

# The POSCO-India Project and the Land War in Odisha

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## 《Abstract》

In contrast to earlier market-oriented Korean FDIs in India, the POSCO-India project has been embroiled in legal and procedural quagmires and protests from many anti-POSCO groups. Indeed, the project has been one of the most controversial issues in the state, and it has generated a lot of protest. The project ran into trouble from the outset. Villagers were opposed to the acquisition of their land on a fertile strip on the coast of the Bay of Bengal near Paradip, which is famous for its betel vines. Their resistance was largely because the betel-based economy sustained 20,000-odd people in eight villages in Dinkia, Nuagaon and Gadakujanga gram panchayats, which stood to be affected by the project. The villagers, who gathered under the banner of the POSCO Pratirodh Sangram Samiti (PPSS) to protest the acquisition of their land, rejected the state government's rehabilitation package. POSCO suspended its project in July 2015 and later decided to temporarily freeze the project in 2016. POSCO confirmed its withdrawal from the project by requesting the Odisha government to take back the land on March 18. So, why did the POSCO-India project fail in Odisha? Why did POSCO decide to invest in India and why did the Odisha

government welcome it? What was the origin of the protest against the project, and what was being asked for? The main reasons for the delay and defeat of the project were the failure to build a local political consensus on the project, disputes about government records of the land, and compensation. There were especially strong protests against the project from the prospective displaced persons. Compulsory displacements due to the project unleashed widespread social, economic and environmental changes. Forced displacement epitomizes the social exclusion of certain groups of people. With this background, I examine the failure of the POSCO-India project, the industrial development path and the project-affected persons (PAPs) discontent in Odisha, and I conclude that the “Land War” in Odisha may not stop for some time.

## **I . Introduction**

Faced with a severe balance of payments crisis as foreign exchange reserves plummeted to US \$1 billion in late June 1991, India entered into an International Monetary Fund (IMF) structural adjustment program. In addition to the conventional expenditure switching and reducing policies, as part of the IMF agreement, India enacted a range of far-reaching economic policy reforms – the New Industrial Policy (NIP)- in July 1991 in the external, industrial, financial and public sectors. A major shift occurred when India embarked upon this economic liberalization and reform program to raise its growth potential and integrating with the world economy (Park 1991).

Generally, economic engagement with another country involving goods productions goes through the three phases extensive to intensive production and trade, beginning with labor-intensive manufactured export

trade, moving onto financial and technological collaboration, to foreign direct investment (FDI). The last entails ownership of productive assets abroad. Korea's partnership with India has more or less followed this path, especially with the economic reforms of 1991. Korean companies have stepped up FDI in India and formed joint ventures with Indian companies or made greenfield investment in automobiles, consumer goods and other sectors (Park 2005). With a growing population of over 1.2 billion and a rising Indian middle class (D'Costa 2005), India offers investors a huge domestic market to exploit, especially as Korea's domestic market is beginning to dry up.

In this paper, I examine Pohang Iron and Steel Company's (POSCO) involvement in India, particularly in the mineral-rich eastern state of Odisha. Economic liberalization in India has made Odisha potentially the most attractive destination for large, capital intensive, mineral-based projects by private sector firms (Mishra 2010, 49). POSCO signed a memorandum of understanding (MoU) on June 22, 2005 with the Government of Odisha to set up an integrated steel plant and a captive port in the Ersama Block of Jagatsinghpur District, Odisha. POSCO has plans to invest about US\$12 billion to produce 12 million tonnes of steel per year, potentially the single-largest FDI in India.

Aside from offering another case of Korean heavy-industry business expansion in Asia, POSCO's intended venture in India has been highly controversial. It raises ethical dilemmas surrounding large-scale acquisition of land that dispossesses and displaces large number of people whose livelihoods are at stake. In contrast to other market-seeking FDI in India, the POSCO-India project has been highly contested, generating a lot of protest.

However, POSCO is not alone. Other similar mineral-based projects

including those by Tata, and Vedanta also faced opposition. Also in Orissa, indigenous cultivators were opposing the transfer of their sacred Niyamgiri Hill to London-based Vedanta to mine bauxite for its aluminum smelter, while in Kalinga Nagar police fired upon farmers who refused to relinquish land for a Tata Steel plant, killing fourteen people. (Mishra, I. 2007; Mishra, S.K. 2006; Padhi and Adev 2006). Outside of Mumbai, farmers along Maharashtra's Konkan coast fought and eventually defeated the land acquisition for Reliance Industries' Maha Mumbai Special Economic Zone (SEZ), slated to be the largest in the country. Outside of Gurgaon in Haryana, Reliance's other mega-SEZ was losing a slow war of attrition. (Levien 2013, 3) A struggle pre-dating Nandigram in the villages of Singur, West Bengal, eventually succeeded in shutting down a Tata car factory that planned to manufacture the much-hyped "Nano." (Fernandes 2007; Banerjee et al. 2007, Bhadra and Ray 2007; Bhattacharya 2007; Patnaik 2007; Levien 2013, 3).

In Uttar Pradesh, farmers were fighting land acquisition for the privately-built Yamuna Expressway, which entailed large transfers of land to private builders, and successfully challenged land acquisition for residential development around Greater Noida. SEZs were being held up near Mangalore, Hyderabad, along the Andhra Pradesh coast, and across Maharashtra. Many were being scrapped, including two outside of Pune, and all of the SEZs proposed for the state of Goa. Others were bogged down in costly delays and had to seek extensions of their approval (Business Standard 2009, cited from Levien 2013, 2). Even in Gujarat, often heralded as the most successful state in facilitating land acquisition for industry, the press reported in 2009 that, due to land acquisition problems, no work had commenced on fifteen approved SEZs. Added to all of this, India was facing a growing Maoist insurgency that now controlled large

swathes of mineral-rich territory from Andhra Pradesh to Nepal, and which, by the government's own admission, was clearly being fuelled by land dispossession for mining and industry (Government of India 2008, 50 cited from Levien 2013, 3). What is more important is that these protests are not necessarily anti-industrialization, but rather are driven by strong environmental and moral concerns (Temper and Martinez-Alier 2007).

In sum, what came to be known as "land wars" were not only becoming much more widespread, but farmers were, in an unprecedented fashion, starting to win. By the late 2000s, land acquisition had become, in Prime Minister Manmohan Singh's words, "a very sensitive issue", and the government and business classes voiced acute concern that farmers were becoming the largest obstacle to India's emergence as a "world class" economic power (cited from Levien 2013, 3).

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 Development Corporation Odisha (IDCO) 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 (Mishra 2014, 1-5). 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 Dinkia, Nuagaon and Gadakujanga gram panchayats that would be affected by the project. And about 3,566 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 (Park 2011).

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 (PPSS) to protest the land acquisition, rejected the state government's rehabilitation package. While the IDCO 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, still, not a brick was laid in the project area. There were several reasons for this. The main objectives of POSCO-India project were to secure raw material and penetrate the Indian steel market. POSCO had launched the project in India to build an integrated steel plant. Locating a plant close to raw materials source is a cost reducing strategy, especially when freight costs are on the rise. It is a representative type of resource seeking FDI. Though the steel plant was central to the project, it had two other vital components – a port and a mine. POSCO's stand on getting the captive mine and port was driven by its intention to source iron ore from the Khadadhar hill in Sundargarh district at cheap rates. 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 (Sahu 2017).

POSCO had suspended its project in July 2015 and again later by deciding to temporarily freeze the project in 2016. POSCO confirmed the withdrawal of its project by requesting the Odisha government to take back the land transferred in its name, according to a statement by Odisha's industry minister Devi Prasad Mishra made on March 18, 2017. (Mahapatra 2017). Giving up the land essential for building a steel mill means POSCO has finally decided to abandon the Odisha project, which has been delayed for

12 years.

