/s SPS Sponge Iron Ltd.	Badmal Growth Centre, Jharsuguda	0.29	210	26.08.2004
12	M/s Maharashtra Seamless Ltd.	Kalinganagar Industrial Complex, Duburi, Jajpur	Phase-I- 0.3 Phase-II- 0.18	245 205	26.08.2004
13	M/s OCL India Ltd.	Rajgangpur, Sundargarh	0.25	204.21	27.11.2004
14	M/s AML Steel & Power Ltd.	Kalinganagar Industrial Complex, Duburi, Jajpur	0.275	208.67	27.11.2004

15	M/s Maheswary Ispat (P)Ltd.	Rampei, Khuntuni, Cuttack		0.25	210.00	27.11.2004
16	M/s Monnet Ispat Ltd.	Mangalpur, Dhenkanal		0.25	281.09	27.11.2004
17	M/s Aryan Ispat & power (P)Ltd.	Bomlai, Rengali, Sambalpur		0.30	393.14	27.11.2004
18	M/s Maithan Ispat Ltd.	Kalinganagar Industrial Complex, Duburi		0.27	335.25	27.11.2004
19	M/s Sree Metaliks Ltd.	Loidapada, Barbil, Keonjhar		0.25	190.44	27.11.2004
20	M/s MSP Metalicks (P)Ltd.	Marakuta, Jharsuguda		0.26	260.59	27.11.2004
21	M/s Action Ispat & Power (P)Ltd	Pandiripathar & Marakuta, Jharsuguda		0.25	270.00	27.11.2004
22	Agrim Steel Industries Ltd.	Marakuta, Jharsuguda		0.36	501.73	27.11.2004
23	Tube Investment India Ltd	Kalinga Nagar Industrial Complex, Jajpur	Phase-I Phase-II-	1.2 1.8	3480.00	21.04.2005
24	Patnaik Steel & Alloys Ltd	Purunapani, Joda, Keonjhar		0.27	337.42	04.05.2005
25	M/s Rathi Udyog Ltd.	Potapally-Sikridi, Sambalpur		0.30	272.85	04.05.2005
26	Viraj Steel & Energy Ltd	Gurupali, Pandaloi, Sambalpur		0.30	207.00	04.05.2005
27	Deepak Steels & Power Ltd.	Topodih, Barbil, Keonjhar		0.25	195.31	04.05.2005
28	M/s Konark Ispat Ltd.	Hirma, Jharsuguda		0.25	196.50	04.05.2005
29	Beekay Steel & Power Ltd	Uliburu, Barbil, Keonjhar		0.28	319.80	04.05.2005
30	BRG Iron & Steel Co. (P) Ltd	Khurunti, Dhenkanal		0.25	228.05	04.05.2005
31	M/s Jain Sponge (P) Ltd	Durlaga, Jharsuguda		0.30	251.77	04.05.2005
32	M/s Jindal Stainless Ltd.	Duburi, Jajpur	Phase-I- Phase-II-	0.8 0.8	1,612.00 5,016.00	09.06.2005

33	M/s Rungta Mines Ltd.	Kamando, near Koira, Sundargarh and Jharaband, Dhenkanal (1 MTPA each)		2.00	2275.00	3.11.2005
34	Stats Steel India (P) Ltd.	Tangi, Cuttack		0.5	855.00	3.11.2005
35	M/s Brand Alloys Ltd.	Palaspanga, Keonjhar		0.27	307.54	3.11.2005
36	Eastern Steels & Power . Ltd	Lahandabud, Jharsuguda		0.25	254.00	3.11.2005
37	Jai Balaji Jyoti Steels Ltd.	Tanisar, near Lathikata, Sundargarh		0.33	321.14	3.11.2005
			(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)**

