

UNDERSTANDING THE IMPACT OF THE PROPOSED POSCO PROJECT

1. Economic Growth for Whom? The Case of Immiserizing Growth

India's economy is now the eleventh largest in the world in currency exchange rate terms, and the fourth largest according to purchasing power parity. Following the economic policy changes of the 1990s, which removed controls and safeguards and opened up the economy to foreign investment, the economic growth rate has averaged over 8%, making the Indian economy the second fastest growing major economy in the world.¹ But while the media continually boasts of 55 Indians whose net assets are valued at over a billion US dollars,² there are over 836 million Indians (more than three-quarters of the population) who survive on less than half a dollar a day.³

Nothing illustrates the disparity between the reality of the socio-economic marginalization of a majority of Indians and the "Shining India" image projected by the ruling elite than the fact that states with the highest rates of growth also have the worst human development indicators, and the most widespread repression of people and violations of human rights. This is especially so, in India's "mining belt" in central and eastern India, a set of states which are also home to most of India's 75 million indigenous people. For instance, the state of Chhattisgarh in eastern India, a state which posted the highest GDP growth rate last year,⁴ also has the dubious distinction of creating an extra-legal vigilante army and unleashing it against its own indigenous population, uprooting entire villages and driving their populations to the brink of starvation, and prosecuting and imprisoning anyone who dares to publicly dissent and challenge the status quo – as illustrated by the case of Dr. Binayak Sen, perhaps the most well-known human rights activist, dissenter, and prisoner of conscience in India. Dr. Sen has been sentenced to life in prison for pointing out that the state was killing and starving its own citizens in the name of development.⁵ Along similar lines, the state of Orissa, which has the third highest inflow of investment among all the states in India,⁶ and the highest influx in the manufacturing sector, also has 27 out of its 30 districts listed in the "backward" list of the state government's own Human Development Report, 2004,⁷ has witnessed over 400 starvation deaths in the last nine years,⁸ and boasts a long list of "development projects" that have displaced people and destroyed livelihoods.

2. POSCO Exemplifies the Causal Link Between Investment Inflows and Human Rights Violations

Not only do the above mentioned examples of Chhattisgarh and Orissa demolish the myth that investment dollars will automatically wipe away poverty, they, in fact, raise the opposite question—is this investment actually responsible for the increased destitution of vulnerable populations? A closer look at the POSCO project in Orissa, the largest proposed foreign direct investment in India, provides a partial answer since it is clear in this case that industrial development can indeed be linked directly to increased impoverishment of marginalized communities and a massive assault on democratic rights.

¹ Statement by Pranab Mukherjee, India's Finance Minister, when presenting the interim budget to Parliament on February 16, 2009.

² Forbes, 2011. The World's Billionaires. At <http://www.forbes.com/wealth/billionaires>

³ National Commission for Enterprises in the Unorganised Sector, Government of India, 2007. *Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector*, dated August 6, 2007. (Also known as the Arjun Sengupta Committee Report.)

⁴ Business Standard, 2010, "Chhattisgarh GDP's Growth Highest in 2009-2010" <http://www.business-standard.com/india/news/chhattisgarh%5Cs-gdp-growth-highest-in-2009-10/406295/>

⁵ Amnesty International, 2010, Indian doctor Binayak Sen's conviction and life sentence mock justice, <http://www.amnesty.org/en/news-and-updates/indian-doctor-binayak-sens-conviction-and-life-sentence-mock-justice-2010-12-25>

⁶ <http://indiacurrentaffairs.org/top-five-indian-states-in-attracting-investment/>

⁷ Government of Orissa, 2004. Human Development Report 2004.

⁸ <http://www.thehindu.com/news/states/other-states/article94110.ece?service=mobile>

POSCO, the world's second largest steel maker by market value, is headquartered in South Korea but a majority of its stock is held by various financial institutions and funds in the US and European Union (EU). In 2005, POSCO signed a Memorandum of Understanding (MoU) with the government of Orissa to acquire captive iron ore mines and build a giant integrated steel plant.⁹ The proposed POSCO project in Jagatsinghpur district of Orissa will be the largest steel project in India. The plant with its captive port in Paradip, worker townships, including a segregated township open only to Koreans,¹⁰ dedicated railroad lines and roads, and the concomitant demands on the local land, water and mineral resources, threatens to place immense stress on the local population and their livelihoods.