In this paper, I try to address a few questions, such as, why the POSCO-India had failed in Odisha? why did the POSCO decide to invest in India and why did the Odisha government welcome the project? What is the origin of protest against the project and what are the demands? How are those affected to be compensated and how is resettlement and rehabilitation of these displaced people being approached?

To address these questions, I examine the background of POSCO's investment, India's industrial development path, and the discontent expressed by the "project affected persons" (PAP) in Odisha. I also suggest a desirable approach to land acquisition that rests on trust, moral economy and corporate social responsibility (CSR). The paper is organized as follows. In section II, I analyze the background of POSCO investment in India. This is followed by a review of industrialization strategy for poverty alleviation and sustainable development in Odisha. In Section III, I analyze the people's discontent with the POSCO project. The political economy of land acquisition in India and the impoverishment risks and reconstruction (IRR) model based on moral economy are examined in Section IV. The last section, briefly offers some implication for FDI engaged in the extractive and energy sectors in developing countries.

## **II . Background of POSCO's Investment in India**

### **1. International Expansion and Market Competition**

During the late-industrialization process in South Korea, the steel industry was a one of the major "generative sectors" in the capitalist world economy (Shin and Ciccantell 2009, 171). The Korean government

established POSCO in 1968, and the company received extensive government support from the beginning. Since then, POSCO has aggressively led technological advance and business expansion both inside and outside Korea. In the 1990s POSCO completed its Pohang Works project and further expanded its capacity by completing its Kwangyang Works project, increasing its steel production capability to 28 metric tonnes per year (MTPY) (POSCO annual report 2010). POSCO was able to build its production capability and technology to compete in the international settings. Based on “state autonomy, indigenous technological capability and competitive industrial policy”, POSCO could maintain the “structural competitiveness” in the steel industry (D’Costa 1994, 1999).

The 2000s were years of international expansion for POSCO. Recognizing the importance of securing the raw materials and increasing competition from outside country, POSCO had to expand its business outside Korea. The steel industry is considered a logistics industry because of high transportation cost of steel rolls. Furthermore, lots of heavy materials are required to produce steel. Therefore, the steel industry must establish regional manufacturing facility where it produces steel that meets regional demands and be able to provide with minimum logistics cost. POSCO has been working to establish such regional networks over the past few decades (POSCO annual report 2010).

In addition to the high cost of logistics, there are several reasons that POSCO needs to expand internationally. Prime end-user industries for steel are automakers, shipbuilders, construction and engineering, and machinery industries. In a given country, there are always limiting demands for the steel products because steel demand is a derived demand. Furthermore, traditional steel buyers in Korea - automakers - are expanding their production facilities overseas. Hyundai Motor group has established

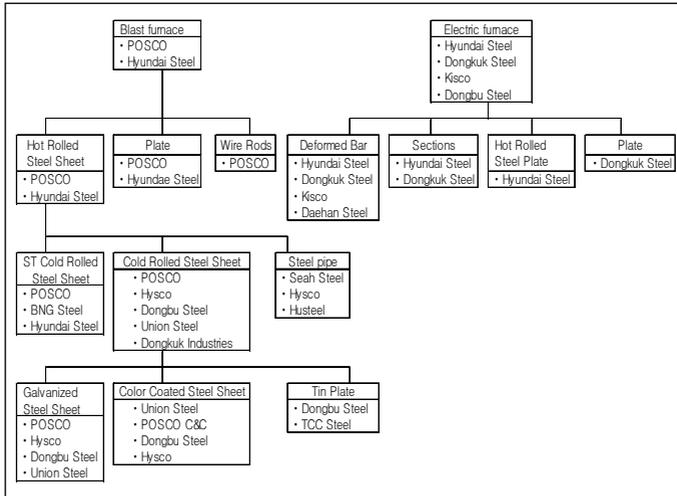
production facilities all over the world. Given the economic maturity of the Korean economy, which has resulted in decreasing steel consumption, POSCO has been compelled to find new markets. In response, POSCO has pursued a new strategy, expanding its business by reaching out to international markets where demand growth is high.

POSCO has been making efforts to develop export markets for high value-added steel products. Thus, POSCO needs to find new customers to purchase its steel products for automobile manufacturing and as a result, POSCO has established many steel processing centers abroad especially in Asian countries (POSCO annual report 2010). Since the privatization in 2000, POSCO has invested in high return projects in the downstream process as well as try to match the development of the Korean automobile and electronics industries.

The Korean government had tried to keep the monopoly of POSCO in the upstream process in the 1990s through the license system. The Hyundai group announced installation of a new integrated works in 1995. The government decided not to accept Hyundai's plan or any other plan to build a new integrated steel plant with blast furnaces, fearing excess capacity. However, the market structure had totally changed since the economic crisis in 1997. First, the Hyundai Motor group enhanced its presence significantly in the steel industry. The group started buying bankrupted steel makers. Inchon Steel, a firm that belongs to the group, absorbed Kangwon Industries in 2000, and took over Sammi Special Steel and altered its name to BNG Steel. Inchon Steel as such became INI steel in 2001 (now Hyundai Steel) and in 2004 INI Steel bought the Dangjin plant of Hanbo Iron and Steel. Second, POSCO was completely privatized in 2000 (Lim 2003, 52-5, cited from Sato 2009, 19).

This has created intense competition in the flat product markets among

&lt;Figure 2-1&gt; Structure of steel industry in Korea



Source: Author's collation based on data.

existing mini-mills and rolling companies and they too began to invest in new facilities, with the involvement of conglomerates (Sato 2009:19). Hyundai Steel has recently increased its annual crude steel production capacity from 15mn tonnes to 19 mn tonnes (11 mn tonnes using electric arc furnace and 8mn tonnes using basic oxygen furnace technology) with the beginning of steel production from its second blast furnace in December 2010(Credit Suisse 2011). As Hyundai Steel increase her market share in Korea, the monopolistic status of POSCO is on the decline. The downstream steel market in Korea is mainly led by POSCO and Hyundai Steel as shown in the <Figure 2-1>.

## 2. Procurement of Iron Ore and Market Seeking in India

Having already completed its industrial transition and become a mature

economy, Korea must find new sources of capital accumulation. Through innovation and upgrading, it is already engaged in maintaining its growth dynamic. However, in mature sectors in which it has been successful, such as the steel industry, POSCO is trying to maintain its viability through internationalization, in steel exports to the world economy, in production (as in Vietnam) but also by securing raw materials for new markets such as India and others.

The main objectives of POSCO-India project are to secure raw material and penetrate the Indian steel market. It has identified India as a priority market its huge domestic demand. More importantly, India is also well-endowed with iron ore. POSCO has launched a steel project in India to build an integrated steel plant. Locating a plant close to raw materials source is a cost reducing strategy, especially when freight costs are on the rise. It is a representative type of resource seeking FDI.<sup>1)</sup> It has market-seeking motives as well. POSCO's choice of Odisha as the stepping stone for its largest single-location India project was influenced by two factors: the state's rich iron ore deposits and its coastline. Around 35 per cent of India's iron ore deposits are in Odisha, but only a fraction of it is mined, and an even smaller fraction utilized locally. Odisha's long coastline facilitates shipments to locations globally (Balasubramanyam 2011).

