

# **In the wake of ArcelorMittal: The global steel giant's local impacts**

May 2008



This report is dedicated to communities struggles around ArcelorMittal facilities.

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# Contents

Foreword	5
Introduction: The rise of a steel giant	6
ArcelorMittal Steel Cleveland Works, Ohio, USA	9
ArcelorMittal Galati (formerly Sidex), Romania	13
ArcelorMittal in Orissa, India	16
ArcelorMittal Kryviy Rih (formerly KryvorizhStal JSC), Ukraine	18
ArcelorMittal's electric steelworks, Luxembourg	21
ArcelorMittal Ostrava (formerly Nova Hut), Czech Republic	22
ArcelorMittal in Vanderbijlpark, South Africa	24
ArcelorMittal Temirtau (formerly Mittal Steel Temirtau, Ispat Karmet and Karaganda Metallurgical Plant), Kazakhstan	26
ArcelorMittal Zenica (formerly Zeljezara Zenica), Bosnia and Herzegovina	31
Conclusions and recommendations	35





Dear Stakeholder

On Tuesday, 13 May 2008, community people and representatives of civil society organisations from across the globe will be presenting this shadow annual report to the ArcelorMittal annual general meeting in Luxembourg. It is no coincidence that people from Africa, the Americas, Asia and Europe find themselves united against ArcelorMittal: the uncontrolled growth of this steel giant often at the expense of peoples' health in a rapidly globalising world has given people common cause for resistance.

Shareholder activism and shadow reporting is not a unique campaigning strategy, it has been used against various companies in the past, most notably Royal Dutch Shell, and also served to highlight the roles of various companies in bolstering the apartheid state in South Africa in the 1980s. What makes this action different is the fact that for the first time we find a common cause for global action not against a multi-national company from the North plundering the South, but rather a multi-national company from the global South, which acts in just the same way.

The challenges that communities face living next to the ArcelorMittal plants described are not only the sexy environmental issues that command daily headlines in the world's media, such as climate change and melting ice caps. Rather, as presented here, it is people's day to day struggle for environmental justice and an environment that is not harmful to their health and free of pollution. These struggles are under

the radar, and very seldom make media headlines. While the world focuses on the global impacts, let us not forget that it all starts at a local level – companies that have local impacts invariably impact globally – and unless there is strong mobilisation from the ground, our unconnected global responses are meaningless. This is what is presented here today, a connected global mobilisation from the ground.

We are all shareholders, maybe not in the company, but indeed in our environments, and shareholders of corporations such as ArcelorMittal need to be aware of this reality. Company shareholders are often blinded by the glossy reports, company greenwash and figures detailing rising profits. This report seeks to create a new awareness amongst ArcelorMittal's shareholders, and calls on them to act on the evidence presented.

No longer can they be uninformed shareholders reaping annual profits. They need to accept responsibility for the negative impacts their investments have on peoples' lives along with accepting the profits they reap on their shares. It is critical to understand that the local injustices presented in the report will not just 'go away'. They need careful deliberation and shareholder resolutions for ethical investment that calls for improved operations on the ground in order to deliver environmental justice to local people.

*Bobby Peek  
Director, groundWork, Friends of the Earth South Africa  
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## The rise of a steel giant

Many perceive the rise of Mittal Steel - now ArcelorMittal - from a small mill to a global steel giant as one of the great wonders of the business world. After working in his father's small steel business and successfully opening a steel plant in Indonesia, Lakshmi Mittal branched out on his own and made his fortune by buying up old plants around the world and turning them into profitable ventures.

Success in business has resulted in great personal wealth for Mittal, who is now rated the fourth richest person in the world by Forbes, with estimated personal wealth of USD 45 billion. He is also CEO of the world's biggest steel company, ArcelorMittal, after the Luxembourg-based Arcelor agreed to a takeover by Mittal in 2006. In addition to mines in Africa, Central Asia, North America and Eastern Europe, at the time it took over Arcelor, Mittal owned steel mills in 14 countries. Now ArcelorMittal is focusing on "green-field projects" in countries like India and China.

The success of the company has coincided with the exploitation of weaker national laws and political wrangling. In the last three decades Mittal has bought up old, run-down state-owned steel factories in places like Trinidad, Mexico, Poland, Czech Republic, Romania, South Africa and Algeria.

The cost of Mittal Steel's success has largely been paid by the communities living and working near the company's plants. Mittal Steel has a global reputation for prioritising productivity over the environment, communities and fair labour practices in countries where it operates steel mills, such as Romania, Poland, Czech Republic, South Africa, Kazakhstan and the United States, in spite of frequent company statements about its attention to and investment in these areas.

One of the most disappointing aspects of the Mittal success story is how, in spite of its poor environmental and social record, decision-makers and international financial institutions have repeatedly supported the company, politically and financially, implicitly condoning its working practices.

Most notoriously, Mittal was seen to have bought political influence in acquiring the Galati plant in Romania when former British Prime Minister Tony Blair intervened to help Mittal steel buy the Romanian Galati steel plant a month after the tycoon donated USD 250 000 (GBP 125 000) to Blair's party, the Labour Party. In an extraordinary letter, Mr Blair told Romania's prime minister that selling his biggest state-owned enterprise to Lakshmi Mittal would enhance the country's chances of joining the European Union.

### Building a steel empire on public money

The company has benefited from tax exemptions or reductions in several countries including Kazakhstan and the Czech Republic, but the question has to be asked: why can't the largest steel company in the world afford to pay full taxes?

Mittal Steel has also received extensive assistance in the form of low-interest loans from the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). These public banks are mandated to contribute to the development of the private sector, with an emphasis on small and medium enterprises and on supporting those projects which could not attract financing from other sources. Yet in the last ten years Mittal has benefited from no less than ten public loans from these banks.

Kazakhstan	1999	IFC	SEF Kazkommertsbank SME Credit Line*	USD 2.5 million
Romania	2001	EBRD	Ispat Sidex/Mittal Steel Galati	USD 100
Kazakhstan	2001	IFC	Ispat Karmet SME Resource	USD 0.13 million equity and USD 3.27 million quasi equity
Romania	2002	EBRD	Mittal Steel Galati	USD 100
Algeria	2003	IFC	Ispat/Mittal Steel Annaba	USD 23
Romania/ Kazakhstan	2004	IFC	LNH Holdings N.V.	USD 100
Macedonia	2005	EBRD	Mittal Steel Skopje	USD 25
Ukraine	2006	EBRD	Mittal Steel Kryviy Rih	USD 200
Bosnia and Herzegovina	2006	EBRD	Mittal Steel Zenica	EUR 25 (USD 39.2 million)
Kazakhstan	2007	EBRD	Mittal Steel Temirtau - Health & Safety	USD 100

\* The primary purpose of this loan was to support the development of SMEs directly or indirectly associated with Ispat Karmet (now ArcelorMittal Temirtau) and/or to assist workers formerly employed by the company and/or to provide for the growth of the private sector in the Karaganda region

The purpose of the loans has varied, but several have aimed at least partly at improving energy efficiency, reducing pollution or improving health and safety standards. Several, if not all, of the projects have required the preparation of environmental action plans.

While these are worthy aims, there is no reason why public money should support what the company should be doing anyway. Mittal could surely raise funds from other sources at reasonable rates in order to raise standards at its plants.

Even if the IFC and EBRD believe that extending low-interest development loans to a company largely owned by the fourth richest

<sup>1</sup> Forbes: The World's Billionaires, 05 March 2008 [http://www.forbes.com/lists/2008/10/billionaires08\\_Lakshmi-Mittal\\_ROYG.html](http://www.forbes.com/lists/2008/10/billionaires08_Lakshmi-Mittal_ROYG.html)

<sup>2</sup> Throwing Stones at a Giant by Jacklyn Cock and Viktor Munnik, March 2006 <http://www.sociologyworkunit.org/files/giantshort3.pdf>

<sup>3</sup> The Daily Telegraph: Blair pushed through deal for Indian billionaire who gave Labour £125,000, 10.02.2002, <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2002/02/10/nlak10.xml>



person in the world is a good use of public money, the continuing problems at the plants should be starting to ring alarm bells by now.

Those case studies in this compilation examining Mittal's IFC- and EBRD-financed plants - in Romania, Ukraine, Bosnia-Herzegovina, the Czech Republic and Kazakhstan - indicate that whatever the good intentions behind the loans, there have not been sufficient improvements as a result of the publicly-funded projects. Pollution, health and safety and labour issues have posed continued problems at some or all of the plants.

No one expects that the steel plants and mines would have been transformed overnight, but after several years there should be visible improvements. However, civil society groups in Romania and Ukraine have not even been able to obtain the environmental action plans in order to assess any ongoing progress. Where information has been made available, it was usually disclosed by the EBRD rather than the company.

According to the EBRD some improvements are being made through the environmental action plans in Galati and Temirtau. Attention should however be paid to anecdotal evidence from Romania and Ukraine indicating that the company's enthusiasm for cost-cutting also extends to its investments in health and safety and environmental improvements, resulting in some improvements appearing on paper only. Without regular access to the plants, it is impossible to estimate how frequently this occurs, but it does indicate the need for thorough monitoring of those investments planned to take place within the framework of loans already extended by the EBRD and the IFC.

### Rusty track record

Due to continued exploitation by the company and neglect by their own governments, people are fighting for their rights against Arcelor-Mittal in both the northern and southern hemispheres, opposing problems like pollution, poor safety standards, forced eviction, and the acquisition of agricultural land. For example, in South Africa, communities are fighting against Mittal Steel's pollution as well as its intimidation against families who have refused to sell their land for the company's expansion plan.

