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Buying farm land and mines as local sectors languish

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UPA's lure of the foreign

Buying farm land and mines as local sectors languish

Exposing the big racket in foreign exchange, realty

By Naresh Minocha

UPA denies millions of jobs to Indians to benefit foreigners

The Government's half-hearted reforms have resulted in massive coal shortages. Expert committees have indeed made alarming projections of coal shortages, thereby emphatically driving home the need for imports.

UPA could help create jobs for 10 million rural people by facilitating plantations on seven million hectares and implementing projects for conversion of the harvested biomass into different forms of energy over 10 years as recommended by the draft National Mission document.

All such overseas acquisitions means decline in domestic pressure to explore and develop coal mines within the country. This also means decline in job opportunities in the mining sector.

The Cabinet had decided to allow private sector to undertake coal mining for merchant sale way back in 1997. At present, private sector firms are only allowed to undertake captive mining to generate fuel for their power, cement and metallurgical projects.

The UPA Government has deprived job opportunities to millions of illiterate and semi-literate Indians by forcing Indian companies to invest abroad in overseas plantations and coal mining sectors.

Not only that, it has robbed thousands of semi-skilled Indians of an opportunity to earn two square meals in their own homeland, thereby making a mockery of its hobby-horse of inclusive growth.

UPA has done this by liberally granting business visas to Chinese workers that are brought in hordes by the Chinese contractors engaged in building power projects, metallurgical plants, airports and other infrastructure projects in India.

It is only over the last few months that the Government is becoming vigilant. It is asking Chinese companies to seek employment visas for its workers instead of business visas. This is, however, only creates basis for rigorous scrutiny of applications for employment visas. It does not any way prevent the Chinese companies from bringing in workers to projects primarily awarded by Indian companies.

Take the case of Vedanta Aluminum Limited’s proposed technical collaboration with China Alumina International Engineering Corporation (CHALIECO) for setting up aluminium smelter at Jharsuguda in Orissa.

The Home Ministry, for instance, has advised the Mines Ministry that the number and nature of foreign personnel required for this tie-up should be carefully assessed. Adequate scrutiny should also be exercised in grant of visa to foreigners who intend to work on this project, an official said.

In this era of globalisation, it is normal for Indian companies to invest abroad to explore and develop resources that India is deficient. These include oil and gas, diamonds, uranium and copper. It is also normal for the firms to depute engineers and managers to oversee such projects.

It also makes some sense for Indian companies to embark on commercial farming in areas that offer agro-climatic advantages for crops such as coffee, cashew nut and rubber.

There is, however, really no need for Indian companies to scramble for exploration and development of coal mines abroad as the country has enough reserves that would last several hundred years.

Similarly, there is hardly any need for Indian companies to rush abroad to raise plantations to produce pulp for paper and viscose industries, edible oils and to produce bio-fuels when over 100 millions of hectares of wasteland and degraded forest land is lying vacant across the country.

Though official statistics are hard to come by, one can safely say that Indian companies are investing a few billion dollars in the overseas mining and plantation ventures.

Had the UPA Government cared to formulate employment generation-cum-investor-friendly policies, there would have been no flight of capital.

Indian funds and capabilities could have been deployed within the homeland to create millions of jobs for weaker sections. And that would have perhaps acted as restrain on UPA to indulge in divisive job reservation politics.

What is more, investment in wasteland plantations and coal mining would have reduced the pressure on National Rural Employment Guarantee Programme (NREGP).

This much-flaunted programme also provides partially employment to unemployed people in the countryside. The programme’s cup of limitations including revenue siphoning off is already full.

National Rural Employment Guarantee Act (NREGA) is supposed to guarantee every rural household up to 100 days of wage employment in a year within a period of 15 days of demand for such employment.

The Government’s half-hearted reforms have resulted in massive coal shortages. Expert committees have indeed made alarming projections of coal shortages, thereby emphatically driving home the need for imports.

The Government has, however, forced Indian companies including public sector Navratnas to join the rat race to acquire coal mines abroad.

Before elaborating on non-starter reforms and overseas investments, one can recall what the Congress Party, the UPA’s lead constituent, promised to the Aam Aadmi.