As shown in the <Table 2-1> and <Table 2-2>, POSCO's original plan was to set up upstream projects (steel mills) in eastern India where raw material is available, and downstream plants (product factories) in western India where industries are based. POSCO expanded its reach in India

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1) Following Dunning (1993, 1998), one of the motive for a firm to actually engage in FDI activity can go under the heading of resource seeking. As Dunning (1993:56) himself puts it, this should include all the cases where enterprises are "prompted to invest abroad to acquire particular and specific resources at a lower real cost than could be obtained in their home country."

through the steel processing center. POSCO Maharashtra, is implementing the three downstream projects. The electrical steel sheet plant at Raigad as well as POSCO's coil processing units already operating at Pune, Gurgaon and Chennai, produces steel used in home appliances, automobile and power stations (Balasubramanyam 2011).

<Table 2-1> upstream of the POSCO-India project and locations

Project	Locations	Land
Steel plant	Nuagaon, Dhinkia, Gadakujanga	4,004 acres, of which 3,566 are classified as forest land
Captive port	Mouth of river Jatadhar	no clear territorial demarcation
Mines	Khandadhar Hills (Keonjhar and Sundergerh districts)	2,500 hectares Khandadhar Hills (no clear territorial demarcation)
Township	At steel plant and at mines	land not yet earmarked

Source: Mining Zone Peoples' Solidarity Group (2010, 6) with author's modification

<Table 2-2> POSCO's downstream supply chain management in India (2012)

	POSCO-IDPC	POSCO-IPPC	POSCO-ICPC	POS-Hyundai
Location	Delhi	Pune, Hyderabad	Chennai	Chennai
Partnership	POSCO, Samsung, Shinhan Bank	POSCO, LG	POSCO	POSCO, POSTEEL, Hyundai
Major market demand	Maruti, LG	Tata, Fiat, LG, Crompton, JCB	Hyundai Motors, Ford	Hyundai Motors, Ford

Source: Author's collation based on data

Notes: POSCO-IDPC: POSCO-India Delhi Steel Processing Centre; POSCO-IPPC: POSCO India Pune Steel Processing Centre; POSCO-ICPC: POSCO India Chennai Steel Processing Centre; POS-Hyundai: Joint Venture Company Promoted by three Korean Multinationals, Hyundai Corporation, POSCO and POSCO Steel Service and Sales Company (POSTEEL)

POSCO had opened new steel processing centers in Karnataka, Madhya Pradesh and Gujarat after starting five such centers and a manufacturing unit as it expands in India. The Indian market has great potential for automotive materials. That is why POSCO has been investing in this segment through processing centers, a galvanizing unit, and an electrical

steel unit. By introducing the latest blanking line equipment for automotive steel processing centers, POSCO is increasing its capacity to meet just-in-time (JIT) customer demand (POSCO annual report 2010). As shown in the <Table 2-2>, POSCO's processing plants are near Delhi, Hyderabad and Chennai all of which are part of POSCO Korea's marketing arm.

### 3. National Mineral Policy and Industrialization Strategy of Odisha

The new industrial policy in India opened up the iron and steel sector for private investment by removing it from the list of industries reserved for the public sector and exempting it from compulsory licensing. Imports of foreign technology as well as foreign direct investment are freely permitted up to certain limits under an automatic route. The Union Ministry of Steel plays the role of facilitator, providing broad directions and assistance to new and existing steel plants in the liberalized scenario.

One of the key developments in the mineral sector in the wake of economic reforms in India was the New Mineral Policy of 1993 and the amendments to the Mines and minerals Act 1957, which brought about the deregulation of the mining sector by allowing 50 % investment by foreign companies in mining and opening all non-atomic and non-mining minerals to private investment.<sup>2)</sup> Another important trend in the sector following the amendments in the Mining Act and Policy has been the widespread growth of small-scale iron ore exporters. The current export policy for raw materials like iron ore was formulated under the 2004 Foreign Trade Policy

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2) In December 1999, the Act was renamed the Mines and Minerals Development and Regulation Act, with further changes including: 1) Introducing a provision for reconnaissance permits, 2) Raising the cap on foreign direct investment to 100% in February 2000, 3) Giving the states the right to grant leases for exploiting 15 minerals with the other major minerals still remaining in the hands of the central government (Government of India 2009).

(Asher 2009).

The Planning Commission under the UPA government set up a high-level committee to review India's mineral policy and suggest further policy changes needed "to attract more foreign and domestic investment in the mineral exploration sector". The committee under the chairperson Anwarul Hoda is expected to give a 'new direction' to the India's mining sector.<sup>3)</sup>

With the rising metal prices and deregulation, mineral-rich state Odisha started aggressively attracting both domestic and foreign investment into this crucial sector. Odisha had only two iron and steel plants until 1995. Growth in the iron and steel sector remained marginal in the 1995-2000, but saw a rapid spurt in the post-2000 period. By November 2005, the BJD-led government in Odisha had signed 43 MoUs in the iron and steel sector. Of these, six (including POSCO-India) were mega steel projects, all above 3 MTPA capacity as shown in <Table 2-3>.

Given its agro-climatic conditions, natural resources endowments, and long coastal line, Odisha is often cited as a case of unfulfilled potential for both agricultural and industrial growth (Government of Odisha 2004, 227). The most striking observation one can make about Odisha is that while it is rich in resources, the people are poor. The existence of significant iron ore,

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3) Emphasizing the criticality of FDI in this sector the committee report suggests as follows; "In view of the paramount need to take a quantum leap in steel capacity and per capita steel consumption and keeping in mind domestic financial and technology ground realities, there should be no barrier for one or two large foreign entities with a proven track record and access to global finance and cutting edge technology to enter the Indian steel scenario... Such entry would bring in its wake multiplier benefits of latest construction and operating technologies in raw material processing and steel making on the one hand and on the other, lead to deeper integration of Indian steel with the world market place. Such entry should, however, be limited to only a few large scale projects of, say, minimum 10 MTPA (million ton per annum) which can be considered of national importance, in order to make a quantum jump in steel production in quantity and quality" ( [http://planningcommission.nic.in/reports/genrep/rep\\_nmp.pdf](http://planningcommission.nic.in/reports/genrep/rep_nmp.pdf)).

&lt; Table 2-3 &gt; List of mega-steel plant project in Odisha (as on Nov. 2005)

Company	Location	Capacity (million ton per annual.)	Investment (crore Rs.)	Year of MoU
Tata Iron and Steel	Kalinganagar, Duburi, Jajpur	6.0	15,400	2004
Sterlite Iron and Steel	Palasponga, Keonjhar	5.1	12,502	2004
Hygrade Pellets	Paradeep	4.0	10,721	2005
POSCO-India	Paradeep	12.0	51,000	2005
Jindal Steel and Power	Deojhar, Keonjhar, Angul	6.0	13,135	2005
Bhushan Steel and Strips	Meramundali, Dhenkanal	3.0	5,828	2005
Total		36.1	108,586	

Source: Park (2011).

coal, bauxite and among other resources in Odisha held out to its political leaders the promise of rapid industrialization through natural resource extraction (Kale 2007, 81). With the change of power from Congress to non-Congress parties in the 1990s, there was a growing realization among the political class in Odisha. The 1990s brought a radical break with previous policy, opening up industrial sectors to both indigenous and multinational capital (Kale 2007, 94-5).

For Adduci (2012), the privatization process of mineral resources appears to be a crucial arena for the reproduction of longstanding relations of social dominance in Odisha. By embracing the neoliberal project this social class has expanded its own role of facilitating capital through its cheap access to the raw materials of Odisha. At the same time, within the neoliberal tern of capitalism, new space for the social reproduction of the Odisha neo-rentier class continues to be created (Adduci 2012, 93).

