

## Delhi's ethics law to hit mining groups

[Print](#)

By James Lamont in New Delhi

Published: May 2 2010 17:19 | Last updated: May 2 2010 17:19

India plans to make corporate social responsibility obligatory for mining companies in reaction to concern over pollution and rebel violence.

Santha Sheela Nair, the secretary at the mines ministry, said on Sunday that a draft Mines and Minerals (Development & Regulation) Act sought to address the breakdown in trust between mining companies and communities.

She said the law would enforce corporate responsibility programmes to provide employment and development.

In the face of a [Maoist insurgency](#) that claimed the lives of almost 80 soldiers in one attack last month, the plans were crucial for "conflict management and resolution" in a [battle between rival corporate and civilian cultures](#).

Mining companies operating in India should make their local stakeholders also their shareholders to overcome hostility towards the industry, she said but warned that negative perceptions of mining would have to be overcome. The draft legislation contains proposals to offer equity to communities whose land is acquired for mining projects.

India is the fourth-largest iron ore producer in the world and has significant deposits of coal, bauxite and chromite. Local mining companies include listed companies such as [Sesa Goa](#), [Sterlite](#), [Tata](#) and the [Steel Authority of India](#). They also number less internationally known iron ore miners such as Obulapuram Mining and Anantapur Mining, owned by the Reddy political dynasty in Karnataka.

Industry experts said mining standards in India lagged global practice by as much as three decades. They warned that poor regulation has given free rein to illegal mining which is harmful to people and the environment. The New York-based Blacksmith Institute ranks the Sukinda valley in Orissa, an iron ore-producing area, alongside Chernobyl, the Ukrainian site of the nuclear accident, as one of the most polluted places on earth.

Ms Nair said mining companies needed to repair urgently a "serious conflict of interest" with tribal communities. Referring to the growing Maoist insurrection in five states, she said the conflict had "turned extremely violent". Ms Nair told delegates at a seminar hosted by the Canadian government that tribal people "see mining as a loss of livelihood, loss of life and loss of the relationship with nature that they are used to".

The Indian government is realising quickly that uncontrolled mining, often involving politicians, has fuelled a rural rebellion in tribal areas. Some leaders of the ruling Congress party also said mining companies had become prey to protection rackets run by rebels.

PC Chidambaram, the home minister, has offered to [suspend memorandums of understanding](#) signed with mining companies in an effort to secure a truce with rebels and bring their leaders to the negotiating table.

Some industry leaders argued that stronger implementation of existing laws is needed as much as new ones. Nik Senapati, the managing director of [Rio Tinto](#) India, said a country might have reams of laws governing corporate conduct but at the end of the day it was [enforcement](#) that would improve mining standards.

This week, the Survey of India gave the Supreme Court evidence of illegal mining showing that Obulapuram Mining had extended operations in an environmentally sensitive area beyond its lease in Andhra Pradesh across the border into Karnataka.

[Copyright](#) The Financial Times Limited 2010. Print a single copy of this article for personal use. [Contact us](#) if you

wish to print more to distribute to others.

"FT" and "Financial Times" are trademarks of the Financial Times. [Privacy policy](#) | [Terms](#)  
© Copyright [The Financial Times](#) Ltd 2010.