In September 2006, after health and safety problems at Mittal's Kazakh mines hit the headlines when 41 miners died in the Arcelor-Mittal-owned Lenina coalmines, workers went on strike demanding pay rises and improved safety. In January 2008, another incident at

Mittal's Kazakh mines resulted in another 30 deaths, bringing the total number of deaths in Mittal's Kazakh operations to 191 since the company took over the Temirtau steelworks and associated mines in 1996.<sup>4</sup> In April 2008 the General Prosecutor's Office warned that the company risks having its mining activities terminated if it does not do more to improve its safety standards<sup>5</sup>.

Concerns about health and safety are also rife at the company's steelworks, for example in Galati, Romania, and Kryviy Rih, Ukraine, with members of the Solidaritatea Union at Galati alleging that the plant's management is engaging in a wide range of tactics to suppress the union's activities.<sup>6</sup>

Mittal's flouting of environmental norms is not limited to developing countries. In August 2006, the US Environmental Protection Agency cited Mittal Steel USA Inc. for alleged clean-air violations at the company's steel mill in Indiana, and in the Ohio steel plant, which Mittal Steel took over in 2005, local communities are outraged over the high levels of pollution and related health problems. Mittal's record of addressing public grievances has also been poor. In the US the company has continuously denied Ohio communities' demands to engage with the public despite them sending 33,891 personal, handwritten letters and petitions.<sup>7</sup>

In the Czech Republic, the situation is very similar to the problems faced in Ohio. The high level of air pollution near the ArcelorMittal steel mill has been criticised by local residents for a long time. In late 2007 and early 2008, a petition against the irresponsible behaviour of ArcelorMittal and the state authorities was organised and several citizens launched a lawsuit against ArcelorMittal because of the continuous threat to their health. At the same time, legal actions demanding a review of the operation permits issued were submitted to the competent authorities<sup>8</sup>.

### Behind the steel curtain

An important underlying reason for the problems mentioned above is the cost-cutting approach that Mittal has adopted in many of its steel plants and mines, thus endangering the health and safety of workers and neighbours of its plants. The company's emphasis on high production targets has led to scores of problems, ranging from alleged switching off of pollution control equipment in Kryviy Rih, Ukraine at night and on weekends (to speed up the production process),<sup>9</sup> to the fatal accidents in Kazakhstan.<sup>10</sup>

<sup>4</sup> *Isabel Gorst and Peter Marsh, Kazakhs warn Mittal over safety, Financial Times, 20 February 2008, reproduced at <http://www.corpwatch.org/article.php?id=14944>*

<sup>5</sup> *Raushan Nurshayeva, Maria Golovina, Paul Bolding: Kazakhstan urges ArcelorMittal to improve safety, Reuters, 3 April 2008, <http://in.reuters.com/article/asiaCompanyAndMarkets/idINL0373748620080403>*

<sup>6</sup> *See case study on Galati*

<sup>7</sup> *Ohio Citizen Action: Smoke and Mirrors: Mittal Steel's Playbook to cover up their pollution, 3 January 2007 <http://www.ohiocitizen.org/campaigns/isg/smoke.pdf>*

<sup>8</sup> *GARDE website, 18.02.2008: [http://www.responsibility.cz/index.php?id=210&tx\\_ttnews\[tt\\_news\]=188&tx\\_ttnews\[backPid\]=12&cHash=81daa30358](http://www.responsibility.cz/index.php?id=210&tx_ttnews[tt_news]=188&tx_ttnews[backPid]=12&cHash=81daa30358)*

<sup>9</sup> *See case study on Kryviy Rih*

<sup>10</sup> *Mark Franchetti, Robert Winnett and Holly Watt, Miners face 'suicide mission' working for Mittal's empire, Sunday Times, 10 June 2007 <http://www.timesonline.co.uk/tol/news/world/asia/article1909796.ece>*

A second important problem stems from the unequal power relation between the respective government and the steel company. In most cases, decision-makers are reluctant to put meaningful pressure on Mittal to raise its standards, as its plants employ a large number of people and it is often the main employer in the area. Any move by governments that is seen to endanger relations with Mittal is extremely controversial. Thus, the Kazakh example given above is an exception rather than the rule and local residents and workers are usually left to fight for their own rights. In India, Mittal's huge investment plan is being seen as a major revenue generation project in the region, thus rendering the state government oblivious to the plight of the local communities, who - if the project goes ahead - are eventually going to lose their agricultural land to the Mittal steel project.

All over the world people with their own meagre means and resources are struggling to hold ArcelorMittal accountable and to protect their communities. This compilation is an effort by the various groups working in different parts of the world to come together to expose the global nature of the problems caused by ArcelorMittal and to demand serious action by the company and decision-makers to ensure justice for the affected communities.





# ArcelorMittal Steel Cleveland Works

Ohio, USA

## Neighbor Testimonial, Slavic Village:

**Denise Denham and Donna Levandowski, January 2007**

"We've grown up in this house next to the Cleveland Works our entire lives, but something has been very different in the past five years. It's not just our own personal health problems that we notice or the damage that pollution causes to our house and cars, but our children are sick, too.

The oldest of our three kids is Denise's son, Craig, age ten. He developed asthma about five years ago. It gets bad when the air is bad, and so he'll have to use his breathing treatments.<sup>1</sup> You can usually tell by the way he's breathing. Sometimes his asthma gets so bad he'll have to take steroids. He has constant ear infections too, and if you don't get rid of them fast enough, they'll aggravate his asthma. Craig has allergies and eczema, too.



*Denise Denham, Donna Levandowski and their children living next door to the Cleveland Works are working to get ArcelorMittal to be a good neighbor.*

*Photo by Ohio Citizen Action.*

Donna's two-year-old son Jimmy also has eczema. And, every time he comes in from playing out in the grass he has a blotchy skin rash. The cream we use on him is so strong, the doctors said what it does is literally thin his skin out. Jimmy has asthma and allergies. For Jimmy's asthma he has to take his breathing treatments two to three times a day.<sup>2</sup>

Donna's daughter Joie is seven years old. She's got the allergies and asthma just like the boys. She also gets real bad headaches. One time back in the spring Donna took her to the emergency room because

her head hurt so badly. That's what we suffer from the most too – migraine headaches. We're both on migraine medication for the rest of our lives. Donna has tried to get off hers before but she ended up in the emergency room. Her medications are real strong too; they cause some memory loss and her pulmonary function test has come back high from taking them. We both started having asthma in the past five to six years. It's induced asthma. Denise has problems with her sinuses and nausea too.

We've taken ourselves and our kids to see the doctors at an environmental health clinic. They recommended that our children shouldn't play outside because of the heavy metals in the grass and soil. Our urine tests came back with some high levels for copper, arsenic, manganese, lead, zinc, mercury, and alkaline phosphates. These are the same pollutants coming from the mill.

The doctors asked if we were going to relocate our families, because their health is more important than this house. We sure wish we could but we can't afford to, and we know the steel mill won't pay for it.

Instead we're here dealing with the health problems, and all the extra cleaning too. One time their dust turned the front of our house orange. You can tell they let a lot of stuff – metal flakes and red smoke – out at night, because you'll notice it on your cars in the morning.

The other big problem is the noise pollution. Fire trucks with their sirens and coke<sup>3</sup> trucks are always rumbling past our house. When they're working behind our house it shakes. For the past eight or nine months the noise will wake us up at all hours of the night, though they're not supposed to work past 7pm. We'll have to call their security and sometimes we're able to get them to stop. A few nights later they'll wake us up at 3am again."

## Background

For the last century, the giant Cleveland steel mill has been the worst polluter in town. Mittal Steel continues that tradition as the biggest polluter to both the air and the water in Cleveland's Cuyahoga County.<sup>4</sup>

The Mittal Steel Cleveland Works facility has a long history of steel production in Cleveland. The complex was built 90 years ago and has had eight owners. In April 2005, Mittal Steel Cleveland Works was formed after the \$4.5 billion merger between ISG, Ispat International, and LNM Holdings.

Mittal's main line is for flat-rolled steel products. It is one of the largest flat roll steel plants in North America.<sup>5</sup> The Cleveland Works produces the following types of steel:

- Hot rolled– steel slab is reheated before it enters the hot mill and is rolled as a hot strip.
- Cold rolled full-hard – hot rolled strip is rolled again as a cold strip.

<sup>1</sup> *Craig uses a machine for these breathing treatments.*

<sup>2</sup> *Jimmy also uses a machine for his breathing treatments.*

<sup>3</sup> *Coke is a form of coal that is used for fuel in the steelmaking process.*

<sup>4</sup> *Toxic Release Inventory, Ohio EPA, July 2005.*

<sup>5</sup> *"Flat Rolled Products Plants," LTV Steel, <http://www.ltvsteel.com/htmlfiles/flatroll.htm>.*

- Cold rolled full-finished – hot rolled strip is rolled again as a cold strip and then softened.
- Electro-galvanized sheet - thin layer of zinc is applied to protect steel from corrosion.
- Semi-finished – slabs of steel that have not been rolled.

These steel products are used in the auto industry, service centers, converters, plate slabs and tubular applications. With two blast furnaces, the Cleveland Works has the capacity to produce up to 3.8 million tons of raw steel annually.<sup>6</sup>

Mittal Steel claims that the Cleveland Works facility is the most productive steel mill in the world, measured by tons produced per worker hour.<sup>7</sup> This means that Mittal is providing very few jobs for Clevelanders - 90% fewer than the same complex used to provide. Marsha Harris, Human Resources Manager at Mittal Steel Cleveland refers to this as "lean manufacturing." The Cleveland Works facility at its peak employed 15,000 workers.<sup>8</sup> After the bankruptcy of LTV Steel, and the rebirth of the mill by ISG in 2002, the facility currently employs 1,598 workers under Mittal Steel.<sup>9</sup>

The Cleveland Works complex straddles the Cuyahoga River in the valley of Cleveland known as The Flats. Mittal Steel Cleveland Works has more neighbors than any other steel mill in the country: 392,276 residents and half of Cleveland public schools are within five miles of the plant.<sup>10</sup> Of these residents, 59.6% identify themselves as members of a minority group: 48.9% African American and 7.5% of Hispanic origin.<sup>11</sup> With the steel mill in the valley and resident homes on surrounding hills, many neighbors find themselves level with the tops of the smokestacks. Of the households surrounding the mill, 31.9% earn less than \$15,000 per year.<sup>12</sup> Many neighbors say they want to move away from Mittal Steel but cannot afford to do so.