Since 1993, the privatization process in the Odisha mineral sector has been encouraged by the local government. For the first time since Independence the exploitation of two of the four major minerals present in state territory - chromite and iron ore - was fully opened up to the private sector (Adduci 2012, 77-8). Of the 162 mining leases granted in Odisha

&lt;Table 2-4&gt; Growth in Mineral Production in Odisha since Liberalization

(in million tonnes)

Year	production	% increase in production over previous year
1991/92	37.20	19.73 %
1992/93	39.86	7.15 %
1993/94	40.58	1.81 %
994/95	43.86	8.08 %
1995/96	51.12	16.55 %
1996/97	56.91	11.33 %
1997/98	62.81	10.37%
1998/99	63.43	0.99 %
1999/2000	64.49	1.66 %
2000/01	68.92	6.88 %
2001/02	74.98	8.79 %
2002/03	87.36	16.51 %
2003/04	108.01	23.95 %
2004/05	127.05	17.64 %
2005/06	139.68	9.94 %

Source: Government of Odisha (2007) cited from Adduci (2012)

since Independence for the exploitation of chromite, iron ore and bauxite, nearly one third have been granted since the start of liberalization and 80% of these were granted to private players (Government of India 2009; Government of Odisha 2005). The overall number of mining leases granted post 1993 for iron ore extraction constitute close to 70 % of the total number of leases granted after liberalization (Government of India 2009). As shown in <Table 2-4>, within ten years of India's opening up to liberalization mineral production increased by 100% and in following years it continued to soar (Adduci 2012, 79).

The Odisha government notified its new industrial policy in March 2007. In order to attract investors, the policy created a framework of governance structures with the sole purpose of speedy and easy establishment of industrial projects (Asher 2009). In this development path, Odisha

government has welcomed POSCO investment expecting the project will open new employment opportunities and also contribute to poverty alleviation (Park 2011).

### **III . Local Response and Reflections on POSCO-India Project**

#### **1. Different views on the POSCO-India project**

In my earlier work (Park 2011), I identified the main reasons for the delay in the project; the failure to build local political consensus on the project, disputes over Government record on the land, and compensation. It is important to recognize the difference between market-seeking FDI and resource-seeking FDI, such as the POSCO-India project. The project and its three interlinked but distinct components - the captive port, steel plant and mines - have faced separate hurdles at every point. There has been strong protest against the project from the prospective displaced persons. Forced displacement epitomizes social exclusion of certain groups of people from a specific geographic territory and reinforces economic and social exclusion from existing social networks (Cernea 2000; Downing 2002).

The controversy surrounding the POSCO-India project has clearly emerged as a struggle around material issues of livelihood and the economic future of local communities in coastal Jagatsinghpur and the Khandadhar hills of Keonjhar and Sundergerh. The people of local community clearly see the agrarian economy as one that assures them a future. However, the government of Odisha claims that the POSCO-India project, among others, is a crucial part of the economic advancement of the State. (Mining Zone Peoples' Solidarity Group 2010, 29)

Initially the opposition to the POSCO project was widespread in all the

eight villages where it was supposed to be sited. Subsequently, a number of the villages, except one, changed their opinion. The villagers are almost equally divided between supporters of the POSCO project and opponents of the project. One village, Dthinkia, however, has remained steadfastly opposed to the project; so much so that the villagers drove out of the village the few families that were favorably inclined towards the project (Government of India 2010, 6). The hostility has reached levels where violent assaults among the villagers have taken place, as well as confrontation with the police, resulting in grievous injuries and even in death (Government of India 2010, 6).

A primary axes along which the comparison of the different views on the POSCO-India project can be labelled “current livelihood vs promised livelihood”. The current local economy yields incomes to different classes of people differentially: those who own land vs. those who do not have land, those involved in betel vine culture vs those involved in pisciculture, and so forth (Mining Zone Peoples’ Solidarity Group 2010, 29).

Along with these mega projects, open pit coal mining result in large land acquisition—mainly agricultural lands for mining operations. These projects were executed in resource-rich regions, which have been occupied by tribal and rural poor. Although these development projects have brought manifold benefits to the state, they have resulted in large-scale deforestation, not only for raw material exploitation, but also for acquisition of vast areas of land under cultivation for the establishment of factories, reservoirs and so on. The unintended consequence of such action has not only meant loss of habitat for the rural tribal poor, but also of their means of livelihood, which had been mainly agriculture, and utilization and sale of forest products. The groups displaced have been mostly the weaker sections of the society, indigenous people belonging to Scheduled castes (SC), Scheduled tribes

(ST) and Other backward classes (OBCs). At the root of these problems is an entirely different world view of natural resources. Governments and companies have one perspective, whereas indigenous peoples and some local communities have another. The former consider the natural resource, a means of generating wealth, while indigenous peoples have multiple relationships, including economic, spiritual, cultural, and in some cases kinship, to the same lands, lands that are fundamental to their identity, survival, well-being, and security (World Bank Group and Extractive Industries 2003, vol. 2, 47).

The indigenous peoples have continuously maintained that their rights have not been respected in extractive industries projects supported by their state government. The question of control over land and resources has surfaced as one of the most contentious issues and has created a legacy of distrust, impoverishment, violence, and conflict, often ending in gross human rights violations and even bloodshed as shown in Kashipur, Kalinga Nagar, Singur and Nandigram (Park 2011; World Bank Group and Extractive Industries 2003, vol. 2, 47).

## **2. Fear of dearth and strong resistance against the eviction**

Why is the resistance to POSCO-India project so strong? In Jagatsinghpur, Odisha, of the 4,004 acres required for the POSCO-India steel plant site of the project area, only 438 acres are private land. The rest is government land, recorded as “under forest” or “*anabadi*”. The fertile *anabadi* land is under the possession of the local people for ages as it is suitable for the growth of betel leaf (*pann*). More than 15,000 *pann baraj* (betel leaf farm) are on Government land. Government records do not show that most of this land has been under betel, cashew and other cultivation for generations. The last settlement record was prepared in 1984. It

recognizes only claims on agricultural lands under regular occupation. In absence of regularization of their legal titles on such lands, these “illegal occupants” and “encroachers” have been consistently and systematically displaced and evicted in the name of development projects, most without any rights to rehabilitation. Other uses such as grazing, collection of firewood, forest produce and cashew cultivation or even fishing are unrecorded. These are livelihood activities that account for the subsistence of a large number of families in the area. Yet the records show the land as belonging to the government. That is why resistance to POSCO-India is so strong (Asher 2009, 13-16).

For Scott (1976), “the position of them is like a man standing permanently up to the neck in the water, so that even a ripple might drown him.” (Scott 1976, vii ). “Fear of the dearth” explains many otherwise anomalous technical, social, and moral arrangement in peasant society (Scott 1976, vii ). The fact that “subsistence-oriented peasants” typically prefer to avoid economic disaster rather than to maximize their average income has enormous implication for the solution of the land problems. To find out the underlying factor of PAPs’ protests against the POSCO, one should understand the “moral content of subsistence ethics” of rural Odisha. For these people, eviction from the land or forest is a total loss of traditional means of subsistence (Scott 1976).

Restriction of forest use is one of the galling to peasants. As Scott (1976, 63-4) notes, “If the resources that had always been as free as the air they breathed and that remained close at hand were suddenly denied them they could not bear it and struggle against the eviction.” Especially in the backward areas such as Odisha, subsistence-oriented peasants “resort to more violent outbursts and revolutionary solution” (Sathe 2011, 153). As Basu (2007, 1283) has underlined, “the peasant had a holistic culture that

directly opposed the commodity culture of globalization. Loss of land will deprive the peasants of the opportunity to work, which is the realization of human existence, even if they can earn sufficient interest income from the monetary compensation without doing any work.” People get adequate sustainable resources including food materials from the land and forest. They do not see any bright future for them if the region is industrialized at the cost of losing their traditional means of subsistence (Meher 2009, 462).