Since signing the MOU in 2005, POSCO and the government of Orissa have been implicated in a series of procedural and legal irregularities, including promotion of violence and falsifying approvals for project clearance. The compensation being offered to those who will be displaced and lose their livelihoods, is less than a fiftieth (1/50th) of what it should be,¹¹ and even this meager amount is being offered only to less than half of those who will actually lose their livelihoods. All this has meant that there has been tremendous local opposition to the project since the beginning. The struggle on the ground is being led by a people's coalition called POSCO Pratirodh Sangram Samiti (PPSS or Committee for the Resistance Struggle Against POSCO), across 11 villages in 3 gram panchayats (village councils) of Jagatsinghpur district. International support against the project has been mobilized by Mining Zone Peoples' Solidarity Group (MZPSG), a group of students, professors and professionals who have exposed the falsehoods projected by POSCO through their report "Iron and Steal."¹²

3. Project Clearance Granted to POSCO Poses Imminent Threat of Harm to Local Residents

The current MoU expired in 2010, and a new MOU has not been signed to date. Nonetheless, the Indian Ministry of Environment and Forests (MoEF) granted the project final conditional clearance in February 2011.¹³ The "conditions" only ask for "assurance" from the Government of Orissa (GoO) that it has met all its obligations under the law. Given the previous track record of the GoO and POSCO, these conditions are farcical at best. As PPSS points out in its letter of April 11, 2011 to Jairam Ramesh, the Minister of Environment and Forests, the GoO has illegally refused to recognize the rights of traditional forest dwellers and has falsified village council resolutions in the past, a criminal act. Yet, the central government has refused to take any action. Given the violence visited on the villagers by the GoO in the past, and the residents' firm resolve to not be driven off their lands, this "go ahead" by the MoEF, with its imminent threat of forced evictions, will turn a heroic six-year non-violent struggle into a bloody battleground for pushing POSCO on the people.

4. Impact on People/ Livelihoods

Four thousand families, comprising approximately 22,000 individuals, live in the area the steel plant will occupy. They depend for their livelihoods on the thriving agrarian economy consisting of betel vine, cashew nut, coconut,

⁹ Memorandum of Understanding between the Government of Orissa and M/s POSCO for establishment of an integrated steel plant at Paradeep, dated June 22, 2005. At <http://www.orissa.gov.in/posco/POSCO-MoU.htm>

¹⁰ National Council for Applied Economic Research, 2007. Social Cost Benefit Analysis of the POSCO Steel Project in Orissa, January 2007. At <http://www.ncaer.org/popuppages/PublicationDetails.aspx?ReferenceID=SE070001> ("POSCO-India would build an 'Indian township' and a 'Korean township'")

¹¹ Mining Zone Peoples' Solidarity Group, 2010. Iron and Steal: The Posco-India Story, October 20, 2010. At <http://miningzone.org>

¹² *Ibid.*

¹³ Ministry of Environment and Forests, Government of India, 2011. POSCO: Final Order and Other Relevant Documents, January 31, 2011. At <http://moef.nic.in/downloads/public-information/Posco31012011.pdf>

kewra, rice, and other crops. Unlike POSCO and the GoO, who have nothing to say about the current baseline economy that exists in this area, the MZPSG report, “Iron and Steal,” has documented how betel vine cultivation generates an average annual income of Rs 40,000 per decimal (a hundredth of an acre). Cashew cultivation earns between Rs. 7,000 and Rs. 20,000 per season per family. About 200 families in the region also depend on pisciculture, primarily prawn farming. POSCO will displace all these families and destroy their traditional livelihood, all for a paltry one-time cash compensation of less than a third of their current annual income, and with no guarantee of replacement land for them to continue their farming activities. Beyond these farm-dependant families who will lose their livelihoods and will be displaced, an additional 20,000-25,000 fisherfolk stand to lose their livelihoods due to the construction of the planned new captive port. And POSCO will not even have to compensate these fisherfolk according to the current terms of contract.

While POSCO is busy circulating the claim that the POSCO-India project will create “8.7 lakh jobs,”¹⁴ analysis shows that the actual number of jobs will be much less.¹⁵ Besides, local residents are highly skeptical (with historical justification) that any but menial jobs will come to them as POSCO is unlikely to have much use for their skills as farmers and fisherfolks. Additionally, they point out that even the “better” jobs with POSCO cannot provide them the security and income of their present livelihoods.

The local resistance to the POSCO project has lasted for more than 5 years even in the face of brutal repression from the state’s security apparatus. From their various depositions to the GoO and the MoEF, it is clear that tribal villagers and other traditional forest dwellers are resisting this so-called ‘development’ project not because they do not understand the potential benefits of the project, but precisely because they do. They understand that the project will bring them no benefits while destroying the thriving local economy and forcing them into poverty and destitution.