Sl. No	Name of the Company	Location	Capacity in MTPA	Investment Rs. in crore	Date of signing of MoU	
1	M/s TATA Iron & Steel Co. Ltd	Kalinganagar Industrial Complex, Duburi, Jajpur	1st - Module 2nd - Module	3.00 3.00	10,400 5,000	17.11.2004
2	M/s Sterlite Iron and Steel Company Ltd.	Palasponga, Keonjhar	Phase-I- Phase-II-	3.4 1.7	9782 2720	15.10.2004
3	M/s Hy-Grade Pellets Ltd. (ESSAR Group)	Paradeep		4.00	10,721	21.04.2005
4	M/s POSCO India Project (P) Ltd.	Paradeep		12.00	51,000	22.06.2005
5	Jindal Steel & Power Ltd.	Benefication Plant at Deojhar, Keonjhar & Steel Plant, Angul		6.00	13,135.02	3.11.2005
6	Bhushan Steel & Strips Ltd.	Meramundali, Dhenkanal		3.00	5,828.15	3.11.2005
			(B)	36.10	108586.17	
		Total	(A+B)	58.04	137,156	
		C.		12.35	22,975.85	
		Gr. Total (A+B+C)	70		160,132	

Source – Orissa government official website (www.orissagov.nic.in)

ANNEXURE 2:**MoU between GoO and M/s POSCO**

This Memorandum of Understanding (MoU) is made on the Wednesday day of June 22, 2005, between the Government of Orissa on the one part and M/s POSCO on the other part.

1. M/s POSCO having its registered office at 1 Koidong-Dong, Nam-Ku, Pohang-City, Kyungsanbuk Province, Republic of Korea, (hereinafter referred to as POSCO, which expression shall, unless repugnant to the context or meaning thereof, include its successors, executors, administrators, representatives and permitted assignees), is proposing to set up an Integrated Steel Plant of a total capacity of 12 million tonnes per annum in the State of Orissa at Paradeep, in Jagatsinghpur district.
2. The Government of Orissa, desirous of utilising its natural resources and rapidly industrializing the State, so as to bring prosperity and wellbeing to its people, has been making determined efforts to establish new industries in different locations. In this context, the Government of Orissa have been seeking to identify suitable promoters to establish new Integrated Steel Plants in view of the rich iron ore and coal deposits in the State.
3. POSCO will establish an Indian company (hereinafter referred to as the "Company") through their relevant subsidiaries, related companies or third parties nominated by POSCO to invest in the State of Orissa in :
 - (A) steel manufacturing;
 - (B) infrastructure necessary for the Integrated Steel Plant and related Projects; and
 - (C) related mining of iron ore and other ores.
4. (1) The Company is desirous of developing and operating the following facilities on the basis described in this MoU in the State of Orissa with proposed investment of around US\$ 12 billion or Rs.51,000 crores (approximately). The details of the facilities are given in the table below
- (2) 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;
 - iii. integrated township; and
 - iv. water supply infrastructure (the "Water Project").
- (3) 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.
- (4) To achieve the foregoing purposes, the Government of Orissa and the Company agree to be "Partners in Development" and have, therefore, come together to record their intentions through this MoU.

Project	Phase No.	Capacity in MTPA	Project Details	Project cost in Rs. Crore (Approx.)	Time Schedule	Finished products
Steel Plant with / BF, along with other facilities like Lime Calcining Plant, Oxygen Plant, Captive Power Plant, Steel Melt Shop with Converters, Casters, Rolling Mills etc. (collectively, the "Steel Project") & Minor Port	Phase-1	6 (in two modules of 3 MT each)	<u>1st Module</u> Crude Steel – 3 MTPA Finished Steel – 2.82MTPA	10,100	To be commissioned by July 2010 or 36 months from the date of (i) taking title to and possession of land. (ii) registration of the executed prospecting licence, whichever is later	Slabs (3MT)
			<u>2nd Module</u> Crude steel – 3MTPA Finished Steel – 2.82MTPA	11,800	To be commissioned by July 2012 or 24 months from Commissioning of Phase - I, Module-I, whichever is later	Hot rolled Coil (4.5MT), Plate (1.5MT) etc.*
	Phase-2	6 (in two modules of 3 MT each)	<u>1st Module</u> Crude Steel - 3MTPA Finished Steel – 2.82MTPA	9,500	To be commissioned by July 2014 or 24 months from commissioning of Phase - I, Module – 2, whichever is later	Slabs (3MT)
			<u>2nd Module</u> Crude steel – 3MTPA Finished Steel – 2.82MTPA	12,000	To be commissioned by July 2016 or 24 months from commissioning of Phase - 2, Module - 1.	Hot Rolled Coil (4.5MT), Plate, Cold rolled coil (1.5MT) etc.**

Note: Detailed time schedule for the commissioning of each phase will be determined pursuant to Clause 18.