### 3. Reflections on POSCO

POSCO has been in Odisha since 2005. POSCO started exerting pressure on the state to acquire land quickly. As the discussions became protracted, private rent-seeking agents and intermediaries including some political organizations have gotten involved in the process. Meanwhile, the locals are also organize themselves, or are induced to align either with local political groups such as PPSS (POSCO Pratirodh Sangram Samiti), Bhitia Mati Bachao Andolan (BMBA) or non-governmental organizations (NGOs) to resist the intended investment by POSCO.<sup>4)</sup> With time, the communication gap and distance between the positions held by both sides increases. As the situation becomes difficult, the blame game starts. Violent clashes have occurred between the “pro-POSCO” and “anti-POSCO” faction. This leads to huge opportunity costs for both sides (Kakani, et al. 2009, 137).

The project has split coastal communities in Odisha. About 52 families of Abhayachandpur hamlet of village of Dhinkia who had openly supported the project were forcefully driven out by the villagers of Dhinkia and PPSS.

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4) Loosely translated, PPSS is an anti-POSCO organization aimed to protect human rights, livelihoods, and the environment affected by the POSCO project and BMBA is a movement to save the people dependent on the POSCO-affected land.

Administration asked POSCO to immediately initiate a transit house and keep them with support from project. POSCO relocated them at the “Transit Camp” with make shift arrangements near Balitutha. As Mishra(2014) noted, “that was an opportunity for POSCO to show in action how an international and foreign company can support as an exemplary activity, but here POSCO did not show any exemplary support” (Mishra 2014, 31).

Since leaving their villages and resettling in the Transit Camp, these villagers have suffered clear and dramatic declines in their enjoyment of a number of rights, including but not limited to their rights to housing, food, water, health, education, and work. Transit Camp residents live in cramped and sweltering one-room homes with roofs containing asbestos. These accommodations fail to protect residents from both heat and rain and pose serious health risks. While they previously enjoyed access to abundant, clean water in their villages, residents now share one tubewell and complain of irritation to the throat and skin upon contact with the water. The sanitary facilities are limited and in poor condition, and women and girls lack privacy when using these facilities for bathing (International Human Rights Clinic, ESCR-Net 2013, 6). According to an official investigation of the National Commission for Protection of Child Rights (NCPCR), Indian authorities have failed to ensure Transit Camp residents’ access to essential health, education, and child welfare services, which has had an acute impact on young children and girls residing in the camp (cited from International Human Rights Clinic, ESCR-Net 2013, 6).

Relocation to the Transit Camp - which is located far from work opportunities or land on which to farm - has impoverished residents and pushed previously self-sufficient families into economic dependence. Without sufficient employment opportunities they are forced to rely on a

daily allowance provided by POSCO, Rs. 20 per person, an amount that is grossly insufficient to meet their needs and the needs of their families (International Human Rights Clinic, ESCR-Net 2013, 6).

As Mishra (2014, 31-2) states, “ The people by and large in the locality started disbelieving the commitments of POSCO that they will ensure the project affected people a better live for tomorrow. It is a fact that POSCO rehabilitation and resettlement (R&R) team was not well equipped nor government RR initiatives are properly executed. Hence the grievance redress mechanism, which should have been very vibrant at Paradip to bait the mind set up of the people, was conspicuous by its absence.”<sup>5)</sup>

As Balaton-Chrimes(2015) notes, “POSCO and the Government of Odisha have failed to provide timely, accurate and comprehensive information to those who are going to be affected by the POSCO project, and this has negatively affected the communities’ ability to express grievances and concerns regarding POSCO’s current and proposed activities in two key ways. Firstly, publicly available information about the project is dominated by studies produced by POSCO or bodies funded by POSCO, which constitutes a conflict of interest. Secondly, there is

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5) According to Mahapatra (2017), those who extended whole-hearted support for the project and submitted their land are living a more miserable life. “The government betrayed us. We surrendered all our resources to see the industry in our area and enjoy the benefits of industrialization. But the government couldn’t make it possible. Nor has it returned the land to us to continue our traditional economic activities like raising betel vines to make a survival.” said Tamil Pradhan, leader of people who supported the government. (cited from Mahapatra, 2017). The most pathetic story is of the people who sacrificed everything for POSCO and were kept by the government in the Transit Camp. “We were the first supporters of the project. But as POSCO decided to freeze the project, we suddenly became a burden on the government. The administration threatened to disconnect electricity and lock the houses unless we vacate the transit colony immediately and return home.” said Chandan Mohanty of Patana village, who was the president of the POSCO Transit Colony Association (cited from Mahapatra, 2017).

presently a lack of clear and unambiguous information about POSCO's intentions in regards to the size of the steel plant, about which concerned people might make a complaint. This lack of information has become an even more serious barrier since 2012, when POSCO modified its proposed project by removing the privately owned land in Dhinkia and other villages from its land acquisition plan, and proposing a smaller plant" (Balaton - Chrimes 2015, 49).

For the last twelve years, villagers of Jagatsinghpur District have been consistently protesting against the establishment of the steel and captive power plant by POSCO. In response to the villagers' protests, the state government and administration, allegedly in collusion with POSCO sent police and paramilitary forces, which in some instances used excessive force against the resisters. The government has engaged in grave violations of laws, democratic processes and human rights, which include use of state force and intimidation to quell dissent against the POSCO project, setting up of barricades to prevent free movement, attempts of forced evictions, and account of loss of land, housing and livelihood. Local and global NGOs and media were concerned with the human rights violation cases and potential environmental destruction in the process of the project, and have recommended POSCO to consider human rights and environmental issues in the process. However, POSCO had not put much effort into solving economic, social, environmental issues and concerns in the Odisha steel plant project (Amnesty International 2011). The "moral damages" from the POSCO-India project are very real despite their intangible nature (Wong 2013).

## **VI. Land Acquisition and Compensation**

### **1. Changes of the Land Classification and Forest Right Act 2006**

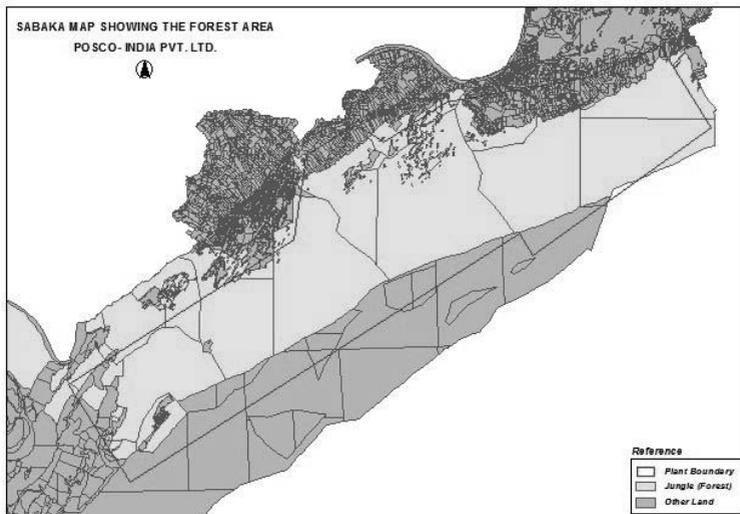
On June 2005, POSCO registered new company, "POSCO India Pvt. Ltd.", under the Indian Companies Act 1956, asked Government to acquire the required land for their project at proposed site through IDCO. According to Mr. Binod Chandra Mishra, who were in charge of land acquisition at IDCO, at the time of finalizing the land details of all the villages that are to be acquired for the POSCO. The land details were finalized taking in to account 842.96 acres of forest land, 2723.60 non-forest government land and 437.68 of purely private agricultural land. Thus all total 4004.24 acres of the land was finally worked out to be required for the project (Mishra 2014, 5).