## Air Pollution and Human Health

### Summary of Emissions

The 1990 federal Clean Air Act Amendments established new operating permits for air emissions and emissions fees based on tons emitted. Most recent data for Mittal Steel shows 2006 emissions as follows: 1,355,080 pounds of particle pollution, 1,781,800 pounds of sulfur dioxide, 3,637,640 pounds of nitrogen oxides, 37,047,800 pounds of carbon monoxide, and 194,760 pounds of organic chemicals.<sup>13</sup>



*The ArcelorMittal Steel Cleveland Works is the most urban steel mill in the United States: 390,000 men, women, and children live within five miles of the facility. Photo by Stefanie Spear.*

In addition, Mittal Steel is required under the Toxics Release Inventory to report emissions to the air, land, and water of a specific list of toxic compounds. Mittal Steel reported releasing 23,576 pounds of zinc, 3,246 pounds of manganese, 1,396 pounds of hydrochloric acid, 363 pounds of lead, 99 pounds of vanadium, 72 pounds of chromium, 40 pounds of copper, 33 pounds of barium, 22 pounds of cadmium, and .08 pounds of mercury into Cleveland's air in 2006.

### Harm to Health

Fine particle pollution (PM<sub>2.5</sub>) is so small that it passes through the body's natural defenses, penetrating the lung tissue and even entering the bloodstream. Scientists now report that fine particle pollution is the most dangerous health risk caused by air pollution.<sup>14</sup>

Fine particles cause lung damage, aggravated asthma, heart disease, bronchitis, irregular heartbeat, nonfatal heart attacks, and premature death for people with heart or lung disease. Children, the elderly, and people with existing heart or lung disease are most sensitive to exposure to fine particles.

Sulfur dioxide constricts airways, inhibits breathing, and triggers asthma. People with asthma are particularly affected by high levels of sulfur dioxide emitted over a short period of time. Other groups sensitive to sulfur dioxide pollution are children, the elderly, and those with heart and lung diseases.

<sup>6</sup> "Mittal Steel - USA," Mittal Steel, <http://www.mittalsteel.com/Facilities/Americas/Mittal+Steel+USA/Operating+Facilities/Cleveland.htm>.

<sup>7</sup> "Mittal Steel USA opens line in Cleveland to meet customers' needs for corrosion-resistant steel," Mittal Steel, April 2006.

<sup>8</sup> Jennifer Scott Cimperman, "LTV Shutdown Begins," *Society of American Business* [www2.sabew.org/sabewweb.nsf/e0087b5460c4a721862569c2005fa85a/989b9f5fbac4ea4c88256bc7006c368e!OpenDocument](http://www2.sabew.org/sabewweb.nsf/e0087b5460c4a721862569c2005fa85a/989b9f5fbac4ea4c88256bc7006c368e!OpenDocument).

<sup>9</sup> "Test for Mittal: Is Bigger Better?" *Cleveland Plain Dealer*, July 2, 2006.

<sup>10</sup> "Demographic Profile of Surrounding Area (5 Miles)," *US EPA Enforcement and Compliance History Online (ECHO)*, <http://www.epa.gov/cgi-bin/get1cReport.cgi?tool=echo&IDNumber=110011945681>.

<sup>11</sup> "Demographic Profile of Surrounding Area (5 Miles)," *op. cit.*

<sup>12</sup> "Demographic Profile of Surrounding Area (5 Miles)," *op. cit.*

<sup>13</sup> EPA Title V Emissions Fee Report, April 2006.

<sup>14</sup> "Health Effects of Ozone and Particle Pollution," *American Lung Association*, [http://lungaction.org/reports/sota05\\_heffects.html](http://lungaction.org/reports/sota05_heffects.html).



Exposure to high levels of manganese over long periods of time can damage the central nervous system and the brain, causing the disease "manganism." Symptoms include a general feeling of weakness, slow, clumsy movements with "heavy" arms and legs. Early symptoms also include slow or halting speech without tone or inflection, and a dull and emotionless expression. Other symptoms include anorexia, muscle pain, nervousness, irritability, headaches, and loss of libido. Exposure to manganese may also cause damage to the liver, kidneys, and the developing fetus, and may lead to respiratory problems.

### **Pollution Control Equipment**

Mittal Steel's pollution control devices are outdated. The oldest device still used today was installed in 1943. The newest device still used today was installed in 1990. Most of the devices were installed in the 1970's and 1980's. Of Mittal Steel's six boilers in operation, only Boiler Three has a pollution control device in place.

Mittal Steel's two Cleveland blast furnaces lack pollution control equipment that other Ohio steel mills have. Installing baghouses at their blast furnace casthouses could cut particle pollution at Mittal's two blast furnaces by seven times. These blast furnaces are Mittal's two biggest sources of fine and coarse particle pollution, sulfur dioxide, carbon monoxide, and volatile organic compounds.<sup>15</sup>

The U.S. EPA is currently investigating the legality of Mittal Steel running its blast furnace C5 without upgrades to its pollution control equipment. Mittal Steel has been running this blast furnace at 14.5% of its scrubber capacity. For Clevelanders this means an increase from 30% to 70% of the blast furnace gas that is not being scrubbed for particle pollution, and 1.8 million pounds of particles per year that Mittal has not been reporting to the Ohio EPA.

### **What Cleveland neighbors expect of Mittal**

Ohio Citizen Action, a neighbor-based environmental organization, launched the Good Neighbor Campaign with ISG in July 2004. Good Neighbor Campaigns use the power of community organizing to cause major polluters to prevent pollution at their facilities. The Cleveland Works plant has been under the ownership of Mittal Steel since April 2005. Ohio Citizen Action members have sent 25,600 personal, handwritten letters and petitions to Mittal Steel's Cleveland management, the bulk of which went to plant manager Terry Fedor. Mr. Fedor has not responded. Since March 2007, 500 Cleveland area doctors and nurses have written Mr. Fedor, urging his attention to pollution prevention at the Cleveland mill.

Cleveland area neighbors expect Mittal Steel to turn its attention immediately to pollution prevention. Mittal Steel has the resources to become a leader in the steel industry and make the Cleveland Works facility a model in reduced air pollution.

The first step for Mittal Steel is to have a decision maker sit down with Cleveland area neighbors to talk about pollution prevention. Fortunately there are many experts both in Ohio and elsewhere who can help Mittal develop innovative approaches to reducing pollution.

<sup>15</sup> EPA Title V Emissions Fee Report, April 2006.



## ArcelorMittal Galati (formerly Sidex)

Romania

### Background

ArcelorMittal Galati is the largest integrated iron and steel works in Romania, accounting for over 50 per cent of the country's steel production<sup>1</sup> and occupying one-quarter of the area of the town of Galati (population approximately 300 000 people). Built in the 1960s, it currently has a capacity of 5.5 million tonnes, two thirds of which is exported to more than 40 countries.<sup>2</sup>

By 2001 the steelworks was reportedly losing an estimated USD 1 million a day, with hundreds of millions of dollars in debts (reports vary from USD 160 million<sup>3</sup> to USD 900 million<sup>4</sup>). LNM bought the Sidex mill (again, reports vary on the amount paid - between USD 60<sup>5</sup> and USD 360 million<sup>6</sup>), causing a scandal in the UK where Prime Minister Tony Blair had signed a July 2001 letter to his Romanian counterpart endorsing the sale to Mittal.

Blair's recommendation was seen as suspicious considering that Mittal had donated GBP 125 000 to the Labour Party in June of that year. Blair said he knew nothing about the donation when he signed the letter and his officials said the letter was justified on grounds of national interest. However Mittal employed only 100 people in the UK at the time and Mittal owned LNM through Richmond Investment Holdings Ltd., a company based in the British Virgin Islands, where international companies pay no taxes.<sup>7</sup>

Questions were also raised about Blair's support for Mittal when it was alleged that Mittal had been lobbying for tariffs on steel imports to the US, which, it was claimed, would harm the UK steel industry and work directly against the interests of British workers.<sup>8</sup>

After the privatisation the plant's name was changed to Mittal Steel Galati. In 2007 this changed again to ArcelorMittal Galati.

In its heyday the plant reportedly employed 47 000 people, though by 2001 this was down to 25 000.<sup>9</sup> By 2005 this had dropped to 18 000, with the aim of cutting a further 5000 jobs by 2008.<sup>10</sup>



*Behind its cold exterior, ArcelorMittal Galati in Romania has become the scene of heated labour disputes in recent years.*

*Photo by CEE Bankwatch Network.*

Galati is one of most polluted areas in the country and for several years the local Earth Friends NGO has been monitoring and campaigning on the environmental problems caused by the plant. Although the steelworks has been turned around economically during the last few years, ArcelorMittal Galati still suffers from serious environmental and health and safety problems, and improvements in these areas appear to be proceeding very slowly.