* Cumulative of Phase-1;

** Cumulative of Phase-2.

5. LAND :

- (i) 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.
- (ii) 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.
- (iii) 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.

- (iv) 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.
- (v) 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.
- (vi) The Company shall pay to the relevant authority (ies) the cost of such land. For private land, the Company shall pay the cost as determined under the provisions of the Land Acquisition Act and incidental charges as mutually agreed upon. For Government land, the Company shall pay as per the rates determined by the prevailing Industrial Policy Resolution on this date. For forest land, the Company shall pay the rates determined under the applicable Rules.
- (vii) 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.
- (viii) For rehabilitation of displaced families, Rehabilitation and Resettlement Package would be implemented as per prevailing guidelines and practices.

6. 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 62percent, to meet the requirements of the proposed Steel Project of 12 million tonnes per annum. The Company may swap certain quantities (not exceeding 30percent 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 . Any export of iron ore by way of swap will be allowed only after an equivalent quantity of ore has been imported for the plant. The extent of the above quantity of iron ore by way of replacement for equal quantity of import of higher grade iron ore, will be within the framework of the Export-Import Policy of the Government of India applicable from time to time. It is clarified that no export of iron ore will be allowed from the captive mine except by way of full replacement through import of equal quantity of high grade ore and within the limits mentioned above.

- (iii) The Government of Orissa agrees to grant prospecting licenses 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. For this purpose, the Government of Orissa shall recommend to the Central Government and use its best efforts to obtain the Central Government's approval within the minimum possible time for the grant of prospecting licenses and the captive mining leases for the iron ore mines.
- (iv) The Government of Orissa will recommend grant of the Prospecting Licences only after the following milestones have been achieved :
 - a) Formation of the Indian Company referred to in Clause - 3 has been done;
 - b) Feasibility study has been started and a Detailed Project Report has been commissioned (July - November, 05);
 - c) Additional Soil test and site survey has been started ;
 - d) Preparation of Port Development Plan has been commissioned (July,05 – January,06);
 - e) Preparation of Industrial Water Development Plan has been commissioned (July, 05 – January,06);
 - f) Preparation of Township Master Plan has been commissioned (August,05 – March 06);
 - g) Preparation of Environment Impact Assessment Study has been commissioned (July,05 – January,06);
 - h) Requisition has been submitted to the Orissa Industrial Infrastructure Development Corporation (IDCO) for acquisition of land for the steel plant as well as the port;
 - i) The Indian Company is provided with paid up equity to the tune of at least US\$ 50 million to enable it to undertake all the preparatory work required for setting up the plant.
- (v) 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.
- (vi) Prior to recommending the case of the Company for Mining Lease, the State Government will ensure that the following milestones have been achieved :
 - a) The Company has submitted the Detailed Project Report;
 - b) The Company has submitted the Port Development Plan ;
 - c) The Company has submitted the Industrial Water Development Plan ;
 - d) The Company has submitted the Township Master Plan ;