The POSCO started initiating filing land acquisition for 437.68 acres of private land and submitted proposal to Collector for sanction of non-forest government land of 2723.90 acres. As per the Indian Law the forest land under Forest (Conservation) Act 1980 if any forest land is required for any purpose other than forest then a proposal is to be initiated for diverted of forest land following a set of principles, guidance with identification of equal extent of non-forest Government land to be used as compensatory land for forest. Hence POSCO initiated Forest Diversion Proposal of 842.96 acres (Mishra 2014, 10).

When the proposal was on the table of Forest Officer, IDCO, he examined and found that the settlement operation was completed in 1985 and under the FC Act the status of land has to be examined as on 25th October 1980 as a cut-off period defined by Supreme Court for understanding the status of Forest land. Since the Record of Rights was published in 1985, the forest

officer asked to submit the status of said land as on October 1980. It was examined as previous reference in land record. It was found that non-forest government land that has been notified by settlement authorities in 1985 was earlier in the status of forest land (Mishra 2014, 11). Thus the classification has been changed considering the forest land at pre-1980 status as shown in the <Figure 4-1> and <Table 4-1>. As a result, the total forest land is converted to 3566.56 acres and the forest diversion proposal including compensatory land for afforestation is increased almost four fold from the initial proposal (Mishra 2014, 12).

<Figure 4-1> POSCO-India site after inclusion of pre-1980 forest land



Source: Mishra (2014, 10).

&lt;Table 4-1&gt; Land Classification under the forest land at pre-1980 status

Name of village	Govt. Forest land	Non-Forest Govt. land	Private land	Total
Govindapur	893.96	0	73.26	967.22
Dhinkia	934.53	0	284.97	1219.50
Polanga	328.41	0	53.85	382.26
Nuagaon	736.11	0	3.42	739.53
Bhuyanpal	49.56	0	2.02	51.58
Bayanalakandha	52.03	0	2.41	54.44
Noliasahi	52.67	0	17.75	70.42
Jatadhar	519.29	0	0	519.29
Total	3566.56	0	437.68	4004.24

Source: Mishra (2014, 12).

While clearances from State Government and State Pollution Control Board were received fairly early, on 19 November 2006 (for the captive port) and 12 June 2007 (for the steel plant), clearances from central regulation has not been smooth. It received Environment and Coastal Regulation Zone (CRZ) clearances from the Government of India in 2007 but the clearance under the Forest (Conservation) Act from Government of India came late in December 2009 to be suspended since November 2010 for non-compliance with the Forest Rights Act 2006 and again granted conditional clearance in February 2011.<sup>6)</sup> The Ministry of Environment and

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6) The conditional clearance that came in early 2011 has some 60 additional conditions on POSCO's steel plant and captive port project in Odisha. Environmental clearance for the steel-cum-captive power plant is being accorded with 28 additional conditions over and above stipulated in the original environmental clearance of July 19, 2007. The environmental clearance for captive port is being accorded with 32 additional conditions over and above stipulated in the original environmental clearance of May 15, 2007. The Environmental Minister has also sought categorical assurance from the state government that there is no violation of Forest Rights Act (FRA) in the land acquisition process. Odisha government's assurance that those claiming dependence on land in the project area were not categorized as "other traditional forest dwellers (OTFD)" under Forest Rights Act is necessary (Government of India, 2010,b; Park 2011).

Forests of the Government of India, in response to the claims of N.C Saxena committee, issued a stop work order. The order directed that all land acquisition and transfer of land for POSCO India project, including handing over of the forest and non-forest land be stopped forthwith, and details submitted to the Ministry. The state government of Odisha and POSCO India respected the stop work order from the Central Government of India (Mishra 2014, 15).

On 16 August, 2010, N.C. Saxena committee, was appointed to look into the forest clearance proposal for bauxite mining in the Niyamgiri hills of Odisha for the Vedanta aluminum project, gave its report (Government of India, 2010, a), categorically stating that the proposed mining lease in the area should be disallowed because it would deprive tribal people, particularly Primitive Tribal Groups (TPGs) of their forest rights and destroy their lives. The Ministry of Environment and Forests acting on this report disallowed the forest clearance, rendering the mine inoperable. Since POSCO, like Vedanta is a large mineral based company in the process of establishing a major project in Odisha, the two projects are often equated in the public mind. There was an immediate assumption, therefore, that the POSCO project, too, would be disallowed. The police firing and death of adivasis opposing the Tata Steel Plant at Kalinganagar in January 2006, and in Nandigram over forced acquisition of land by the state has played a major role in putting pressure on the BJD-led government to treat cautiously in the POSCO case (Park 2011).

## **2. Land Acquisition Act of 1894 and the LARRA 2013**

The genesis of land acquisition in India lies in the Bengal Regulation Act (I) of 1824, enacted to promote British commercial interests in the country. The Land Acquisition Act of 1894 replaced all previous laws relating to land

acquisition. The end of colonial rule in 1947 and the Republican Constitution of 1950 did not bring about any significant change in the land acquisition law. Article 372 of the Constitution of India allowed all colonial laws to remain in force unless they were explicitly repealed (Ray and Patra 2009, 43).

The Land Acquisition Act of 1894—essentially a colonial measure intended to ensure a smooth acquisition of land for roads, railways, or irrigation works – empowered the state government to acquire land in any locality where such land is likely to be needed for any “public purpose” or for a “company”(Sarkar, P. 2007, 5). In the wake of the land acquisition in Singur, West Bengal, the act was criticized by social activities, commentators, and politicians on many counts: for being designed for subjecthood and not for citizenship (Sundar 2011,177); for the facilitating land transfers at a nominal rate of compensation and without rehabilitation; for not recognizing community rights over lands; and for not compensating those who tilled the land without having legal title (Guha 2007, 49-52, cited from Nielsen and Nielsen 2017, 135-6).

The fact that the nature and functioning of the 1894 Land Acquisition Act had been subject to intense scrutiny and a long public debate that had involved dispossessed populations, activist groups, NGOs, advocacy networks, and political parties soon led to broad call to change the legal framework under which land acquisitions are carried out in India (Nielsen and Nielsen 2017, 137). In December 2007, the Land Acquisition (Amendment) Bill, 2007, was introduced in the Lok Sabha. It was later amended and rechristened the Land Acquisition (Amendment) Bill, 2009, and was tabled in the Lok Sabha along with the Resettlement and Rehabilitation Bill in that year. While the Land Acquisition (Amendment) Bill could be seen to expand the scope for state intervention in land

transfers, the draft Resettlement and Rehabilitation Bill contained progressive measures for the dispossessed and displaced. The bill recognized the rights of the landless and artisans to compensation, and not just the landowners. (Nielsen and Nielsen 2017, 137-8).

The fact that the draft bills were thus strong on rehabilitation but weak on limiting the exercise of eminent domain points to the contours of an emerging compromise equilibrium on land acquisitions in India under which state-led land transfers to private investors could continue and potentially even accelerate, albeit at a considerably higher cost (Nielsen and Nielsen 2017, 138-9). However, the two bills lapsed with the expiry of the term of fourteenth Lok Sabha in 2009. After that, the idea of simply amending the existing act was abandoned and a complete rewriting of the law initiated (Ramesh and Khan 2015, 11), eventually resulting in the Land Acquisition, Rehabilitation and Resettlement Bill, 2011. This bill was redrafted between 2011 to 2013 until it was, in its final version, the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (LARRA) 2013, passed by the Lok Sabha in August 2013. It came into effect on January 1, 2014 (Nielsen and Nielsen 2017, 138-9).

