

Posco Wins, People Lose

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With an analysis of direct and indirect economic evaluation suggesting that the POSCO project has not been negotiated with the primary interest of the state of Orissa in India and its people, it is quite reasonable to ask who will gain, and how people will be impacted.

Perhaps, the only silver lining is that Vigilant Citizen's groups and participative democracy can force to act accountably—for example one that pushed it to participate in a consortium of states leading to increased (yet measly) royalties for the state of Orissa. In the memorandum of understanding (MoU), the Orissa state government makes explicit claims on facilitating the rapid progress of the project but has nothing to say about the impact of the activities on the local communities.

Citizens of Orissa need to demand more transparency from the Orissa state government in the project plan details. Has the opportunity cost been analyzed? What is the economic cost of water usage by POSCO? What is the cost of displacement? Clearly, agriculturalists in the neighborhood will suffer. What is the economic value of the loss in agricultural produce and in disruption in livelihoods of lakhs of farming families? Clearly the industry will not provide jobs to all these lakhs. One can estimate these numbers—there will be agricultural losses in the range of Rupees 100 crore per year, almost equal to gain in salary/wages from the plant each year. That is a significant amount. And it raises questions that the government needs to answer—and the Oriya society must ensure that the government answers these questions:

What are the government's estimates on agricultural losses for surely the Orissa state government must have accounted for this (unless it is truly incompetent)?

What are the Orissa state government estimates on the hydrological impact of such high rates of withdrawal and processing?

What does the Orissa state government plan to do about this? It might plan to use the profits from POSCO to subsidize these agricultural losses or compensate these communities with better healthcare facilities and schools. Or it might use profits from POSCO to help start small industries in these communities. But nobody sees that plan—what does Orissa state government plan to do?

In effect, the state of Orissa may have indirect benefits of up to Rupees 120 crores per year in salaries (for new jobs created) and strengthen that local economy. On the other hand, it loses Rupees 180 crores in the price of land leased to POSCO, Rupees 75 crores/year in cost of water, Rupees 100 crores per year to the agricultural economy, and Rupees 2400-3600 crores in taxes over the life time of the project.

In addition, Orissa also loses out on market based royalty on coal, and on taxes related to 12 MT/year of steel.

These are all estimates based on carefully piecing together the little data that has filtered out about the financial details of the MoU (Orissa government has hardly been transparent about this)—but the trend is clear. As per the current MoU, the people of Orissa bear a massive loss in the sale of important mineral

resources (through inappropriate levels of royalty) while at the same time burdened with indirect costs that significantly outweigh indirect benefits. So would the Orissa government please explain why this deal is good for Orissa?

The dimensions become clear, when one takes into account that India's total known reserves are 18 billion tonnes, of which 4.5 billion tonnes are in Orissa and the state government plans to give 1 billion tonnes to POSCO of which 400 MT will be exported to Korea.

The Orissa government is only willing to showcase Rupees 48000 crores. It will not talk about the amount that is being scammed nor is it willing to talk about the opportunity costs or the indirect costs.

Questions are being framed as being anti-Orissa and it has set up the state machinery of bureaucrats and politicians to intimidate those who dare to question.

The underlying thread that emerges is that the Orissa state government has set this up as a win-win-lose deal. POSCO wins. Orissa state Government politicians and bureaucrats win. And the people of Orissa lose.

Nothing else explains the lack of transparency and accountability, the underselling of minerals and the structure of the deal. However, it is not done yet, and a strong, watchful community can get the government to act in a manner that is more accountable and make economic sense.

The issue of rehabilitation and resettlement is diversionary and the real issue is to keep eyes of public away from the Rupees 250,000 crores give away to POSCO in form of subsidy in Iron Ore prices.

This may be the reason why competitors such as Tatas, Mittals and Jindals are also silent, as their deals also include such give aways, albeit of smaller.

This economic issue must be the central issue, and the government must be held accountable for the details of the project, its decision making and the impact of these decisions on all sections of people of Orissa—not just the representatives and the bureaucrats.

How will the people of Orissa ensure this? In fact, it is important (given the credibility of Orissa state government and its inability to resist the temptation of corruption) that transparent processes be set up so that the people of Orissa can be sure that all the money coming into the state can be accounted for. And it is the people of Orissa who must push for such processes. □□□