- e) The Company has ensured that application for Environment Impact Assessment Study has been submitted to the Government of India ;
 - f) The Company has filed necessary requisition for land for different components of the project with IDCO and has deposited necessary funds;
 - g) The Company has submitted the rehabilitation and re-settlement package for the oustees to the competent authority and received the approval of Government of Orissa;
 - h) The Company has submitted the proposal with requisite details for diversion of forest land which the Government of Orissa will recommend to the Government of India;
 - i) The Company has applied for Coastal Regulation Zone (CRZ) clearance.
- (vii) The Indian Company is provided with paid up equity to the tune of at least US\$ 200 million to enable it to undertake adequate investment connected with the setting up of the plant.
- (vii) Recommendation for the mining lease will be made in two phases, commensurate with the first two modules and the last two modules of 3 million tonnes each. The recommendation will, however, be subject to suitable adjustment of mining blocks. State Government will take a decision pertaining to the first phase after the following milestones have been achieved for the first phase of 6 million tonnes :
- a) Award of 50percent of orders for civil and structural contracts in terms of value.
 - b) Placement of 20percent of firm orders for machinery in terms of value.
- (viii) State Government will make recommendation pertaining to the second phase after
- a) Commissioning of the first module of 3 million tonnes of the first phase has been achieved ;
 - b) Award of 50percent of orders for civil and structural contracts in terms of value for the second phase of 6 million tonnes ;
 - c) Placement of 20percent of firm orders for machinery in terms of value for the second phase of 6 million tonnes.
- (ix) The State Government agrees to assist the Company in making a firm arrangement with the Orissa Mining Corporation (OMC) along with other private iron ore lessees in the State, to meet a substantial portion of the requirement of iron ore of suitable grade for initial period of steel making under mutually agreeable terms and conditions, if required by the Company.
- (x) All iron ore Mining Leases and Prospecting Licenses shall be clean and free of any encumbrances.
- (xi) Before the grant of mining lease, the Company would submit a detailed progress report of all components of the project with reference to the agreed implementation schedule (referred to Clause 18 (ii) hereinafter). The mining lease would be granted subject to the satisfaction of the Government of Orissa that adequate progress has been achieved in all critical parameters.
- (xii) 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.
- (xiii) 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.

- (xiv) 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.
- (xv) Govt. 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. Any such trading arrangement shall fall entirely within the domain of the Government of India and will be regulated by the prevailing Export – Import Policy of the Country. No mine-able reserves can be provided by Government of Orissa purely for the purpose of direct exports beyond what has been indicated for value addition in the steel plant of the Company in Orissa in the preceding paragraphs. However, Government of Orissa will assist POSCO in establishing suitable contacts and interfaces with Government of India for this purpose.

- (xvi) **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.
- (xvii) **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.

7. WATER :

- (i) 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.
- (ii) The Company shall prepare and inform the Government of Orissa within a short period of time, the water requirement for each phase and the total water requirement for each component. The Government of Orissa will facilitate meeting these water requirements.
- (iii) The Government of Orissa will permit implementation of a suitable water supply scheme prepared jointly by the Company and the Department of Water Resources, Government of Orissa. 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.
- (iv) The Government of Orissa will facilitate the process of obtaining various approvals expeditiously for the Company.

8. DRAINAGE AND SEWERAGE :

- (i) The Government of Orissa shall assist the Company to provide adequate drainage and sewerage off-take facilities for each component project during both the construction and operation stages prior to commencement of construction after following all prescribed

procedures and obtaining required approvals.

- (ii) The Government of Orissa shall facilitate grant of all necessary approvals for provision of such facilities and the discharge of drainage and sewerage into such facilities.

9. POWER :

- (i) 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. During the operation phase, the Government of Orissa will make best efforts to meet the power requirement of all components of the project including each of its components.

The details of the requirement of power during the construction phase of the Overall Project including each of its components and year-wise requirement thereafter for the operation of the project, will be prepared by the Company and the Government of Orissa or agency designated by it and will be duly informed in good time.

- (ii) 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.

10. CAPTIVE POWER PLANT :

- (i) 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.
- (ii) 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.
- (iii) The Government of Orissa will facilitate the establishment of fuel linkages, if any, for the CPP.
- (iv) The Company will offer to sell any surplus power to GRIDCO or to any other corporation so designated by the Government at a tariff to be mutually agreed between the Company and GRIDCO/ any other corporation so designated by the Government and approved by OERC.

11. ENVIRONMENT:

- (i) 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.
- (ii) 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.
- (iii) 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.

12. INCENTIVES AND CONCESSIONS :

- (i) 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.

- (ii) 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).
- (iii) 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.

13. RAILWAYS, ROADWAYS & PORT:

(1) 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. The Government of Orissa will actively pursue with the Ministry of Railways and Rail Vikas Nigam Ltd. for expeditious completion of this project. The Company shall explore the possibility of participating in the SPV for this project. The Government of Orissa shall facilitate all assistance in this connection.
- (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. This development may be undertaken by the Company or jointly with RVNL or third parties in consultation with the Ministry of Railways. All assistance in this regard will be provided by the Government of Orissa.
- (iv) In this connection, the Government of Orissa shall extend all possible support for securing the cooperation of the Ministry of Railways, East Coast Railways & Rail Vikas Nigam Ltd. etc. to facilitate necessary clearance from the Ministry of Railways.
- (v) The Government of Orissa shall facilitate the Steel Project and Mining Project to make appropriate commercial arrangements for use of the railroads mentioned above as per existing laws and procedures.