### **3. Views on Land and Role of the State in Land Acquisition**

Ask a POSCO-India project promoter what was the single biggest constraint to speedy execution of the project and the answer will be “land”. “Indeed, an official review of projects that have been delayed indicates that 70 percent of the 190 delayed projects are due to land acquisition problems. Land, which is limited in supply by its very nature, has been subject to rising and competing demands over the years” (Sarkar 2009, 1).

According to Ram and Kakani (2009, 91), “businesses perceiving land as a commodity to build private wealth and communities viewing it as an asset

that empowers and sustains livelihoods, is at the heart of opposition to land acquisition attempts by private business.” Almost of the people dependent on land in India do not have the skills to survive without land; nor are there enough job opportunities to absorb unskilled labor. So the transition to an industrial or service economy from an agrarian economy is not easy for most people. The people and communities who have lived on this land see it “as an invaluable good or priceless” (Sarkar 2009,1).

In contrast, project promoters look at land as an “economic resource” needed for the development of the project. Hence, they associate it with an economic value and regard it as a commodity that can be bought and sold for a price. This is, in fact, one of the main reasons why there is growing social discontent relating to land acquisition.

According to Sathe(2011), the role of the state in land acquisition in India can be divided into two phases. The first is the “traditional phase” starting from the First Five-Year Plan (1951-6) to the opening up of the economy in 1991 through deregulation and liberalization. The second is the “civil society phase” characterized by increased activism and consciousness about the importance of land. In the post-Independence period, the first wave of the need to appropriately handle the social and economic effects of large-scale use of land for non-agricultural purposes came with the commencement of the planning process. Development projects, mostly in the public sector, were commissioned, and the requirement for appropriate land arose in a big way (Sathe 2011,152-3).

In the second phase, the policy climate of the Indian Government went through a paradigm shift in the early 1990s. Gradually, the political leadership loosened the controls of the licensing system. Private investment was welcomed in areas that previously been dominated by the public sector such as power, roads, bridges, airports, and setting up of

Special Economic Zones (SEZs) to boost FDI inflow.<sup>7)</sup> The government started acquiring large tracts of land on behalf of private companies categorizing nearly every private activity as “public purpose” to invoke the Land Acquisition Act of 1894 (Ray and Patra 2009, 43).

What is going on in India today can be understood by employing the concept of “primitive accumulation” - separating primary producers from land, privatization of the public, conversion of common property resources into marketable commodities, destroying non-market ways of living, and so on (Das 2012). Scholars have interpreted the Indian government’s appropriation of land for SEZs and other development projects as an example of Marx’s “primitive accumulation of capital” (Basu 2007; D’Costa 2011). While explaining “compressed capitalism” and development in India, D’Costa(2014, 331) states, “Large infrastructure projects involving expropriation of land or flooding of land due to dams are integral to primitive accumulation.”<sup>8)</sup> Once the path of development called

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7) Between independence in 1947 and economic liberalization in the early 1990s, India operated under a developmentalist regime of dispossession. Under this regime, the Indian state dispossessed land for state-led industrial and infrastructural projects, ensuring compliance through coercion and powerful ideological appeals to national development. This dispossession facilitated productive agrarian and industrial accumulation that disproportionately benefited the industrial bourgeoisie, big farmers, and the public sector elite, but also delivered some benefits to other classes. This development was, however, based on the impoverishment of tens of millions of people that it dispossessed. For many decades, this regime was able to convince a wide public that such dispossession constituted a necessary sacrifice for “the nation.” Social movements in the 1970s and 1980s challenged this view, but they could not substantially impede dispossession before the developmentalist regime gave way to economic liberalization. Economic liberalization in the early 1990s generated a transition to a new neoliberal regime of dispossession in which state governments restructured themselves as land brokers for private capital. No longer just dispossessing land for state-led industrial and infrastructural projects, states turned to dispossessing peasants for private real estate. SEZs are the archetype of this regime (Levine 2013: 1).

8) Harvey also uses of “accumulation by dispossession,” to understand the expansion of global finance since the 1970s. He argues that, “capitalism always requires a fund of assets outside of itself if it is to confront and circumvent pressures of overaccumulation.” (Harvey 2003,143).

globalization has been chosen, forced eviction from the land was always on the cards (Basu 2007,1281).

#### **4. Land Acquisition and Compensation through the IRR Model**

As shown in <Table 4-2>, a lot of industrial projects by private business are abandoned or tending toward failure. At the heart of the delay or failure is the issue of land. When the land-use pattern is transformed due to industry or infrastructure needs, these technical, social, and moral arrangements get displaced, thus affecting the communities associated with the land and making them vulnerable.

Resettling and rehabilitating the affected communities by providing alternate arrangements that are equally effective to ensure economic and social security, becomes the moral obligation of the state. The state then holds the new owners of the land responsible for it through policies and legal instruments including infrastructure restoration, individual land compensation, and restoration of livelihood (Bapat 2009, 98). In this context, satisfactory compensation on the base of Cernea's Impoverishment Risks and Reconstruction (IRR) Model for resettling displaced populations is required (Cernea, 2000). According to IRR model for resettling the displaced, displacement risks can be assessed by deconstructing the multifaceted process of displacement into its identifiable, principal, and most widespread, components; These are: a) landlessness; b) joblessness; c) homelessness; d) marginalization; e) food insecurity; f) increased morbidity; g) loss of access to common property resources; and h) social disarticulation. It suggests that preventing or overcoming the pattern of impoverishment would require risk reversal. This can be accomplished through targeted strategies, backed up by adequate financing. Turning the model on its head shows which strategies must be adopted and which

directions should be taken: a) from landlessness to land-based resettlement; b) from joblessness to reemployment; c) from homelessness to house reconstruction; d) from marginalization to social inclusion; e) from increased morbidity to improved health care; f) from food insecurity to adequate nutrition; g) from loss of access to restoration of community assets and services; and h) from social disarticulation to social cohesion (Cernea, 2000; cited from Park 2011). The IRR model has been used as a framework for a number of studies. According to Stanley (nd, 13), “Aside from distinguishing risks, the IRR model serves several other functions: as a predictor of impoverishment; as a compass for risk reversal, advocating targeted resettlement policies, such as land-based (as opposed to mere cash-based) resettlement, job creation, health and nutritional safeguards, and social network rebuilding.”

At this stage, the most important factor is trust. The message from troubled projects of POSCO is that no matter how generous the compensation, unless the Resettlement and Rehabilitation (R&R) Policy is comprehensively communicated and credibility of its implementation firmly established. PAPs will always be reluctant to part with their land (Datta, et al. 2009, 118). Where transparent negotiations can take place, space for communication between the impacted communities and the project implementers could be established. Missing links between the PAPs and project promoters explains why despite the policies and legislations relating to R&R becoming increasingly sympathetic to the cause of the involuntarily displaced, the PAPs continue to feel insecure and resentful (Bapat 2009, 100).