In its manifesto for Lok Sabha polls, Congress Party expounded its concept of ‘The Middle Path – the Congress’s way’ to strike balance between different demands and issues.

The manifesto thus said: "Balance—or the middle path—has always been the hall-mark of the policies of the Indian National Congress…. It is a balance between promoting employment in the organised sector and protecting livelihoods in the unorganised sector….It is a balance between taking advantage of globalisation and ensuring that these benefits flow to local communities….This balance is needed now more than ever."

As for the issue of improving the life of farmers and their families, it stated: "A renewed emphasis will be placed on wasteland development and afforestation."

Let us now start with the UPA's report card on wastelands. The Union Cabinet approved in September 2008 a national bio-fuel policy (NBP) that provides for cultivation of non-edible oil crops on wastelands for production of feedstock for bio-diesel.

The large-scale cultivation under this policy is yet to take off. Even prior to formulation of NBP, the Planning Commission constituted Committee on Development of Bio-fuel (CDB) had recommended launch of a national mission on bio-diesel in 2003. The proposed mission is caught in a maze of government approval mechanism.

The Department of Land Resources has nothing much to say on its status. On its website, it said: On August 8, 2007, the Cabinet referred the matter (proposed mission to a GoM (group of ministers). The recommendations of GoM placed before the Cabinet on September 11, 2008. Matter referred back to GoM. GoM gave "in principle" approval on February 24, 2009 subject to certain conditions and modifications. MNRE (Ministry of New and Renewable Resources), as service Ministry, to place matter before Cabinet."

CDB recommended implementation of the mission in two phases with the first being demonstration phase to be funded by the Government with an outlay of Rs 1496 crore.

The demonstration phase was to start by 2003-end and terminate by March 31, 2007. The second phase was planned as self-sustaining with bulk of the funds coming from the banks, companies, entrepreneurs, farmers, foreign agencies. The second phase was to start in 2007 and terminate in 2012.

The inordinate delay in implementation of bio-fuel policy and schemes has forced Indian Inc. to look abroad.

Health care group Emami, for instance, has acquired 100,000 acres in Ethiopia for cultivating bio-fuel and edible oil crops under a 45-years lease. It would invest Rs 400 crore on these plantations. Emami Bio-tech has a bio-diesel venture in India but it finds policy support wanting at home.

In August 2009, it announced that it would export bio-diesel to India and sell edible oils in Ethiopia.

Bangalore-based Karuturi Global Limited informed Mumbai Stock Exchange in May last year that it had acquired 100,000 acres of the planned 650,000 acquisition in Ethiopia for cultivating rice, vegetables, palm oil and sugarcane. It was raising $ 185 million debt and equity to finance this project through its subsidiary Karuturi Overseas Limited, the company added.

Another Indian firm belonging to Anmol Group recently commissioned a paper mill in that country to take advantage of pulp crop plantations.

Realising UPA's failure to reduce the dependence on edible imports, Indian edible oils leader KS Oils has embarked on land acquisition spree in Indonesia and Malaysia to raise palm oil plantations.

On October 7, it informed the Mumbai Stock Exchange that its Singapore subsidiary KS Natural Resources Pvt. Ltd (KSNR) has acquired an additional 53,000 acres in Indonesia on which it would invest Rs 380 crore over the next three years.

It already owns 85,000 acres in that country, apart from a joint venture in Malaysia that acquired plantation in 2007.

Aditya Birla Group (ABG) is already investing $ 350 million on eucalyptus plantations and allied pulp plant in Laos. The project is slated for commercial production in 2013. It would export pulp to its viscose fibre plants in India and other countries.

The plantations have cultivated on 50,000 hectares acquired from Laos Government under 75-year lease.

ABG last year converted an acquired paper pulp plant into viscose-grade pulp facility in Canada, which is endowed with natural and commercial forests.

In March 2007, paper major Ballarpur Industries Ltd. (BILT) acquired Malayia's largest integrated pulp and paper mill named Sabah Forest Industries (SFI) for $261 million.

SFI holds a 99-year rights to raise plantations over 2,89,000 hectares of forestland in Sabah State in Malaysia.