### Environmental problems

The company received a USD 100 million short-term loan for Galati from the European Bank for Reconstruction and Development (EBRD) in 2001, which was extended in 2002. The project was classified as C/1 category and required an environmental audit. One of the elements of the project was to implement an Environmental Action Plan for the plant to reduce its extremely heavy environmental impact. The main pollution concerns identified were as follows:

- Out of the 112 controlled emission sources of Sidex only 41 complied with emission standards (the main pollutants being dust, CO, NO<sub>x</sub>, VOCs, SO<sub>x</sub>, PAHs and heavy metals).
- Fugitive air emissions, exposure to heat and noise caused serious problems in the work place.
- Effluent waters polluted the two lakes (Catusa on the eastern side and Malina on the western side of the plant), which are connected to the River Siret. The main pollutants were cyanides

<sup>1</sup> Mittal Steel webpage <http://www.mittalsteel.com/Facilities/Europe/Mittal+Steel+Galati/>

<sup>2</sup> Mittal Steel webpage <http://www.mittalsteel.com/Facilities/Europe/Mittal+Steel+Galati/>

<sup>3</sup> Justin Keay: "Steel in the soul", CNBC European Business, June 2006, <http://cnbceb.com/2006/06/01/steel-2/>

<sup>4</sup> Kate Connolly: Mittal's new staff worry about jobs - not UK fallout, *The Guardian*, 16 February 2002, [http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article\\_continue](http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article_continue)

<sup>5</sup> Simon Clark and Matthew Craze: *The Mittals have steeled themselves against the odds*, *Business Report*, South Africa, 12th June 2005, <http://www.busrep.co.za/index.php?fArticleId=2554141>

<sup>6</sup> Justin Keay: "Steel in the soul", CNBC European Business, June 2006, <http://cnbceb.com/2006/06/01/steel-2/>

<sup>7</sup> Simon Clark and Matthew Craze: *Man of Steel*, *Bloomberg Markets*, July 2005, [www.mittalsteel.com/NR/rdonlyres/BB5383B3-C239-43EF-BFA8-87BC1B115220/0/2005JulyBloombergManofSteel.pdf](http://www.mittalsteel.com/NR/rdonlyres/BB5383B3-C239-43EF-BFA8-87BC1B115220/0/2005JulyBloombergManofSteel.pdf)

<sup>8</sup> BBC News: Blair silent on Mittal's US links, 18.02.2002, [http://news.bbc.co.uk/1/hi/uk\\_politics/1826756.stm](http://news.bbc.co.uk/1/hi/uk_politics/1826756.stm)

<sup>9</sup> Justin Keay: "Steel in the soul", CNBC European Business, June 2006, <http://cnbceb.com/2006/06/01/steel-2/>

<sup>10</sup> Simon Clark and Matthew Craze: *Man of Steel*, *Bloomberg Markets*, July 2005, [www.mittalsteel.com/NR/rdonlyres/BB5383B3-C239-43EF-BFA8-87BC1B115220/0/2005JulyBloombergManofSteel.pdf](http://www.mittalsteel.com/NR/rdonlyres/BB5383B3-C239-43EF-BFA8-87BC1B115220/0/2005JulyBloombergManofSteel.pdf)

and ammonia, which were said to have decomposed in the lakes rather than polluting the river.

- High energy and material intensity compared to that of a typical western European steel plant.<sup>11</sup>

The short-term action plan for 2002-3 amounted to USD 19 million, excluding technological changes of benefit to the environment, due to be made separately, while the long term EAP was due to amount to about USD 76 million. One important requirement that came with the loan was that the company implements a public information programme. However NGOs have not been able to access the Environmental Action Plan.

The management of the plant has claimed in interviews that environmental investment in the plant is running ahead of schedule: EUR 33 million out of the planned EUR 61.2 million over 10 years had already been spent by mid-2006<sup>12</sup>, and in 2005 the EBRD stated that 32 out of 54 action points had been completed<sup>13</sup>, and that: "The annual progress reports on the implementation of the EAP show that good progress has been made over the past three years"<sup>14</sup>.

However according to the local groups the environmental conditions have not subsequently been improved in the area and the EBRD concedes: "there is a (sic) considerable work left to do in the remaining six years"<sup>15</sup>.

#### Labour and health and safety issues

The main aim of the plant's takeover was to keep it operating and prevent its total collapse, and the ensuing social disaster caused by the closure of the city's main employer. However the workers' initial relief at getting their wages paid on time has been mixed with a certain level of concern and dissatisfaction about the company's intentions.

The main issue for workers at the Galati plant after the privatisation was the threat of redundancy. Compulsory redundancies were forbidden for the first five years after the sell-off by the privatisation contract,<sup>16</sup> however this has not stopped lay-offs in the service companies operating at the plant.<sup>17</sup> As mentioned above, between the 2001 privatisation and 2005, the number of workers dropped from 25 000 to 18 000, with plans to lay off 5000 more.



*Much remains to be done to reduce pollution at Galati.*

*Photo by CEE Bankwatch Network.*

Under the privatisation deal, LNM was declared exempt from VAT on imports or profit tax for five years. This exemption was terminated beginning January 1, 2005. However, the company has been accused of interpreting the clause too liberally, by refusing to pay wages tax or its workers' social costs and health insurance.<sup>18</sup> The Guardian newspaper in the UK also reported frustration among workers at the new management's seeming reluctance to pay for a daily milk ration, to which 20,000 people are entitled on doctor's orders in order to reduce the health impact of a severely polluted working environment.<sup>19</sup>

In the last few years there have been several protests by workers at Galati. The main issues at stake are salaries. In 2005 members of the Solidaritatea union even went on hunger strike over Mittal's refusal to negotiate with the union on the collective bargaining agreement.<sup>20</sup>

In April 2007 the plant underwent the first general strike in its history, mainly over pay levels. A detailed account of this can be found at the European Industrial Relations Observatory at: <http://www.eurofound.europa.eu/eiro/2007/04/articles/ro0704039i.htm>.

The Solidaritatea union, which says it had approximately 8500 members as of 2007, has made serious allegations concerning attempts by the plant's management to stifle its activities, including

<sup>11</sup> EBRD Project Summary Document, Sidex, 21.09.2001, <http://www.ebrd.com/projects/psd/psd2001/16382.htm>

<sup>12</sup> Justin Keay: "Steel in the soul", CNBC European Business, June 2006, <http://cnbceb.com/2006/06/01/steel-2/>

<sup>13</sup> EBRD Project Summary Document, Mittal Steel Galati, updated November 2005 <http://www.ebrd.com/projects/psd/psd2002/27928.htm>

<sup>14</sup> EBRD: Strategy For Romania - Report On The Invitation To The Public To Comment As Part Of The Review Process, 2005, <http://www.ebrd.com/about/strategy/country/romania/index.htm>

<sup>15</sup> EBRD: Strategy For Romania - Report On The Invitation To The Public To Comment As Part Of The Review Process, 2005, <http://www.ebrd.com/about/strategy/country/romania/index.htm>

<sup>16</sup> LNM Group press release, 25 July 2001

<sup>17</sup> Kate Connolly: Mittal's new staff worry about jobs - not UK fallout, The Guardian, 16 February 2002, [http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article\\_continue](http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article_continue)

<sup>18</sup> Kate Connolly: Mittal's new staff worry about jobs - not UK fallout, The Guardian, 16 February 2002, [http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article\\_continue](http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article_continue)

<sup>19</sup> Kate Connolly: Mittal's new staff worry about jobs - not UK fallout, The Guardian, 16 February 2002, [http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article\\_continue](http://politics.guardian.co.uk/labour/story/0,9061,651173,00.html#article_continue)

<sup>20</sup> Nine O'Clock news, 07.12.2005 [http://www.doingbusiness.ro/business\\_news.php?newsid=265](http://www.doingbusiness.ro/business_news.php?newsid=265)



moving senior union figures to more difficult working positions, threats and physical abuse. The union managers were eventually reinstated after a lawsuit.

The union also claims that between 2004 and 2006 the management of ArcelorMittal Galati transferred the fees paid by its members into the bank accounts of other unions, and, in spite of a court ruling in favour of Solidaritatea, refuses to transfer the money.<sup>21</sup>

While we have not been able to verify these claims ourselves due to language barriers, it is clear that the union feels very strongly that workers in ArcelorMittal Galati are treated poorly. In 2007 they took their concerns to Luxembourg and Brussels and held a demonstration outside the company's headquarters<sup>22</sup> and outside one of the European Commission buildings.

The number of injuries and deaths at the plant has raised concerns, with safety inspectors citing 25 deaths and 254 injuries between the Mittal takeover in 2001 and July 2006. The company disputes the figures but admits to 17 deaths and 203 injuries serious enough to prevent employees working for some time. By way of comparison, the US 2007 target to reduce workplace fatalities in sectors covered by the Occupational Safety and Health Act – which was successfully achieved – was 0.0173 fatalities per 1000 workers.<sup>23</sup> Assuming 25 deaths over 5 years, with an average of 20 000 employees at the plant, the average at Galati between 2001–2006 was around 0.25 fatalities per 1000 workers per year. Mittal says it has improved safety since it took over: "We have put great emphasis on reducing the injury rates with considerable success. Prior to Arcelor Mittal's ownership the average number of lost workday injuries per year was 147. In 2005, this had been reduced to 32, an improvement of 79 per cent," said a company spokesperson, who also claims that the average number of deaths at the plant has also fallen since Mittal took control.<sup>24</sup>

The company's claims to take health and safety seriously are disputed by many, including the state safety inspectorate. In the first half of 2006 the plant had already been fined nearly USD 60 000 for failing to regularly check equipment, for improper technology, for not checking employees' health and for inadequately marking dangerous areas.

Gheorghe Tiber, a lawyer with the Steel Workers Solidarity Union who worked at the plant for 23 years, also blamed a fatal June 2006 ac-

cident on poor management and lack of effort to improve safety conditions. One worker died and three others were seriously injured after being set ablaze at the plant's oxygen unit<sup>25</sup>.