Kakani, et al. (2009) have suggested the process pattern of a successful strategy as follows; “In the first stage, the private business enters into a formal agreement with the appropriate state government. In the second

&lt;Table 4-2&gt; Major Projects of Private Business along with the Status

Project brief	Sponsor name	Place	Status (2013)
Alumina Refinery	Vedanta (Sterlite)	Lanjigarh (Odisha)	Successful
Aluminium Smelter	Vedanta (Sterlite)	Jharsuguda (Odisha)	Successful
Car Plant	Tata Motors	Singur (West Bengal)	Abandoned
Car Plant	Hyundai Motors	Irungattukottai (Tamil Nadu)	Successful
Port and SEZ	Adani Group	Mundra (Gujarat)	Successful
Power Plant	Navin Jindal Group	Raigarh(Chhattisgarh)	Successful
Power Plant	Sajjan Jindal Group	Barmer (Rajasthan)	Successful
Power Plant	Moser Baer	Chandil (Jharkhand)	Successful
Power Plant, Fertilizer, Steel	Tata Group	Barapukuria (Bangladesh)	Abandoned
SEZ	Mahindra Group	Bagru (Rajasthan)	Successful
SEZ	Mahindra Group	Maraimalainagar (Tamil Nadu)	Successful
Steel Plant	Bhusan Steel	Potka (Jharkhand)	Stalemate
Steel Plant	Tata Steel	Bastar (Chhattisgarh)	Stalemate
Steel Plant	Tata Steel	Gopalpur (Odisha)	Abandoned
Steel Plant	Essar Group	Paradip (Odisha)	Stalemate
Steel Plant	POSCO, Korea	Paradip(Odisha)	Stalemate
Steel Plant	L.N. Mittal Group	Torpa (Jharkhand)	Stalemate
Steel Plant	L.N. Mittal Group	Kasaphal (Odisha)	Stalemate
Steel Plant	Tata Steel	Saraikeela (Jharkhand)	Stalemate
Steel Plant	Sajjan Jindal Group	Salboni (West Bengal)	Successful
Steel Plant	Tata Steel	Kalinganagar (Odisha)	Successful
Titanium Dioxide	Tata Steel	Tuticorin (Tamil Nadu)	Abandoned

Source: Kakani, et al.(2009 ,136) updated with recent data by the author.

stage, the business directly initiates a dialogue with key local stakeholders. The state government plays a facilitator's role, only to the extent needed. The bipartite discussions result in the private business appreciating the local issues and concerns and also signal the beginning of a long-term relationship between the community and private business. A few concessions and a conciliatory stance from both the parties result in the project going to stage three where in all the paperwork and clearances are

obtained. This lays the foundation for stage four, where successful project implementation is achieved.”(Kakani, et al. 2009, 135-6).

## V. Conclusion

In this paper, I examined the POSCO's motivation of POSCO to expand in India and the origin of the anti-POSCO protests, and discuss over the land acquisition in “moral economy” terms. POSCO's main objectives are to secure raw material and penetrate the Indian steel market. Locating a plant close to raw materials source is a cost -reducing strategy, especially when freight costs are on the rise. It is a representative type of resource seeking FDI (Bjorvatn et al. 2002). Business strategies of multinationals (MNCs) being met by local protests is not new. However, POSCO's experience in Odisha in an era of globalization and India's economic deregulation and liberalization suggests the unfamiliarity of MNCs with host country contexts. The conundrum faced by both governments and business is how to industrialize an impoverished region without destabilizing the region with large-scale displacement of people.

In general, industrialization entails transforming land from agricultural to industrial use and thus acquisition of land displaces the people. If not handled properly, social and political unrest is likely, which could gravely endanger the industrialization process itself (Sarkar, A. 2007). Ensuring economic development in a systematically neglected state like Odisha is a much more complex process than mega-industrial projects transforming the lot in a stroke (Das 2006). What is needed is sustainable development that would also eliminate and enable people to with dignity (Bhaduri 2005). However, development-induced displacement unleashes social, economic and environmental changes with the most visible risk being loss of land.

Other potential risks that deeply threaten the sustainability are joblessness, homelessness, marginalization, food insecurity, loss of common lands and resources, increased health risks, and social disarticulation (Downing 2002).

One way to minimize some of the ill effects of land acquisition is to apply corporate social responsibility (CSR) creatively (Bapat 2009:100-1). Adherence to social justice and equity norms and respect for civil rights and people's entitlements should remain paramount (Cernea 2000). There is a growing awareness among extractive industry companies that it is important to engage and work directly with indigenous peoples and communities and to respond to local concerns and create opportunities that meet local aspirations, a concept that is integral to the industry's elaboration of the concept of "social license." (World Bank Group and Extractive Industries, vol.2, 2003, 47). POSCO should have followed this and be recognized as "extractive industries transparency initiative compliant."(EITI).<sup>9)</sup> As a company engaged in the extractive and energy sectors, POSCO must have recognized the importance of the promotion and protection of human rights and it should be abided by the "voluntary principles on security and human right."<sup>10)</sup> The three main enabling conditions for POSCO to adhere to these CSR practices are: 1) "pro-poor public and corporate governance, including proactive planning and management to maximize poverty alleviation through sustainable development; (2) much more effective social and environmental policies; and (3) respect for human rights"(World Bank Group and Extractive Industries 2003, vol.1, vii).

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9) [http://eiti.org/files/2012-03-01\\_Fact\\_Sheet\\_0.pdf](http://eiti.org/files/2012-03-01_Fact_Sheet_0.pdf)

10) [http://www.voluntaryprinciples.org/files/voluntary\\_principles\\_english.pdf](http://www.voluntaryprinciples.org/files/voluntary_principles_english.pdf)

Even though the formal closure of POSCO-India project in Odisha is seen as a victory for the agrarian economy and the betel leaf farmers of Jagatsinghpur, but those who lost their land face new challenges. It's only a lose-lose situation for the people who lost their land, livelihood sources and everything for POSCO. Even as the exit of POSCO from Odisha has thrown up questions about the use of the land acquired for the POSCO-India project, the intent of the state government for forward transfer to another industry is likely to face a fresh round of resistance from anti-POSCO group in the area (Mahapatra, 2017; Satapathy, 2017). The state government, which quickly moved to add this land to a "land bank" it has been building since 2007. The IDCO started to wall off the 1,700 hectares near Nuagaon in late May 2017. The wall will eventually fence off the nearby Dinkia and Gobindpur villages too (Tripathi, 2017).

According to Paikray (2017), the government of Odisha is planning to hand over the land to JSW Steel Limited. In 2011, over 2,700 acres of land was forcefully acquired by the IDCO for the POSCO project. But unlike Singur, the 2,700 acres land acquired for the POSCO project wasn't in the name of the villagers, who mostly encroached upon the government land to build their betel vines. The administration had paid them compensation for the assets to win their support for the land acquisition. With the project being a non-starter for long, after the completion of the land acquisition process in 2013, some villagers, who had pulled down their betel vines in lieu of compensation to make way for the POSCO project have started rebuilding their vines on the earmarked area. Almost of villagers who had received compensation already spending their money in last four years and unable to find alternate livelihood beyond betel leaf cultivation (Mahapatra, 2017). According to Paikray (2017), nearly 300 betel vines have resurfaced in the acquired area close to Gobindpur and Polang villages and the process

is on. The police have registered 32 cases against the encroachers and criminal cases have been registered against the occupiers under the Odisha Prevention of Land Encroachment (OPLE) Act. Mere registration of cases without any physical action to protect the POSCO site, however, has little effect on the new spate of encroachments on it. But going by past problems to clear the area for the POSCO project, the administration may be faced with a Herculean task to take possession of the acquired land.

In retrospect, POSCO venture in India had brought out the diverse regional dynamics in India and the federated political system where Delhi does not determine the outcome. Rather, state governments and their ability to manage local political dynamics often determine the results. "Land war" in Odisha may not be stopped for the time being. People have rights and when the public is mobilized, especially when it comes to livelihoods of marginalized people, the government must respond. In fact this will be a continuing feature in developing countries where the pressure on land is high due to industrial and urban expansion.

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