(2) 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.

(3) Port :

- (i) The Company may :
 - a) develop a new minor port adjacent to the existing Major Port of Paradeep and/or,

- b) develop a dedicated berth at the Major Port of Paradeep and/or
- c) make use of the existing port facilities at the Major Port of Paradeep.
- (ii) In connection with subparagraphs (b) & (c) of (i) above, Government of Orissa shall facilitate cooperation between the Paradeep Port Trust and the Company.
- (iii) 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.
- (iv) The Government of Orissa agrees to provide all necessary infrastructure and logistic support required for setting up of the minor port by the Company.
- (v) Such minor port or berth will be constructed and operated on the basis of BOO/BOOT/BOOST.
- (vi) The Government of Orissa shall facilitate drawal of power and water for the port project.
- (vii) 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.

14. PROJECT FACILITATION :

- (i) A dedicated 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 arrange for representatives of other departments to be present for each meeting as required.
- (ii) The High Powered Committee shall meet from time to time to review the progress of the Project.
- (iii) The High Powered Committee will also have regular interactions with the Chief Minister and the Chief Secretary of the Government of Orissa to apprise them of the progress made on the Overall Project and each component project.

15. SINGLE WINDOW:

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.

16. NODAL OFFICER:

- (1) The Government of Orissa shall appoint a senior officer to be the Nodal Officer for the Project.
- (2) 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.

- (3) An Officer reporting to the Nodal Officer would be designated by the Government of Orissa to assist in obtaining necessary approvals from the Central Government as well as its agencies as quickly as possible.

17. 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.

18. NEXT STEPS

- (i) Immediately following the execution of this MoU, the Government of Orissa shall second (at its own cost) to the Company's Project office in Bhubaneswar, an Officer of the appropriate level to be dedicated to the facilitation of the Project.
- (ii) Within 6 months from the formulation of the Company, (i) a detailed project schedule will be prepared by the Company and submitted to the Government of Orissa, (ii) a detailed implementation plan will be prepared by the Company and submitted to the Government of Orissa and (iii) Agreement will be signed between the Government of Orissa and the Company along the lines of this MoU.

19. GENERAL CLAUSES

- (i) The Government of Orissa appreciates that the Company will be a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa, therefore, anticipates that the Company will bring this philosophy to the steel plant project being set up in the district of Jagatsingpur and other district(s) where captive mines linked to the project are located to ensure the well being of these districts in particular and the people of Orissa in general. In terms of employment, preference will be given to the people of Orissa subject to need and their possessing the necessary qualifications. The Company will make every effort to improve their skill levels, if necessary, through specialized training. For this purpose State Government will nominate a nodal Agency/Officer to coordinate with the Company.
- (ii) The Government of Orissa appreciates that the Company will be entitled to induct suitable foreign and/or Indian Joint Venture partners, choose appropriate financial options, suppliers, credit options and technologies in the best interests of the project.
- (iii) The Company shall effect sale of all its products in the domestic tariff area (including inter-state sales) in the State of Orissa and shall not effect any branch transfer of its products to out side the State. These stipulations are not, however, applicable to export of finished products outside the country.
- (iv) The Company shall comply with all applicable laws and policies of the Republic of India and the State of Orissa including more specifically those relating to environment, mining, rehabilitation and socio-economic development in the periphery of the project and also including the Orissa Government Notification No.375 dated 15th January, 2004.
- (v) The MoU shall remain valid for a period of five years from the date of signing. Further extension, if necessary, shall be made as per mutual agreement. However, no such extension shall be considered unless the Company has made substantial progress on implementation of the project in terms of construction, erection of plant and machinery and investment at site

to the satisfaction of the State Government in these five years in implementing the first phase as envisaged in this MoU.

