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As Posco exits steel project, Odisha is left with thousands of felled trees and lost livelihoods

Arabinda Mahapatra Mar 22, 2017 · 10:30 am

The South Korean firm's MoU in 2005 was India's largest FDI deal. On Saturday, it pulled out of the plan.

In 2005, when Posco, the world's fourth-largest steelmaker, signed a memorandum of understanding with the Odisha government to set up a 12-million-tonne-capacity steel project in Jagatsinghpur district, it attracted global media attention for being the biggest foreign direct investment in India, at that point of time, at $12 billion (Rs 52,000 crores). It was heralded as the project that would set Odisha – at the bottom of several development indices – on a high-growth trajectory and make India a steel superpower.

Twelve years and several twists and turns later – largely in the shape of public resistance to the project as well as regulatory hurdles – the South Korean steel major has officially withdrawn from the project. On Saturday, Odisha's Industries Minister Debi Prasad Mishra told reporters in Bhubaneswar that Posco had offered to surrender the land it had acquired because of its inability to start work on the project.

"The [state-owned] Industrial Infrastructure Development Corporation had acquired 2,700 acres of land for the proposed Posco project," Mishra said. "The state government in a letter had asked Posco to clear dues of Rs 82 crore towards cess. In its reply, the company has said it is not interested in taking possession of the rest of the acquired land and paying the remaining amount. It has requested the government to take back the acquired land handed over to it."

With this development, the net result of the Odisha government's most ambitious industrialisation dream is lakhs of felled trees, thousands of promised jobs that never materialised, and frustrated villagers staring at an uncertain future.

People's resistance movement

When the Odisha government signed the memorandum of understanding with Posco, it made a commitment to the company to offer 4,004 acres of coastal land, even though the Industrial Infrastructure Development Corporation did not have a single acre at its disposal – unlike its counterpart in Gujarat that keeps a land bank ready before inviting any prospective investor to the state.

The project ran into trouble from the onset. Villagers opposed the acquisition of their land – on a fertile strip on the coast of the Bay of Bengal near Paradip, famous for its betel vines. The resistance was largely because the betel-based economy sustained 20,000-odd people in eight villages in Dhinkia, Nuagaon and Gadakujanga gram panchayats that would be affected by the project. And about 3,000 acres of the 4,004 acres of land required for the steel plant was to come from forestland, its sandy landscape dotted with around 5,000 betel vines. The vineyards gave farmers here an assured average income of at least Rs 20,000 per month.

A villager in his betel vineyard, which was dismantled during the land acquisition process in 2013. With the project stuck, he re-erected the vines in 2015.

The Jagatsinghpur district administration countered the resistance by accusing the villagers of occupying the forestland illegally, though the latter said they had been cultivating betel for generations. The villagers, who came under the banner of the Posco Pratirodh Sangram Samiti to protest the land acquisition, rejected the state government's offer of a Rs 70-crore rehabilitation package.

The project, however, also fractured the village community. One group, the United Action Committee, which was influential in Nuagaon, the biggest of the affected villages, supported Posco's entry. This led to clashes between pro-Posco and anti-Posco groups, claiming five lives. Police cases were lodged against many anti-Posco activists, including women, who, in their attempt to avoid arrest, lost out on their livelihoods.

The district administration carried out the land acquisition in two phases – in 2011 and 2013. In the first phase, residents of Nuagaon willingly allowed their betel vines and fruit-bearing trees, mostly cashew nut, to be torn down in exchange for compensation. But fierce resistance in other villages, especially by hundreds of children and women who blocked entry points to the vineyards by squatting on the sand in the scorching summer heat, forced the administration to suspend the land acquisition for the next two years. When it resumed the process in 2013, backed by additional police deployment, it had limited the land to be acquired to 2,700 acres by excluding Dhinkia village, the epicentre of the anti-Posco campaign.

While the Industrial Infrastructure Development Corporation handed over 1,700 acres out of the total 2,700 acres to Posco, to start an 8-million-tonne-capacity steel mill in the first phase, the state and Central governments proactively cleared any environmental roadblock in the company's way ahead of the then South Korean President Park Geun-Hye's visit to India in January 2014, and a few months before the general elections.

A hoarding marking the entry point to the project site at Balitutha. It announces the state-run Industrial Infrastructure Development Corporation as the "friendly facilitator" of the project.

Regulation roadblock

Still, not a brick was laid in the project area. There were several reasons for this. Though the steel plant was central to the ambitious project, it had two other vital components – a port and a mine that Posco was confident of building. Many Posco officials maintained the port and mine were indispensable for the project. So confident was Posco about clinching these two components that it refused an offer from the Paradip Port, a few kilometres from the project site, for separate berths exclusively for its use.

Mining experts speculate that Posco's non-negotiable stand on getting the captive mine and port was driven by its intention to source iron ore from the Khadadhar hill in mineral-rich Sundargarh district at dirt cheap rates – Rs 1,200 a tonne against the market rate of Rs 3,500 per tonne.

However, in January 2015, an amendment of the Mine and Minerals Development and Regulation Act – in the wake of allegations of mining scams across the country, including in Odisha – put a spanner in Posco's plans. Under the amended law, it was now mandatory for the company to go through the auction route to get its captive iron ore mine. Earlier, the state government had promised to help it obtain the mining licence for free.

Thereafter, Posco completely lost interest in the project, which was now as good as dead – though a formal announcement took another two years to come.

Ruined economy, damaged ecology

When this reporter visited Nuagaon in August 2015, a few battered and broken prefabricated shipping containers were all that remained of Posco's site office on a deserted swathe of sand.

The villagers had already demarcated the “Posco land” with small plants and stones and divided it among themselves.

All that remains of Posco's site office in Nuagaon village in 2015.

In villages like Gobindpur, where the administration had acquired land in the face of stiff resistance, villagers had re-erected their betel vines and resumed cultivation.

Though it is the end of the road for Posco, the damage that has been done to the area seems irreparable. Lakhs of stumps of what were once cashew nut and other fruit-bearing trees are tell-tale signs of livelihoods lost and an ecology devastated.

Today, Nuagaon, the village that backed Posco, is a picture of despair: its residents have exhausted their compensation amounts and are left with no other means to sustain themselves. More than a half of the village is unemployed. Those who owned betel vines and employed people to work on them now make a living as daily-wage labourers in the vineyards of Dhinkia, which survived the land acquisition. Nuagaon also suffers from a shortage of firewood as its forest cover is all but depleted, another remnant of the project.

While Posco may have made its exit finally, the industries minister has said that the state will hold on to all 2,700 acres of the acquired land for future use. And on Sunday, Union Coal and Power Minister Piyush Goyal said that there are other companies that can replace Posco.

Such statements show that no lessons have been learnt from the over-decade-long Posco fiasco. For if the state government decides to give the land to any other big ticket investor, it would have to reclaim this land from the people and risk triggering another grassroots resistance movement.

The Posco Pratirodh Sangram Samiti has already threatened to launch another agitation if the state government does not return the land to the people.

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