

LAND MINE

In India, Clashes Erupt As Industry Expands

**South Korea's Posco
Wants Villagers to Move;
Mr. Sahoo at Barricades**

By PETER WONACOTT

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DHINKIA, India -- A couple of weeks ago, a controversial plan by a South Korean company to build a steelmaking plant on a sandy stretch of land here seemed to be gaining support, even among poor farmers who would be displaced.

Posco executive Gee-Wong Sung chatted with farmers, chewing betel leaf with them until his lips turned bright red, and sought out the support of local Hindu priests. When villagers asked for new roads and bridges, he quickly agreed to build them.

But 10 days ago, a group opposed to the project seized three of the Korean steel company's employees, assaulted two, and held them for several hours. The incident rekindled anger that has polarized the area ever since [Posco](#) proposed to take over thousands of acres for a giant plant in this part of eastern Orissa state. "The complexion of the area has changed. The anti-Posco movement is increasing," says Tamil Pradhan, a supporter of the project, which at an estimated \$12 billion is the largest industrial investment in India planned by a foreign company.

India -- divided between a poor rural population and a growing but still-small tech sector -- is trying to fill in a largely missing economic piece: an industrial manufacturing sector. But industrial operations need large tracts of land. And acquiring and emptying these tracts is tough in a crowded country that, unlike next-door China, has competing political groups and powerful networks of social activists.



Gee-Wong Sung

Across India, conflicts have erupted over proposed mines, chemical plants and auto factories. Canada's [Alcan](#) Inc. said last month that it was withdrawing from a mining and refinery venture that has endured years of protests from residents unwilling to vacate land for it. An Alcan spokeswoman denied that project delays affected the decision to sell its share of the joint-venture with Indian aluminum giant Hindalco Industries Ltd. Though Hindalco says it has first right to purchase, Alcan hasn't announced a buyer for its stake.

The resistance is a problem not just for corporations but also for India's government, which has embraced a strategy of industrial growth yet struggled to prevent parts of the population from ending

up worse off than before. Although the Indian economy's overall growth rate is a booming 9% a year, it's only 2% in the large agriculture sector. Two-thirds of the population is still in these rural areas. A third of Indians live on \$1 a day or less. Officials would like to see more of them in industrial jobs, but the transition has been troublesome.

Many Indians are dubious of government promises of compensation for giving up their life on the land. And the nation's colonial past makes them suspicious, as well, of foreign companies drawn to India's rich resources and cheap labor.

Not all companies have protracted problems acquiring land in India. Flextronics International Ltd., a Singapore-based contract manufacturer, set up a plant in six months in the southern state of Tamil Nadu. Gururaj Ayekavadi, general manager of Flextronics India, says the local government made land available and handled relocation of residents, and the plant now employs 2,000.

But elsewhere, social activists and leftist politicians are tapping into rural anger to challenge the economic opening. Militant Maoists are also picking up support among disaffected rural residents, according to Kavaljit Singh, director of New Delhi's Public Interest Research Centre.

India has a history of disturbances related to land acquisition, most notably in big dam projects in the 1990s. As developers stake out property, though, new strains have surfaced over the sometimes heavy-handed methods of moving people, according to Rita Ray, a professor of Sociology at Utkal University in Orissa who studies resettlement issues. "Policy implementation has been very poor," she said. "The entire government machinery has to get involved and that's been very problematic."

'Point of No Return'

From a breezy bamboo grove inside the village of Dhinkia, Abhaya Sahoo, a leader in the



Peter Wonacott

Abhaya Sahoo, holding court in Dhinkia.

Communist Party of India, coordinates a coalition that is trying to outmaneuver Posco. Rejecting any contact with the world's third-largest steel company, he has barricaded the village and threatened to send out children as the first line of defense in the event of a police raid. "We've come to the point of no return. We must save our soil," says Mr. Sahoo, sitting cross-legged as he works on a manifesto called "The Posco Peril."

Lined up against him is Mr. Sung, manager of Posco's project here. No construction has yet begun on the steel project, which is many months behind schedule. Posco executives say

they're committed to it but have told Indian officials they'll explore other options if they continue to face delays.