### Perverse subsidies for Mittal Steel Galati

Due to the Romanian government's wish to resolve the situation at the Galati plant, it offered incentives to Mittal in the form of tax exemptions. As mentioned above, until the beginning of 2005, Mittal Steel Galati was exempt from VAT on imports or profit tax for five years. As a result of commitments under certain agreements related to acquisitions and capital investments undertaken by Arcelor Mittal, income from operating activities in Romania were also exempt from taxes in 2004. Such benefits reduced the tax expense of Mittal's operating subsidiaries in Romania by USD 190 million.<sup>26</sup>

In October 2001 the EBRD approved a short-term loan to Arcelor Mittal Galati. It was a corporate revolving loan of USD 100 million (EUR 108 million), as part of a project with a total cost of USD 481 million (EUR 519 million)<sup>27</sup>. The loan was mentioned in the UK media during the scandal resulting from Tony Blair's 2001 letter to the Romanian Prime Minister recommending Mittal as a buyer for Galati, and questions were asked about whether the UK government has exerted pressure on the EBRD to approve the loan for the privatisation. In early 2002 the EBRD denied claims that the Department of International Development, headed by Clare Short, had tried to use its influence to promote LNM, Lakshmi Mittal's company.

"From our point of view we were backing the winner of a privatisation process in Romania which had a sound creditworthy proposition that we could support," EBRD's head of banking, Noreen Doyle, said.<sup>28</sup> Nevertheless, the UK government found itself in an awkward situation, on one hand receiving donations from Mittal and on the other hand being part of the EBRD's board making decisions on giving loans to Mittal.

In 2002 the EBRD extended a replacement loan of USD 100 million (EUR 100 million equivalent) to Arcelor Mittal Galati, with an environmental category of B/1. The project aimed to support restructuring, and the loan proceeds were to be used towards financing the expenditure programme as agreed between the Arcelor Mittal Group and the Romanian government at privatisation, including environmental and efficiency improvements, as well as working capital<sup>29</sup>.

<sup>21</sup> Letter sent to Sunita Dubey, Groundwork USA, 17th November 2007 by Solidaritatea union member (we choose not to name him here due to concerns about potential consequences) by e-mail.

<sup>22</sup> See YouTube video of March 19 demonstration:

[http://www.youtube.com/watch?v=c5WkgCt\\_fIM&session=ndkpbVAC5mgVp5qGzUR3iCR\\_60tke9ll6Imr6z6J5uDgnPJMu8x8ZzAOYgJ000NS8ua7tb1y938FB7n1CoXNH61ex4t10E\\_B\\_qHLKAXLXlv7T7GghGrsREvmtAxLwLqXMV3LtsVmmUhp7WbfAXtPrfYBsnHvXanZyQ6S22g9ITHwr82bqR6la7qSs6\\_FeF1kzfDapAns2N](http://www.youtube.com/watch?v=c5WkgCt_fIM&session=ndkpbVAC5mgVp5qGzUR3iCR_60tke9ll6Imr6z6J5uDgnPJMu8x8ZzAOYgJ000NS8ua7tb1y938FB7n1CoXNH61ex4t10E_B_qHLKAXLXlv7T7GghGrsREvmtAxLwLqXMV3LtsVmmUhp7WbfAXtPrfYBsnHvXanZyQ6S22g9ITHwr82bqR6la7qSs6_FeF1kzfDapAns2N)

<sup>23</sup> Carmiola Ionescu and Jan Pancevski, Workers blame 25 deaths at Mittal steel plant on lax safety, *The Telegraph*, 15.07.2006

<http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/07/16/wrom16.xml>

<sup>24</sup> Carmiola Ionescu and Jan Pancevski, Workers blame 25 deaths at Mittal steel plant on lax safety, *The Telegraph*, 15.07.2006

<http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/07/16/wrom16.xml>

<sup>25</sup> Mittal Steel, Form 20f, filing date 20th March 2006, Item 5: Operating and Financial Review and Prospects <http://sec.edgar-online.com/2006/03/20/0001047469-06-003724/Section6.asp>

<sup>26</sup> EBRD Project Summary Document, Sidex, 21.09.2001, <http://www.ebrd.com/projects/psd/psd2001/16382.htm>

<sup>27</sup> BBC News: Blair silent on Mittal's US links, 18.02.2002, [http://news.bbc.co.uk/1/hi/uk\\_politics/1826756.stm](http://news.bbc.co.uk/1/hi/uk_politics/1826756.stm)

<sup>28</sup> EBRD Project Summary Document, Mittal Steel Galati, updated November 2005 <http://www.ebrd.com/projects/psd/psd2002/27928.htm>



Non-governmental environmental groups TERRA Mileniul III and Earth Friends have communicated with the EBRD about the problems related to this project. However there has been little consensus on the results achieved, with the EBRD providing information on the actions Mittal claims it has carried out<sup>30</sup> and the NGOs pointing out that hardly any improvements are visible to the local population and that the company is not willing to provide crucial data to civil society.

In July 2005, TERRA Mileniul III requested the environmental action plan from Mittal, but the letter remains unanswered. "The privatisation gave tremendous financial facilities for the new owner in comparison with other large privatisations in Romania. The EBRD offered the steel works an opportunity to improve its environmental performance, but closed its eyes to the evidence of its missing transparency on environmental issues," states TERRA Mileniul III.<sup>31</sup>

The Solidaritatea union expresses similar concerns, saying that many of the planned investments to improve the technological processes have been made on paper only, while those really carried out have used the cheapest materials,<sup>32</sup> thus undermining their effectiveness.

In May 2004 the International Finance Corporation (IFC), the private sector arm of the World Bank, approved a corporate loan of up to USD 100 million to LNM Group for use in Kazakhstan (Arcelor Mittal Temirtau) and Romania (Galati). According to the IFC the project's main purposes were to:

- improve the environmental performance of the plants
- create and maintain an environmental and worker health and safety system on a corporate level, so that it can help ensure that all its current and future operations will meet World Bank Group and/or European Union standards; and
- rehabilitate, de-bottleneck and provide working capital and cash support to its subsidiaries<sup>33</sup>.

While the need for improvements to take place in Galati is clear if the plant is to stay in operation, questions marks remain over both the results of the loans (see section on Environmental Issues) as well as the justification for giving low-interest public loans and political support to a company headed by one of the world's richest men.

<sup>30</sup> EBRD Project Summary Document - Mittal Steel Galati, updated 18 November 2005 <http://www.ebrd.com/projects/psd/psd2002/27928.htm>

<sup>31</sup> EBRD: Strategy For Romania - Report On The Invitation To The Public To Comment As Part Of The Review Process, 2005, <http://www.ebrd.com/about/strategy/country/romania/index.htm>

<sup>32</sup> Letter sent to Sunita Dubey, Groundwork USA, 17th November 2007 by Solidaritatea union member (we choose not to name him here due to concerns about potential consequences) by e-mail.

<sup>33</sup> IFC webpage, Summary of project information, 2nd April 2004:

<http://wbln0018.worldbank.org/IFCExt/spiwebsite1.nsf/f451ebbe34a9a8ca85256a550073ff10/6296eb2c6c7fcd3d85256e6a006a9d11?OpenDocument>

## ArcelorMittal in Orissa

### India

#### Introduction

In terms of driving future demand growth, India represents an opportunity for the steel industry based on its large population and current low per capita consumption. With a population of approximately one billion people, India consumed around 32 million tonnes of steel in 2004, which equals less than 30 kg per person. Currently India produces 40 million tonnes of steel a year and by 2010, demand will hit 65 million tonnes.

To no-one's surprise, soon after the merger with Arcelor in 2006 Mittal Steel started to make big plans for investment in India. Arcelor-Mittal officials have said the three key factors that have driven the group's India mission are good costs, competitive advantage in a highly skilled labour force and rich iron ore deposits. This comes on top of the political support and advantage which Mittal Steel has garnered from the Indian government, even though the Indian born Laxmi Mittal has never before invested a single dollar in India.

Indian politicians overwhelmingly supported Mittal in its acquisition of Arcelor, the second largest steel company in the world in 2006. Commerce Minister, Kamal Nath, wrote to the European Union arguing for the acquisition. The Prime Minister Manmohan Singh ended up taking on this issue with the visiting French president, who was initially critical of this deal because of the anticipated job cuts in France and other parts of Europe.<sup>1</sup>



ArcelorMittal sowing steel on agricultural and indigenous lands in India.

Photo by Jorge Reverter.

#### ArcelorMittal plans in India

The group plans investments of USD 20 billion for the two projects in Orissa and Jharkhand out of a total of USD 35 billion worldwide and hopes to produce over 24 million tonnes of steel in four phases in India. It claims that its Tubarao plant in Brazil will be the template for its Indian projects. ArcelorMittal is all set to invest approximately USD 9 billion to build an integrated steel plant with a total annual capacity of 12 million tonnes in the iron-rich Keonjhar district and a similar capacity plant in Jharkhand, and for this purpose it has formed an Indian subsidiary, Mittal Steel India Ltd, to implement its steel plant projects in India.<sup>2</sup>

ArcelorMittal feels that there were very limited acquisition possibilities in India and therefore the group is strengthening its position in the country through greenfield ventures. According to the memorandum of understanding (MoU) signed on 21 December 2006 with the Orissa State government, the plan consists of building a coke oven, steel making, rolling mills, and a 750 MW captive power plant. ArcelorMittal has asked for 8,000 acres of land at the proposed location; 6,000 acres for the plant, 1,000 acres for a power plant, and 1,000 acres for a township, according to press reports. The land requirement is almost double the size of the land sought by POSCO, a South Korean Steel Company, which has just received an environmental permit for setting up a steel plant of similar capacity at Paradip, Orissa. Mittal India claims that the excess land is needed for its future expansion plans.