- (vi) The Company understands that the offers and special considerations of the State Government indicated in this MoU are for the overall Steel project
- (vii) The Company while implementing the project undertakes to comply with all statutory requirements/clearances in respect of laws, regulations and procedures governing establishment and operation of Industries.
- (viii) In the event of non-implementation of the project or part thereof, the corresponding support/commitment of the State Government indicated in the MoU with regard to Iron ore Mines/Coal Block, incentives and concessions of the State Government in particular shall be deemed to be withdrawn.

Signed on the date mentioned herein above at Orissa Secretariat, Bhubaneswar by the authorised representatives of the parties to this Memorandum of Understanding.

ANNEXURE 3:

Lok Sabha debate on POSCO (edited)

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 OSCO 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.

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.

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.

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.

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. ... (Interruptions) 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... (Interruptions) 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?... (Interruptions)

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. (Interruptions)

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-bye 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[k40]."

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 Charanji, 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 percent of the minerals[pkp41].

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:
**Critique of the environmental clearance proceedings
 for the proposed port**

Evaluation of the Rapid Marine Environmental Impact Assessment (RMEIA) for Setting Up of a Captive Minor Port at Jatadharmohan Creek near Paradeep in Orissa, Prepared by:
 Mark Chernaik, Ph.D. Staff Scientist, Environmental Law Alliance Worldwide U.S. April 2007

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.¹

For this reason, the countries of Denmark², Norway³, and the Netherlands⁴, have requested that the International Maritime Organisation (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.⁵ 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

1 Cargo Ship Bunker Tanks: Designing to Mitigate Oil Spillage

http://www.sname.org/committees/tech_ops/bunkertank/michelwinslow.doc

2 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

3 INTERPRETATION AND AMENDMENTS TO MARPOL 73/78 AND RELATED INSTRUMENTS, Protection of fuel tanks. Submitted by Norway http://www.sname.org/committees/tech_ops/bunkertank/mepc49-16-6.pdf

4 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

5 http://www.sname.org/committees/tech_ops/O44/imo/mepc/54-5.pdf

hulls.

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.⁶ 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 characterise the health impacts of projected increases in ambient air levels of pollutants

It is commendable that the REIA provides 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 NO_x”.

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 Organisation, 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.

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;⁷ 490 tons per day of dusts⁸) would be dumped.

6 87 km x 0.006 km = 0.522 km²

7 10% x 1200 tons per day

8 70% x 700 tons per day

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 percent 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:

- Characterise 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

ANNEXURE 5:

Solidarity letters from South Korea

A message of solidarity to the people's resistance against large-scale industrial development in Orissa, India : South Korean activists

With this letter, activists in South Korea send heartfelt solidarity and support to the Orissa villagers who are confronting the corporate exploitation and government repression through an autonomous movement to protect their land and livelihoods from harmful industrial development. Korean activists demand that appropriate countermeasures be arranged to address the assault, sexual harassment, and violence that villagers have experienced thus far in the Jagatsinghpur district of Orissa, India.

According to local social organisations and Amnesty International, the local government in Orissa has forced people from their homes and land to make way for the construction of a POSCO steel plant (a \$12 billion joint investment). During this process of dispossession and forced migration, the villagers fiercely resisted. Local authorities ignored villagers' and activists' demands for recognition of their right to the land. Instead, equipped forces were hired to silence their voices. The armed men went as far as throwing bombs at the villagers, shocking those of us in South Korea who have been watching and supporting the Orissa people's opposition. Approximately 50 people were wounded, 15 of whom were seriously injured. However, police officers stationed just 5 km away stood idle and simply watched the violence take place. Local authorities cut off food supplies after the village was blockaded, sanctioning the repression and human rights violations.

While we received news of these events, human rights violations continued to occur in South Korea. To make way for the expansion of a U.S. military base in Pyeongtaek, the government forcefully expropriated land from Daechuri villagers, destroyed the local school, and restricted public access to the area. In addition, extreme police forces were used against POSCOenc (Pohang Construction) labor union members. Pohang workers simply requested a suitable place to eat lunch and a dressingroom to change out of their work clothes, while Daechuri farmers simply wanted to remain on their land, inherited from their ancestors, and continue producing their crops. However, the Defense Ministry, police, and POSCOenc (Pohang Construction) took no notice of these demands, consistently using repressive force.