Mining and metals companies want to be in India, both for the market and for the mineral wealth. India has among the world's largest reserves both of bauxite, a raw material for aluminum, and of iron ore, for steel. Last year the government said steelmakers alone signed 116 memorandums of understanding, for projects that could eventually result in \$80 billion of investment and a quadrupling of India's steelmaking capacity.

The government has been setting up special economic zones that offer tax breaks, relaxed labor rules and expedited business licenses. It estimates the 99 zones established so far have spawned 35,000 jobs.

But clashes between police and residents over land acquisition recently led to some scaling back. In April, the ministry of commerce limited the size of economic zones to 5,000 acres. It earlier promised not to take fertile farm land. A national policy, drafted last year though not yet adopted, would require Indian states to conduct social-impact surveys, set up committees to monitor relocation and compensate landless laborers, not just property owners.

Such consideration of local wishes contrasts with practices in authoritarian China, where the government decades ago swiftly shifted farmers off land to create massive economic zones such as the entire city of Shenzhen. "India is a democracy. People own the land. If we wanted a zone the size of Shenzhen it would take us 30 years," says India's secretary of commerce, Gopal Pillai.

The Posco project was contentious almost from its beginning two years ago. The South Korean company's initial plan was to acquire 5,000 acres, relocating thousands of families. Facing opposition, it revised this to 4,004 acres, all but 435 of them government-owned.

Mr. Sung set about winning local support with a time-tested sales pitch. He said the plant, built in stages, eventually would employ 18,000 people. Posco envisions it at the center of a regional business hub as new roads, rail lines, a seaport and three dedicated iron-ore mines would spur investment and trade. Over three decades, Posco says its project would help create nearly 900,000 jobs. "This is a megaproject -- we need manpower," he says.

He set up an office in a school building and, with a mix of Korean and Indian executives, began paying visits to the area's villages to drink tea and pose for pictures. He chewed Paan -- a bundle of spices wrapped in a betel leaf -- "more than 100 times," he says, making a face.

State officials agreed to an initial sale of more than a quarter of the needed land for \$53 million. Posco also won approval for a special economic zone surrounding the project.

The remaining 2,900 or so acres have been tougher to acquire. Posco estimated that taking control of them would mean displacing 450 families. Critics said the number was 10 times that. On the 435 acres that are privately owned, many owners said they wouldn't sell. Mr. Sung says Posco, which has already scaled down the project's size and repeatedly redesigned the layout, isn't willing to walk away. "We need some private land. We have to put more effort into persuading the villagers," he says.

Behind the Opposition

Mr. Sahoo, who like Mr. Sung is 48 years old, is behind much of the opposition. The state government and Posco said the targeted land -- a flat, sandy expanse just off the Bay of Bengal -- was largely barren. Mr. Sahoo set out to prove them wrong. He described the soil as "sweet sand" that supports betel vines, cashews and coconuts. Residents of Dhinkia have kept Posco contractors from entering the village to do topographic surveys and social and economic studies that might confirm the company's views.

From his cot under a grove of bamboo, Mr. Sahoo receives other activists and politicians who come to Dhinkia to support the anti-Posco cause. Part of his argument is that although life isn't easy for people making a living on the land, they have intangible benefits such as a clean environment, fresh food and the ability to live together in extended families. "Big companies in air-conditioned rooms can't see the sunshine," he says, his face glistening with a light sweat. "The standard of living here is very good."

Residents don't have to look far to see what can happen when land is lost to an industrial company. In the nearby village of Trilochanpur, Indian Oil Corp. bought 3,350 acres seven years ago for a \$6 billion petrochemical complex. The \$2,300-per-acre offer appealed to families who had been shattered by a recent cyclone, says Maheswar Mohapatra, 70. But he says he and many neighbors regretted selling when the money ran out and jobs at the still-unbuilt plant didn't appear.

Indian Oil didn't respond to interview requests. A company executive who says he isn't authorized to speak to the media says there will be jobs when construction on the complex begins next year.