Orissa's tryst with steel does not just end at these two mega steel plants. In the last two years, the Orissa government has signed about 40 steel plant proposals in the state. A projected 44 million tonne capacity mill is expected to be built in Orissa, with a massive investment of about USD 4.5 billion. Out of these, five major national and international players alone are pumping in USD 24 billion to build a capacity of 32.5 million tonnes, according to the state government.<sup>3</sup>

#### ArcelorMittal pulling strings

The company has sought a special economic zone (SEZ) status for its plan. If granted, it will not only result in substantial tax savings, but would give Mittal India the leeway to bypass many environmental regulations. Under the garb of corporate social responsibility, the steel company has pledged its support to the community and appointed a consultant, the New Delhi-based IL&FS EcoSmart Ltd. to do a socio-economic survey and prepare the Relief and Rehabilitation (R&R) package for the project-affected people.

EcoSmart provides resettlement support services for the World Bank-funded Mumbai Urban Transport Project (MUTP)<sup>4</sup>. However, based on the Bank's own Inspection Panel report documenting the abysmal rehabilitation and resettlement of the project, the World Bank withheld upcoming installments to the project<sup>5</sup>. This is the track record of the company hired by Mittal India for their own project's R&R.

<sup>1</sup> <http://www.thehindubusinessline.com/2006/02/21/stories/2006022100401000.htm>

<sup>2</sup> <http://www.arcelormittal.com/index.php?lang=en&page=49&tb0=41&tblng=1>

<sup>3</sup> Orissa-an Emerging State in Steel Sector. By Suryanshu Choudhory. [http://orissagov.nic.in/e-magazine/Orissareview/may2005/engpdf/orissa\\_an\\_emrging\\_state\\_in\\_steel\\_sector.pdf](http://orissagov.nic.in/e-magazine/Orissareview/may2005/engpdf/orissa_an_emrging_state_in_steel_sector.pdf)

<sup>4</sup> <http://www.ilfsecosmart.com/resettlement.asp>

<sup>5</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20869626~pagePK:34370~piPK:34424~theSitePK:4607,00.html>



Meanwhile, Sanak Mishra, CEO of Mittal India operations, says: "The company would take the Orissa government's R&R policy as a guideline for the package".

The problem lies in the very fact that R&R policy of Orissa government is already marred with problems like failure to ensure employment guarantees for the displaced. The onus is on the company to employ the displaced. The policy also remains silent about the government's role in cases where people do not want to be displaced by industrial projects, according to a Down to Earth report.

### Peoples' protest

Just weeks after the MoU between the Orissa government and Arcelor Mittal was signed, the people of Keonjhar started protesting against the deal. Taking note of the plight of other communities evicted due to a myriad of development projects in Orissa, people are not ready to give away their land, which is often their only source of livelihood. Angry villagers from 17 villages have also demonstrated in front of Keonjhar District Collector's office demanding that their land should not be acquired for the Mittal steel plant. The land sought for the project is multi-crop, fertile, and irrigated agricultural land. The voice of these people is strong, and it is likely that they will not give up their land easily, which will be a problem for both the Orissa government and Mittal. Orissa is predominantly an agricultural state where nearly seventy per cent of the working population depends on agriculture. The United Nations Development Programme (UNDP) says that in the state of Orissa, some 100,000 families have been displaced since India's independence in 1947 and about two million have been affected to varying degrees because of development projects.



*A traditional dwelling in Orissa.*

*Photo by Jorge Reverter.*

As most of Orissa's natural resources lie in the hilly and forest areas, the majority of development projects take place here. These forests are home to indigenous tribes, one of the most disadvantaged sectors of Orissa's population, and in the district where the ArcelorMittal plant is planned, the indigenous population is 96 percent. Even in the neighbouring state of Jharkand, where ArcelorMittal is also planning to manufacture steel, almost 80% of the population in this mineral-rich state is dependent on agriculture and the state is home to 32 different indigenous groups.

For its part, the Orissa government has so far paid more attention to Mittal's possible investment than to its well-established record of flouting environmental and social norms. If the government tries to force Arcelor Mittal on its people, it may once again face a situation like in Kalinganagar, where thousands of people protested the land acquisition by Tata Steel Company. During a January 2006 protest, 12 indigenous people were killed in a police shooting, which became a huge issue at the national level. The two states in India, where ArcelorMittal is proposing these plants are very rich in natural resources, still these States rank as some of the poorest in the nation, and most of the development project like mining, processing and steel making has not substantially improved the life of poor and indigenous communities. The indigenous people of Orissa and Jharkhand, who are poor and are always asked to move and give up their livelihood, will not hesitate to resist because they are left with no choice.



# ArcelorMittal Kryviy Rih (formerly KryvorizhStal JSC)

Ukraine

## Background

JSC "ArcelorMittal Kryviy Rih" ("KryvorizhStal" JSC) is the largest Ukrainian metallurgical company with an annual steel production of 7.7 million tonnes and more than one billion tonnes of iron ore resources.<sup>1</sup> The plant is a major contributor to the state budget. The complex opened in August 1934 in the southern Ukrainian city of Kryviy Rih, whose population now numbers more than 700 000. This enterprise comprises the complete metallurgical cycle, which includes well control with underground ore extraction, ore mining and a processing complex, by-product coke and metallurgical production, and an agro-industrial complex.

Public auctions to sell 93.02 percent of the shares of JSC "KryvorizhStal" took place in Kyiv on 24 October, 2005. Mittal Steel Germany GmbH Company (Germany) won the auction and paid USD 4.8 billion for the company. The new owner of "KryvorizhStal" has been obliged to fulfill a number of conditions concerning economic activity, innovation and investment, as well as social and environmental protection. However, serious doubts have been raised as to the effectiveness of their implementation.



*ArcelorMittal is a major polluter in Kryviy Rih.*

*Photo by CEE Bankwatch Network.*

## Environmental problems

In April 2006 the European Bank for Reconstruction and Development (EBRD) extended a loan to the company (AMKR), which included the condition to implement an Environmental Action Plan (EAP). Despite the management's claims that all relevant issues are addressed

by the EAP, it is not possible to check the credibility of this, nor to judge the level of progress made on the implementation of the plan, because the EAP has not even been disclosed partially.

Despite all official statements<sup>2</sup> that environmental protection at the enterprise is improving, the environmental situation in the region appears to be getting worse<sup>3</sup>. AMKR is a major polluter in the city of Kryviy Rih, although not the only one, and according to testimonies from the inhabitants of the city of Kryviy Rih, under cover of night and at weekends the plant releases into the air iron dust, hazardous materials and malodorous gases.

Citizens believe that the plant switches off its air filters as they are highly energy consuming. This is partially so, but according to an anonymous source who works at the plant, it also happens because of the increasing production demands of the new plant management. The anonymous source states that emissions in fact increase at night, due to the technological features of the metal smelting process. When the cleaning facility is turned off the metal smelting process goes faster and therefore more metal is produced more quickly<sup>4</sup>.

The pollution is most dangerous for the oldest and the youngest members of the community who, according to the Deputy Head of the Trade Union, Natalya Butenko, are constantly at the doctors, with their health seriously damaged.<sup>5</sup> Her opinion is supported by a Scientific Hygienic Centre of Ukraine report on the birth/death ratio and general health conditions in the big metallurgical cities of Ukraine. The report considers Kryviy Rih to be one of the most unfavourable places to live<sup>6</sup>, and according to local people the situation has not improved since the report's publication.

On January 22, 2008 the Public Prosecutor's Office sent a letter to the Head of AMKR in which the Prosecutor opened a civil legal case against the officials of the plant for the violation of Ukrainian environmental legislation. The reaction from the side of the management is still not clear<sup>7</sup>.

## Transparency and public participation

Transparency and accountability of the plant's operations are virtually non-existent. The Environmental Action Plan and Health and Safety Policy have never been consulted with the trade union or NGOs.

One of the main concerns is the non-availability of documentation for the public. In 2006 the National Ecological Centre of Ukraine (NECU) made a request for the EAP and received a rejection. In the same year the official website of AMKR announced that the new Health and Safety Policy had been adopted and could be presented to all stakeholders. NECU sent several requests to the management for the Policy but has not received any answer. In addition a NECU representative attempted several times to arrange a meeting with

<sup>1</sup> ArcelorMittal webpage: <http://www.arcelormittal.com/index.php?lang=en&page=554>

<sup>2</sup> See for example the 25.12.2006 statement on the company website (in Ukrainian) at: [http://www.mittalsteel.com.ua/pls/metalurg/paper.news?p\\_id\\_news=1381](http://www.mittalsteel.com.ua/pls/metalurg/paper.news?p_id_news=1381)

<sup>3</sup> See for example Obkom news portal, 26.12.2006, <http://obkom.net.ua/news/2006-12-26/0759.shtml>

<sup>4</sup> Interview by Alena Miskun of CEE Bankwatch Network with anonymous ArcelorMittal Kryviy Rih employee, 23.10.2007.

<sup>5</sup> Interview by Alena Miskun of CEE Bankwatch Network with AMKR TU representatives, July 8, 2006.



*The results of environmental investments are not always clear.*

*Photo by CEE Bankwatch Network.*

the Environmental Department representatives of the plant, but the secretary repeatedly claimed they were not available.

When the EAP and Health and Safety Policy are not available to the public and company workers, it is very difficult to judge the state of their implementation. In a similar EBRD-financed project with the same borrower in Kazakhstan – ArcelorMittal Temirtau – even the plant’s environmental staff was not aware of the action plan details, and it is unclear whether the case of AMKR is any different.<sup>8</sup>

### **Labour and health and safety issues**

Another issue of concern is job-cutting at the enterprise. According to the conditions of the agreement with the state the new owner was obliged not to reduce the work force. However, the company’s tactics are to apply “natural attrition of manpower” and voluntary leave compensations, i.e. people retire and the plant does not hire new Ukrainian employees. This has created concerns among workers and in the State Property Fund that a further reduction of staff will increase the volume of overtime work for the remaining employees<sup>9</sup> and, according to the trade union, this has indeed been the case<sup>10</sup>.

