

Posco Scraps Plan For \$5.3B Steel Plant In India

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NEW DELHI (AP) — South Korean steel giant Posco has pulled out of a proposed \$5.3 billion steel plant in the southern Indian state of Karnataka in a new blow to government efforts to attract foreign investment to spur growth.

The company said Tuesday it scrapped the project because of inordinate delays stemming from local opposition to land acquisition for the project.

However, Posco said it would go ahead with a separate \$12 billion steel plant in Orissa state in eastern India.

The proposed plant in Orissa is India's biggest foreign investment ever. That project too has been hit by snags in getting environmental clearances and land.

After an eight-year delay, the Orissa project is making some progress by clearing legal hurdles allowing it to obtain a license to explore for iron ore.

Faced with waning economic growth, the government has reduced some barriers to foreign investment by easing ownership restrictions in areas such as retailing and aviation. But the demise of Posco's Karnataka project underlines the myriad challenges that foreign investors still face when navigating business in India.

Earlier this month, the Karnataka state government returned \$10 million to Posco that the company had deposited as an initial down payment for acquiring land for the steel plant.

Three years ago, Posco and the Karnataka government had signed an agreement with great fanfare. The plant when completed was to produce 6 million metric tons of steel per year with iron ore to be mined locally.

Six months after the agreement, Posco identified land in Gadag village in Karnataka for the plant. But the project ran into hurdles with farmers and some political leaders protesting the state government's efforts to acquire land for Posco's use.

"In future, if we get an attractive business proposal from the state, we may consider it and return to Karnataka," Posco India chairman and managing director Yong Won Yoon was quoted as saying by Press Trust of India.

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