In another case, at a small town called Kalinganagar, the state government tried to force people off land for a [Tata Steel](#) Ltd. project. In a resulting battle, a policeman was hacked to death and 12 villagers were killed. Since then, Tata Steel has assumed resettlement duties from the government and has moved about half the people to "rehabilitation colonies" to train them in construction skills, according to company spokesman, Sanjay Choudhry. He says protests have subsided.

The Kalinganagar violence attracted powerful opposition to the Posco project. It includes Mr. Sahoo's boss, D. Raja, secretary for the Communist Party of India, which supports the central government's ruling coalition but is also a frequent critic. Mr. Raja says he welcomes foreign investment in technology, but India is giving up too much to a foreign company in the Posco matter: a captive seaport, ore mines and vast tracts of farm land.

"The government shouldn't get into the obsession about foreign investment and let it determine the fate of the country," he says.

In the month after the Kalinganagar clash, his party organized anti-Posco protests in Orissa state and New Delhi. Mr. Sung at Posco says friends at other companies advised him not to get too worked up about the demonstrations, because they are common in India. But he says his 85-year-old mother would call him from South Korea after reading about each one and urge him to return to Seoul where it was safe.

Following the Kalinganagar clash, the state drafted a new relocation policy promising compensation, employment and other aid for displaced families even if they didn't own land they farmed or even if they encroached on government property. Some locals suspected a ploy. Mr. Sung says, "We would tell them the government will make sure we keep our promises. They would say they don't trust the government."

Resisting Eviction

Other objections to the project also arose. In Dhinkia, farmers said they feared that a steel plant beside a proposed petrochemical complex would damage the ecology, hurting farm incomes even for people outside the project area. "Posco would be taking our good air," says Pramila Mohapatra, 55. A 12-year-old village girl nods, saying she would march to the front lines with other children to resist eviction.

As tensions rose last year, the Communist Party's Mr. Sahoo prepared villagers against a possible attempt to evict them. They erected barricades and dug trenches, including deep troughs in the road that force entering vehicles to slow. When workers associated with the Posco project arrived to try to do topographic surveys, villagers chased them off with bamboo poles.

The local police superintendent says he is compiling a charge sheet against Mr. Sahoo that includes forcibly restraining public servants who visited the village. But with the risk of violence high, he isn't making arrests now, says the official, Y.K. Jethwa. He has advised Posco to avoid Dhinkia. In these insular communities, some locals who favor the steel project call Mr. Sahoo -- who grew up in a village about a dozen miles away -- an outside troublemaker. They say he has little to lose from resistance, but to support his political agenda he's depriving a great many of the project's potential benefits.

"Why are we cut off from Posco? If we talk to them we could at least make our own demands," says Mr. Pradhan.

Posco's Mr. Sung, unable to talk to plant foes in Dhinkia, printed 100,000 leaflets to insert in local newspapers. A distributor friendly to protesters removed them. Banned from the village, Mr. Sung invited residents to come to see him. He says some who did come revealed new suspicions, one farmer asking him: "Are you spies for America?"

Violence elsewhere hurt Posco's cause in March. An attempt to establish a special economic zone in the West Bengal hamlet of Nandigram brought a battle between police and farmers armed with machetes and bricks. Fourteen residents were killed. The West Bengal chief minister accepted blame for rushing development and canceled plans for the economic zone.

In the wake of that clash, Indian Prime Minister Manmohan Singh met with the top official of the Orissa state government. Afterward, Posco was urged to negotiate acceptable land-acquisition terms directly with the farmers. The order presented a quandary for the company: How to expand local support if it's supposed to avoid volatile areas.

Around that time, Mr. Sung had begun lobbying local Hindu priests. In his visits to village temples, Mr. Sung says he would tell them, "Posco needs peace. Please pray for peace." A group of village leaders this month warmed to the company's plans, provided certain demands were met.

Mr. Sung was elated. "It was the kind of moment where I thought we could overcome," he says. "As an engineer, I could start my work."

Then came the kidnapping of Posco employees on May 11, a stinging setback. Despite threats from villagers in Dhinkia, Mr. Sung returned the next day to an adjacent project area to meet with locals. Before he departed, his mother called, once again asking when he would be home in South Korea.

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