Through the Orissa villagers' resistance against harmful industrial development, we are given yet another example of the day-to-day struggles of poor and politically weak populations, whose security and basic needs are threatened, rather than ensured, by the process of so-called "development." Presently, South Korea is also suffering from the brutal illness wrought by exploitative, opportunistic, corporate-friendly development. The increase of forced evictions in the name of re-development, beautification, and profit, leaves many evictees with no place to go; only 20 percent of those evicted can return to the same home or neighborhood.

We oppose the enterprises of foreign investment companies that fatten themselves by trampling on the livelihoods and existence of poor/working-class people. Public authorities, rather than ensuring the safety and human rights of the local population, are allowing human rights violations to be committed; isolating the resistance and cutting off food supplies. POSCO is directly connected to these violent

actions and must be held responsible for the human rights infringements that have taken place.

Human rights activists in South Korea will join the resistance in solidarity with the people of Orissa, India, who have called themselves “defenders of human rights.” On February 19, Human rights civic organisations held a press conference in Korea concerning POSCO’s human rights abuses. Afterward, Korean activists have continued to search for the most effective ways to support the villagers’ struggle and denounce the actions of the government and corporations involved. We send our support and hope we help strengthen your efforts.

February 21, 2008

Human Rights Activist, Jointly Signed

Dasan Human rights center,

Kim kyoung-mi/ Kim jin-tae/ Kim hyun-chang / Park jin

Peace & Humanright for solidarity, Yang hye-jin

Korea Progressive Network Jinbonet, Kim seung-uk / Dalgun / Hong ji-eun / Chang yeo-kyoung / Lee jong-hoe

Bloodsisters solidarity , dopehead Zo

Group for Human Rights, Park lae-goon / Choi myoung-sook / Kwon ok-hee / Lim jae-woo / Kim il-sook / Choi eun-ah / Miryu / Min-sun / Mun hye-jung / Pang sung-hyang

hye-man / Ji hyun-ho / Bahk Seok-jin / Lee Jae-young

Nodl Popular School for person with a Disability, Jaw dong-yeob

Women with Disability Empathy, Sang-hee / Jisung

World Without War, Jo eun / Lee yong-suk / Lee jo-eun / Yang yeo-ok

Women with Disability Empathy, Banda

Korean Transgender Activist Group, Candy. D.D

Humanrights with Disabilityperson in Action, Park ok-soon/

Catholic Human Rights Committee, Bae yeo-jin / Go dong-ju / Cho baek-ki

Center for Public Interest & Human Rights, Her chang-young

Korea Human Right Foundation, Joh ji-hye

Unninetwork, Lee jin-joo

The National Committee of Rescoration of Justice, Kim hyon-tae

Lesbian counseling center in South Korea , Han jeong-eun / HyunPark jung-won / Keii(Keii)/ Lee jeong-young

Committee to Support Imprisoned Workers, Kim jin-seok

People’s solidarity for Social Progress, Lee seung-woon / Jang jin-bum / Han ji-won

Migrant workers Human Rights center, Lee sang-jae

Korea human rights reaserch center, Kahng dong-yil/ Yu eun-sook

Action Solidarity, Lee jin-sun, Eom yeon-uk, Lee mi-seon

Korea HIV/AIDS Network of Solidarity, Kang suk-ju

Human Rights Education Cenater, Deul, Pae kyong-nae / Go eun-chae

Human Rights Foundation SARAM, Lee myo-rang / Kang gon

Imagination for International Solidarity, Soo-jin

MINBYUN Lawyers for a Deomocratic Society, Lee dong-hwa

Kanos, HIV/AIDS, Lee eun-joo

Humanrights with Disabilityperson in Action Kim su-won,

GONGGAM, Hwang pill-kyu

Korea Confederation of Trade Union, Lee chang-geun/ Jeong kyoung-eun

People’s Solidarity of Participatory Democracy Cha eun-ha

Korean House for International Solidarity, Kim kyung

Korean Alliance for Progressive Soildarity, Kim ae-hwa