The management of the plant is not satisfied with the volume of production per person employed at the plant (170 tonnes of steel per year per person) compared to its other plants in other countries, where this ratio is 3–5 times higher, and jobs are being cut to increase productivity.<sup>11</sup> However it is not taken into account that a theoretical average plant in Europe consists only of the metal-smelt-

ing plant itself and employs, for example, 3 000 people. AMKR, however, is a giant metallurgical complex that entails the complete metallurgical cycle, including well control with underground ore extraction, ore mining and a processing complex, by-product coke and metallurgical production as well as an agro-industrial complex; thus the productivity ratio is relatively low.

Those leaving on a voluntary basis are reportedly receiving good compensation, however the number of professionals is decreasing and there are no new people hired. So the volume of work remains the same, but for fewer people. This means overworking and higher risk of injuries.<sup>12</sup>

The wage rate has been the subject of a strenuous struggle between the trade union committee of JSC “KryvorizhStal” and the new owner. The employees have carried out periodical protest actions in Kryviy Rih due to the denial by Mittal Steel of an increase in the salary of the metallurgical workers<sup>13</sup>. Only because of the intervention of the State Property Fund, a “13<sup>th</sup> salary” for 2005 was paid to the workers late in 2006. At the moment a new collective agreement for 2007–08 that seems to be positively evaluated by the trade union<sup>14</sup> has been signed with Mittal. According to the Annual Report 2004: “Mittal Steel does not accept that workplace injuries of any kind are acceptable or inevitable. The new doctrine makes it plain that all accidents are preventable and that a zero injury workplace is possible.”<sup>15</sup> And: “Injury rates have improved by approximately 15% in 2005 as compared to 2004”<sup>16</sup>.



*The trade union at Kryviy Rih is demanding a number of urgent health and safety and environmental improvements.*

*Photo by CEE Bankwatch Network.*

<sup>6</sup> Scientific Hygienic Centre of Ukraine. Turos Olena, “State of health of the population: birth and death in the industrial cities of Ukraine with different levels of air pollution”, 1998 <http://www.lib.ua-ru.net/inode/25488.html>

<sup>7</sup> Letter from Public Prosecutor’s Office to AMKR, 22. 01.08, 60-08/16.2

<sup>8</sup> Letter from Mittal Steel Temirtau N01-5/97 of 16.03.2006 (reply to Green Salvation (Kz))

<sup>9</sup> Gazeta Po-Kievski news portal, 20.02.2007 <http://www.pk.kiev.ua/country/2007/02/20/090047.html>

<sup>10</sup> Interview by Alena Miskun of CEE Bankwatch Network with AMKR TU representatives, 12.03.08

<sup>11</sup> Interview by Alena Miskun of CEE Bankwatch Network with anonymous ArcelorMittal Kryviy Rih employee, 23.10.2007. <http://www.zvanie.com/articles/145>

<sup>12</sup> Interview by Alena Miskun of CEE Bankwatch Network with AMKR TU representatives, 12.03.08

<sup>13</sup> Business portals <http://www.audit.kharkov.com/archive.php?type=news&id=52> 20.12.2005 and [http://www.bogdanovich.biz/index.php?lang\\_id=1&content\\_id=14](http://www.bogdanovich.biz/index.php?lang_id=1&content_id=14) 20.12.2005

<sup>14</sup> Interview by Alena Miskun of CEE Bankwatch Network with AMKR TU representatives, July 8, 2006.

<sup>15</sup> Mittal Steel Annual Report 2004 <http://www.thelnmgroup.com/Investor+Relations/Annual+Report+2004/Company+Overview/Corporate+and+Social+Responsibility.htm>



However according to the data of the trade union comparing the data on accidents before the new system of employment (voluntary leaving) and afterwards, the rate has doubled. In the first quarter of 2007 there were 11 cases and in the fourth, 22, two of which were lethal.<sup>17</sup>

The trade union of AMKR is also disappointed with the health and safety measures undertaken, as well as improvements in the environmental field. In 2006, the union provided Bankwatch with a list of demands for H&S and environmental protection improvements at the plant. Bankwatch submitted this list to EBRD staff at the 2006 EBRD AGM in London<sup>18</sup>. So far only two out of ten H&S requirements have been fulfilled (partially), and concerning environmental protection measures, only one item out of five has been more or less carried out.<sup>19</sup>

Many deficiencies in health and safety measures at the plant are caused by a simple lack of financing. According to the investment agreement the plant has to allocate 0.6 percent of annual sales to health and safety.<sup>20</sup> In 2007 this should have been UAH 89 million and, in 2008, UAH 120 million<sup>21</sup>. In reality the scheme looks different. Each head of department makes his/her own budget (which includes operational expenditures, H&S measures, repair expenditures and environmental protection) and submits it to the management of the plant. The management tends to demand cuts of 30–35 percent. Of course this means that the most “unnecessary” measures are cut – i.e. little or no separate money is assigned to H&S and environmental measures, the plant only states that on paper.

#### Other controversial business practices at ArcelorMittal Kryviy Rih

The process of the privatisation of “Kryvorizhstal” JSC was non-transparent, and not everyone was pleased with its outcome. In 2006 Ukrainian officials discussed the possible re-privatisation of the plant. In particular, the State Property Fund raised concerns over the new owner's unwillingness to fulfill obligations (reluctance to pay a planned ‘13th salary’ to its workers, failure to build social housing, insufficient attention to Health and Safety, failure to increase salaries.<sup>22</sup>) AMKR in turn claimed that the disagreements between the new Plant Management and the Fund were due to differences in interpretation of the performance standards by the parties and not to breaches of contract by the investor.<sup>23</sup> Eventually agreement was reached<sup>24</sup>.

The new management has integrated the plant into its company in a way that avoids paying Ukrainian taxes on value-added products:

the Ukrainian mines extract the ore, the Kryviy Rih plant smelts it into metal, the metal is converted into billets (or pigs) and is sold abroad (in Europe) to another Mittal plant for a low price. There it is used as a material for metal fittings, furniture and grids, i.e. it is turned into more value-added products that cost more. In this way Mittal uses the plant in Ukraine as a raw material base and avoids higher taxes in Ukraine.

Within the plant itself corruption and the nepotism of the middle and low-rank managers is reported by workers to be a problem, especially in the procurements department. Despite the modernisation of the plant's management system, the new owner has not been able to eradicate the practice of kickbacks.<sup>25</sup>

According to employees, the management cuts down expenses on everything, including equipment. For example, a low-dust system of coke feeding at the coke-oven battery was constructed. According to the trade union, only UAH 3 million was spent for its construction instead of 10, and it is constantly undergoing “adjustment works” (it has been out of operation for about a year). This means that it was built, but it does not function as it should – so it looks as if the measure has been implemented, but it has not brought any improvements in reality.<sup>26</sup>

The trade union also claims that all the tenders for works at the plant are won by contractors who offer lower costs, regardless of the quality of the planned work.<sup>27</sup>

#### Perverse subsidies for Mittal Steel Kryviy Rih

In April 2006 the EBRD granted a loan to the recently privatised “ArcelorMittal Kryviy Rih”. The main purpose of the USD 200 million project according to the EBRD is to optimise the use of current production capacity, and increase productivity and energy efficiency<sup>28</sup>. As mentioned above, the loan also included a condition to implement an EAP. While improvements are clearly needed at the plant, it is very doubtful that ArcelorMittal could not have raised the finance for such a project from commercial sources. While ‘increasing productivity’ sounds like a worthy goal, it is far from clear that appropriate checks are in place to ensure that this does not mean further lay-offs, resulting in excessive pressure for the remaining workers and a corresponding rise in health and safety incidents.

<sup>17</sup> Mittal Steel Annual Report 2005 <http://www.mittalsteel.com/NR/rdonlyres/1AFC05CB-9257-4F1C-B7F9-F6570AD2D8C3/0/2005LOWRESAnnualReport.pdf>

<sup>18</sup> Report on Health and Safety at AMKR prepared for the Day of Health and Safety at AMKR by Natalya Butenko (TU Deputy Head).

<sup>19</sup> Issue Paper on Mittal Steel Kriviy Rih, May 2006, [http://bankwatch.org/documents/ebrd\\_2006\\_mittal.pdf](http://bankwatch.org/documents/ebrd_2006_mittal.pdf)

<sup>20</sup> Interview by Alena Miskun of CEE Bankwatch Network with AMKR TU representatives, 12.03.08

<sup>21</sup> Report on Health and Safety at AMKR prepared for the Day of Health and Safety at AMKR by Natalya Butenko (TU Deputy Head).

<sup>22</sup> Report on Health and Safety at AMKR prepared for the Day of Health and Safety at AMKR by Natalya Butenko (TU Deputy Head).

<sup>23</sup> Podrobnosti news, 14 October 2006, <http://www.podrobnosti.ua/economy/industrial/2006/10/14/357516.html>

<sup>24</sup> Gala.net news, 18.05.2006, <http://news.gala.net/?cat=8&id=219671>

<sup>25</sup> Interview by Alena Miskun of CEE Bankwatch Network with anonymous ArcelorMittal Kryviy Rih employee, 23.10.2007.

<sup>26</sup> Interview by Alena Miskun of CEE Bankwatch Network with AMKR TU representatives 12.03.08

<sup>27</sup> Interview by Alena Miskun of CEE Bankwatch Network with AMKR TU representatives, 12.03.08.