BILT would invest $ one billion over 8-10 years on expansion of this prized acquisition including plantations.

All these and many more investment in overseas plantations clearly show that UPA's indifferent approcah towards handling over wastelands to corporate sector is leading to denial of million of job opportunities to weaker sections in rural areas.

Industry sources point that UPA had wasted opportunities to create jobs and generate wealth dragging its feet over plantations for viscose, paper, pharmaceuticals, cosmetics and bio-fuels sectors.

India's 107 million hectares of degraded land including 64 million hectares of wasteland can also be used to produce bio-mass for rural people. They can be encouraged to use this bio-mass to generate secondary forms of energy such as methane gas and electricity.

UPA's now defunct National Advisory Council had itself recommended to Prime Minister to launch a National Mission on Decentralised Bio-mass Energy for villages and industries.

In its communication dated February 2, 2006, NCA said: "Assuming conservative conversion figures, some 40 million hectares of wasteland every year can yield upto about 200 million tonnes of solid bio-mass capable of supporting about 30,000 MW of electric generating capacity."

UPA could helped create jobs for 10 million rural people by facilitating plantations on seven million hectares and implementing projects for conversion of the harvested bio-mass into different forms of energy over 10 years as recommended by the draft National Mission document.

Turn to UPA's report card on coal reforms. The Planning Commission's status report on implementation of Integrated Energy Policy (IEP) admits the Government has not yet instituted coal regulatory authority.

The status report was discussed at a meeting of Planning Commission held on September 1, 2009 under the chairmanship of Prime Minister Dr. Manmohan Singh.

The report shows that reforms-centric changes in the Coal Mines (Nationalisation) Act have not got Parliamentary approval through the amendment bill was introduced in Rajya Sabha in 2000. The Cabinet had decided to allow private sector to undertake coal mining for merchant sale way back in 1997. At present, private sector firms are only allowed to undertake captive mining to generate fuel for their power, cement and metallurgical projects.

The Government only last year allowed two companies to set up coal mining-cum-coal liquefaction projects to generate liquid fuels and coal chemicals.

Official estimates show that India has 267,210 million tonnes of coal reserves. Against this, domestic availability in the current financial year is only 363 million tonnes.

According to a presentation made at international power conclave organised by Central Electricity Authority (CEA) in August 2009, shortfall in the domestic availability of coal in the current financial year is estimated at 41 million tonnes. The power generating companies have already been advised to import 28.7 million tonnes. The deficit is projected to increase to 68 million tonnes in 2012-13.

The Cabinet Committee on Economic Affairs thus decided in August 2009 to assign the empowered committee of secretaries the task of approving proposals for acquiring overseas coal mines to be submitted by International Coal Ventures Limited, a joint venture of five public sector undertakings.

In March 2009, UPA announced that Mozambique Government had allocated two coal blocks at Motaize in Tete Province to Coal India Limited (CIL) following bilateral negotiations.

In August 2007, Tata Steel had decided to acquire strategic equity stake of 35 per cent in coal block in the same region.

Earlier in March 2007, Tata Power had acquired 30 per cent stake in two Indonesian coal companies to import 10 million tonnes coal to India. The company has projected its imported coal requirement at 21 million tonnes for its 7000 megawatt capacity projects coming up on the West coast.

In May 2008, Reliance Power announced acquisition of three Indonesian coal mines. Adani Enterprises already has gained a foothold in Indonesian coal mining business through a wholly owned subsidiary. So has GMR Energy. Several private companies are scouting for coal mining assets across the globe.

Among the public sector companies, Coal India Limited is already scouting for a strategic partner to undertake coal mining in Australia, Indonesia, South Africa and the United States. NTPC is also separately exploring prospects of acquiring coal mines abroad. So is Steel Authority of India Limited.

All such overseas acquisitions means decline in domestic pressure to explore and develop coal mines within the country. This also means decline in job opportunities in the mining sector.

Indeed, worsening job prospects in labour-intensive sectors such as plantations and coal mining is turning India's so-called demographic dividend into demographic disaster.

(The writer is a senior economic journalist.)

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