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## National steel policy: Focus on efficiency, productivity

G. Srinivasan

*Even as NSP seeks to encourage foreign direct investment, it cannot shut itself against foreign steel majors from investing in domestic mines with a view to exporting the ore or the end product after due value addition.*

New Delhi , Nov. 4

AFTER being in the making for almost a quinquennium, the National Steel Policy (NSP) has been approved by the Cabinet Committee on Economic Affairs (CCEA), even as the nitty-gritty of the policy has not been spelt out. Justifiably, the policy envisages the overwhelming need for the country to usher in a modern and efficient steel industry of global standards catering to diversified steel demand.

The draft NSP asserted that the focus of the policy is to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmark of efficiency and productivity.

While the draft spelt out the target of 110 million tonnes of steel production by 2019-20, the CCEA statement scaled it down to 100 million tonnes per annum from the 2004-05 levels of 38 million tonnes. Even this implies a compounded annual growth of 7.3 per cent per annum.

It needs to be noted that major raw material used in the manufacture of steel is iron ore for which there is no shortage in the country. Yet, when the Orissa Government went ahead with the South Korean steel major Posco to set up a greenfield steel plant, questions were raised about the mining rights given to the Korean company to export iron ore from India. Indigenous efficient steel makers, including Tata Steel, sought to know why a precious raw material such as iron ore indispensable to the steel industry is thrown for a song?

The Orissa Government went on the defensive, stating that it has enough iron ore to meet the demands of the 37 steel projects it has entered into. Usually, the undertaking to grant mining leases would stipulate the use of the iron ore only for captive purposes, but in the specific case of Posco, the MoU signed between the Government of Orissa and the company envisages the export of iron ore as a swap deal where before the high-alumina ore from the State is sent out, an equal amount has to be brought in. The total amount of ore swapped would not exceed 30 per cent of Posco's total requirement.

According to the Indian Bureau of Mines, the country has net reserves of over 24 billion tonnes of iron ore. Given the rule

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that one tonne of steel requires 1.6 tonnes of iron ore, the annual need for ore, even if steel production hits the target by 2020, would be 176 million tonnes, against reserves of 24 billion tonnes!

Notwithstanding this reassuring stance by the Orissa Government, the steel industry contends that nowhere in the draft it was mentioned that the existing steel producers would be given priority for captive iron ore and coalmines, which alone could make them globally competitive. In order to ensure that the raw material like iron ore supply is ensured, the Steel Ministry argued that while captive mining leases would continue, investment plans would have to be put in place for idle mining leases and norms would be established to ensure that the State governments recommend renewal of extant leases only against credible mining investment plans in a time-bound fashion. This is what prompted the R.K. Dang Committee on Iron Ore exports to contend, "From 30 years of iron ore exports, we have earned \$25 billion. We have exported 78 million tonnes of iron ore in 2004-05. If we had exported the steel equivalent of what that ore could produce (about 48 million tonnes) we could have got \$25 billion in one year; that is why value addition is needed". No wonder, the Dang Committee favours the phase-out of iron ore exports over the long haul.

With a host of foreign investors such as Posco and Mittal Steel setting up steel making units in Orissa and Jharkhand, India's NSP has not come a day too soon. But its eloquent silence on export of raw material such as iron ore has irked domestic steel industry, including Jindal Steel.

Even as NSP seeks to encourage foreign direct investment, it cannot shut itself against foreign steel majors from investing in domestic mines with a view to exporting the ore or the end product after due value addition.

The fact that Posco deal has created a ruckus among indigenous steel industry even as its MoU with the State Government has not provided for any reserve of iron ore for the purpose of direct export has only made the NSP to be precise in spelling out its priorities. But that issue has been kept intact even as the details of the full policy are awaited.

Considering the fact that India has lined up impressive number of steel projects and there is vast unmet need for infrastructure development, any policy ambiguity on important raw material such as iron ore use or its export to the detriment of steel industry could have been avoided in the NSP, policy analysts say.

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