

COMMENT

Looting Iron Ores

THEY ANNOUNCED THE NATIONAL Mining Policy 2008 with a lot of fanfare to send the message across the country that they won't allow unlimited loot of natural resources. But in practice they did just the opposite. They encouraged the notorious mining mafia to mine high grade iron ores in total disregard of mineral security of the nation. If the present scale of mining and export of iron ores is not stopped, India will soon have to import iron ores to maintain its meagre capacity of steel production.

Indian reserves of about 12 billion tons of high grade of iron ores cannot last more than 30 years at the current rate of exploitation. For one thing Indian mills barring the Durgapur Steel Plant that uses BHQ (banded hematite quartzite) have no technology to use lowgrade ores that is estimated to be 11 billion tons.

Therefore, exports of iron ores should be immediately banned for ensuring mineral security of the nation. That what the United States has done. It has iron ore reserves of 50 tons per capita. It has banned iron ore exports. But Indian reserves are only 21 tons per capita yet more than one-half of Indian ores production is exported. Reportedly there has been an increase of 20 percent in ore exports. Surely, Indian consumption of steel per capita is less than that of the United States. But then they aim to become 'developed' very soon.

Ores are a gift from nature. They cannot be produced like milk or software. It may not be wise to export even if global prices are high.

The landed price of iron ores in the Chinese market today is about Rs 5,000 per ton. The cost of production is Rs 300, taxes Rs 300, sea transport to China Rs 600 and, say, profits of the mining company are Rs 100. The total cost is Rs 1,300 per ton. Question is who is the rightful owner of the remainder Rs 3,700? This is actually the value of nature's gift. It belongs to all citizens of the country. Therefore, this money should be collected by the government as the custodian of common rights of the people. But this huge amount of money is being collected by the mining companies in the present dispensation. Appropriation of this common wealth by individuals is at the root of development of mining mafias across the world. Therefore, a royalty equal to the nature's gift of Rs 3,700 per ton should be collected from all mining companies-domestic users as well as exporters. Mining companies should get only normal profits on the expenditures incurred in production.

Main exporters of iron ores are Australia, Brazil and India. In 2008, the main Brazilian exporter Vale had sought an increase in price from Chinese importers. Chinese importers did not agree to this. Instead they imported more from India in the spot markets. That might explain the increase in exports from India in recent years. In consequence, India prevented an increase in global price. It was wiser for India to cooperate with Brazil and jointly seek an increase in price from Chinese importers.

Australia has iron ore reserves of 2,000 tons per capita. India has only 21 tons per capita. The export-led growth argument holds for both countries but the items to be exported would be different. Australia may surely export iron ores, but India would do well to export labour-which is available aplenty. □□

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