5. Environmental Impact

Ninety percent of the 4,000 acres that POSCO proposes to acquire for the steel plant and associated facilities are forested areas. Construction will require the felling of about 280,000 trees.¹⁶ Additionally, due to the huge water resource demands for the plant, about 70 billion liters of water annually, farmers stand to lose all the required irrigation water. The potential health impacts on the indigenous people of the area due to particulate matter and other toxic wastes only aggravate the problem.

The other major environmental concern is the danger posed by the new captive port which will handle the giant “cape size” ships. The port will endanger the Olive Ridley turtles, and destroy the massive, natural coastal dunes and mangroves that have protected these areas from cyclones in the past.¹⁷

6. Subversion of Democratic Processes

POSCO has left no stone unturned to push for its steel plant, including attempting to subvert all democratic processes guaranteed by Indian law. A cost-benefit analysis conducted by the National Council of Applied Economic

¹⁴ While POSCO-India claims in some places on its website that its steel plant will generate 18,000 direct jobs and another 30,000 indirect jobs, it also happily circulates a poster advertising the 870,000 jobs claim. Available at <http://posco-india.com/File/NCAER-Brochure-eng.pdf>

¹⁵ MZPSG, *supra* note 11, §3.3.1

¹⁶ Kanchi Kohli, 2008. “Divide and conquer, with plant and port.” At <http://www.indiatogether.org/2008/feb/env-poscomp.htm>

¹⁷ Sify news, POSCO used fraud to get environmental clearance, claims NGO, October 22, 2010. At <http://www.sify.com/news/posco-used-fraud-to-get-environment-clearance-claims-ngo-news-international-kkwqOidfjci.html>

Research (NCAER),¹⁸ a supposedly independent research group, was later revealed to have been a paid POSCO project. Not only did POSCO not volunteer the information that they had paid for this study, posturing as if this was an independent exercise, they even refused to acknowledge their role until it was exposed and widely publicized. Furthermore, POSCO worked with the state government and local administration to make a mockery of almost all applicable laws. While the state administration pushed through fake gram sabha resolutions, POSCO generated fake data such as a survey they claim to have conducted in 63 project affected villages, a survey the villages had no knowledge of.¹⁹ There are also allegations of POSCO obtaining fraudulent environmental clearances with incomplete and inadequate Environmental Impact Assessments (EIA's) conducted.²⁰

7. Human Right violations

The proposed steel plant area has been under siege since the project was announced. POSCO sponsored goons have indulged in various acts of violence, including the murder of Dula Mandal, a PPSS activist on June 20, 2008.²¹ Police firings, and implicating local activists under false cases have become routine. It is estimated that there are criminal cases against 1500 individuals in the area. This harassment tactic has led to immense stress on the people involved in the struggle, violating their rights to freedom of movement and pursuit of livelihoods. The project has become a symbol of the subversion of democratic rights to corporate interests.

8. Conclusion

- The proposed project will not bring any economic benefit or prosperity to the wider Oriya or Indian populace.
- The project will only benefit a small group of economically and politically powerful people, while the impoverishment that will result from this project will perpetuate inequality and deepen poverty. It is a classic example of the situation that economists now call “immiserizing growth.”
- The gross violation of civil and human rights by the state-corporate nexus is simply the other side of such development strategies.

It is important that we reject this vision of growth which exacerbates inequality in the name of addressing it. It is with this spirit that we appeal to the financial institutions and funds to invest responsibly and divest where it is clearly unethical. POSCO has indulged in unethical and immoral practices while impoverishing a population that already has a thriving and sustainable local economy. Divestment from POSCO is a moral and social imperative.

¹⁸ MZPSG, *supra* note 11, §4.3.1

¹⁹ Claim by villagers, noted in their letter addressed to the MoEF after the Public Hearings were conducted. Letter translated from Oriya into English by Chitha Behera. Available at <http://chittabehera.com/Rehabilitation/ResponsetoProceedingsofPublicHearingbyPOSCOaffectedpeople.pdf>

²⁰ Sify news, POSCO used fraud to get environmental clearance, claims NGO, October 22, 2010. At <http://www.sify.com/news/posco-used-fraud-to-get-environment-clearance-claims-ngo-news-international-kkwqOidfj.html>

²¹ Anti-Posco activist dies in attack, The Hindu, June 22, 2008 <http://www.hindu.com/2008/06/22/stories/2008062260311000.htm>