<sup>28</sup> EBRD project summary document. 03.03.2006 <http://www.ebrd.com/projects/psd/psd2006/36813.htm>



## ArcelorMittal's electric steelworks

Luxembourg

Southern Luxembourg is home to three ArcelorMittal plants in Schiff-lange, Esch-sur-Alzette and Differdange. The plants are thus situated within very close proximity to one another, directly exposing approximately 55 000 people to pollutants.

For several years, increased pollutant levels have been recorded, caused in part by ArcelorMittal's electric steelworks.

Nevertheless the regulations underlying the works' operating licences merely prescribe that emission levels be assessed at most twice a year in the chimney of the electric arc furnaces. As a result, an additional measuring method was introduced to assess the immission situation in the immediate vicinity of the electric steelworks over a longer period of time.

For the last twelve years, therefore, in addition to the measurements taken in the chimney, the pollutant output of the electric steelworks has also been monitored via the so-called bioindication method. This monitoring method takes place during three periods each year (spring, summer and autumn) and involves placing plants in the ground and growing them according to a standardised process in the direct proximity of the electric steelworks. After a predetermined exposure period of several weeks, the plants are collected and their pollutant content is analysed. The plants are examined in particular for traces of heavy metals (lead-Pb, cadmium-Cd, zinc-Zn, etc.), dioxins and furans (PCDD/PCDF) as well as PCBs (polychlorinated biphenyls). The responsibility for implementing these measuring phases lies with the Ministry of the Environment.

The trend witnessed throughout all the measuring phases that have been carried out to date is clear: pollutant emissions, in particular lead and dioxin/furan levels, are too high! Moreover, the odour disturbance from the plants has not diminished. This has resulted in the inhabitants of certain regions being advised more than once not to consume their home-grown vegetables.

While selective improvements have been implemented at all three electric arc furnaces, they have not yielded the desired success. Quite the contrary: there is a chronic pollution of vegetables in the neighbourhood of the electric arc furnaces.

And now the plants have announced further changes – the burning of used tyres and a 14% annual increase in production in Esch-Belval, alongside a 29% annual increase in production in Esch-Schifflange – leading to other potential problems.

In view of the chronic exceeding of immission thresholds that are already being witnessed in the regions neighbouring the electric steelworks, one would assume that the applicant would submit all the required information and reports aiming to reduce the current negative impact on health and the environment. This, however, is not the



*Three ArcelorMittal's Luxembourg facilities have resulted in high levels of harmful chemicals. In some places people cannot eat the locally-grown vegetables because of the pollution. Photo by Mouvement Ecologique, Friends of the Earth, Luxembourg.*

case, and not enough information is being made available on how to avoid further environmental pressures as a result of the planned expansion of activities.

The Mouvement Ecologique and a group of committed citizens are convinced that this course of action does not conform to current legal regulations, such as the IPPC Directive.

## ArcelorMittal Ostrava (formerly Nova Hut)

Czech Republic

### Overview

ArcelorMittal Ostrava is the largest integrated steel producer in the Czech Republic, producing more than 3 million tonnes of crude steel a year<sup>1</sup>. Nova Hut Klementa Gottwalda was established in 1951 as a state enterprise and was renamed Nova Hut in 1989.<sup>2</sup> It is situated in North Moravia in the city of Ostrava, which has a population of over 300 000 people and is the third largest city in the Czech Republic.

After the collapse of the communist regime in 1989 hard times began. The workforce was halved to about 12 000, but the company was still short of money.<sup>3</sup>

In 1997 the International Finance Corporation (IFC) signed loan agreements totalling USD 250 million for Nova Hut, a.s.<sup>4</sup> But by 2000 the plant was on the brink of bankruptcy.<sup>5</sup>

In February 2002, LNM, Mittal's holding company, won exclusive rights to buy the Czech government's majority stake in Nova Hut. Mittal closed the deal in January, taking 52 percent control of the plant for USD 6 million and assuming USD 4 64 million in debt and other liabilities.<sup>6</sup> The company's website shows the ownership structure as Mittal Steel Holdings AG - 71.58 percent share, Czech Republic - Ministry of Finance CZ - 13.88 percent share, and Czech Consolidation Agency - 10.97 percent share,<sup>7</sup> however the Czech government is due to transfer its shares when a dispute with small shareholders is resolved.<sup>8</sup>

### Environmental problems

The steel mill was partly modernised in 1996-98. Together with a decrease in production, this contributed to an overall improvement of air quality in the area.

Since the privatisation of the steelmill by ArcelorMittal in 2002, limited environmental investments have been made. According to its Annual Report ArcelorMittal Ostrava spent more than CZK 130 mil-



*Air quality testing in the district of Radvanice a Bartovice has indicated high levels of pollution. Photo by Environmental Law Service.*

lion (USD 7.9 million) on environmental projects in 2004. They included a soil and ground water protection scheme, which was completed during the year, and a project for improving wastewater quality<sup>9</sup>. In 2006 boiler upgrades and reconstruction were completed, which also reduced SO<sub>2</sub> emissions at the plant, and changes were made in the plant's wastewater treatment system.<sup>10</sup>

However, over the same period, steel production doubled. Thus the positive trend of lowering air pollution in the area has been reversed. In 2005 ArcelorMittal Ostrava was still considered to be one of the country's largest polluters.<sup>11</sup> The steelmill is located very close to the city of Ostrava. Thousands of inhabitants living in the urban neighbourhoods around the steelmill have been directly exposed to an enormous volume of deteriorative combustion products originating from the factory.

The worst situation is in the district of Radvanice a Bartovice. According to the results of air quality testing carried out in the area since 2005, concentrations of airborne dust, arsenic and polycyclic aromatic hydrocarbons in the air exceed the legal limits by up to 700 percent<sup>12</sup> which causes a very serious health risk for local people.<sup>13</sup>

Although the situation of the region is quite well known to those responsible (local authorities as well as representatives of ArcelorMittal) there have been no noticeable improvements in air quality since ArcelorMittal has been operating the steelmill.

<sup>1</sup> Mittal Steel Ostrava, Annual report, 2003, [http://www.mittalsteelostrava.com/M\\_economicrep03\\_s3\\_en.html](http://www.mittalsteelostrava.com/M_economicrep03_s3_en.html)

<sup>2</sup> ArcelorMittal Ostrava website, [http://www.mittalsteelostrava.com/M\\_history\\_s2\\_en.html](http://www.mittalsteelostrava.com/M_history_s2_en.html)

<sup>3</sup> Man of Steel, Fortune Magazine, 1 September 2003, [www.lnm-group.com/mittalMain/attachments/Man%20of%20Steel.pdf](http://www.lnm-group.com/mittalMain/attachments/Man%20of%20Steel.pdf)

<sup>4</sup> IFC website: <http://www.ifc.org/ifcext/eca.nsf/Content/SelectedProjectCzech?OpenDocument&UNID=00D5CA56C9C6F41B8525688E00740540>

<sup>5</sup> NOVA HUT: Czech Gov't. to Sell Troubled Biggest Steel Company, Financial Times, 9 June 2000 [http://bankrupt.com/TCREUR\\_Public/000613.mbx](http://bankrupt.com/TCREUR_Public/000613.mbx)

<sup>6</sup> Man of Steel, Fortune Magazine, 1 September 2003, [www.lnm-group.com/mittalMain/attachments/Man%20of%20Steel.pdf](http://www.lnm-group.com/mittalMain/attachments/Man%20of%20Steel.pdf)

<sup>7</sup> ArcelorMittal Ostrava website: [http://www.mittalsteelostrava.com/M\\_profile\\_s2\\_en.html](http://www.mittalsteelostrava.com/M_profile_s2_en.html)

<sup>8</sup> Man of Steel, Fortune Magazine, 1 September 2003, [www.lnm-group.com/mittalMain/attachments/Man%20of%20Steel.pdf](http://www.lnm-group.com/mittalMain/attachments/Man%20of%20Steel.pdf). For more details about the dispute, see Jana Mičochová, Stained Steel, Czech Business Weekly, 02.01.2007, <http://www.cbw.cz/en/stained-steel/3874.html>

<sup>9</sup> Mittal Steel, Annual Report 2004 <http://www.mittalsteel.com/Investor+Relations/Annual+Report+2004/Company+Overview/Corporate+and+Social+Responsibility.htm>

<sup>10</sup> Mittal Steel news release: Mittal Steel Ostrava meets significantly tighter emission (sic) limits, 2 April 2007, [www.mittalsteelostrava.com/pdf/14-ekologie-2-41.pdf](http://www.mittalsteelostrava.com/pdf/14-ekologie-2-41.pdf)

<sup>11</sup> Kristina Alda: All Choked Up, Prague Post, 1 November 2006, <http://www.praguepost.com/articles/2006/11/01/all-choked-up.php>

<sup>12</sup> For up-to-date data from emission monitoring in the area see: <http://www.zuova.cz/informace/imise/graphpic.php>

<sup>13</sup> Markéta Kutílová "Zplodiny v ovzduší způsobují rakovinu", 01.04.2008, <http://www.ekolist.cz/zprava.shtml?x=132495>



One of the reasons is the passivity of the responsible authorities, who are very careful in their interaction with the biggest employer in the region. This, for example, leads to the overly generous issuing of operation permits for the ArcelorMittal steelmill and the inadequate stipulation of operating conditions. These permits, contrary to the law, do not take account of the background environmental situation in the area, which has led to a very paradoxical situation ArcelorMittal has been fulfilling the emission limits set in the permits but the level of air pollution in the area severalfold exceeds the limits set by law. Another reason is the lukewarm response of ArcelorMittal to the catastrophic situation of the air quality near the steelmill. ArcelorMittal representatives have appeared in the media denying the company's critical contribution to the health-threatening situation in Radvanice a Bartovice (shifting responsibility to other industrial plants in the region, to transport emissions and emissions from the local district heating plant).<sup>14</sup>

The approach of ArcelorMittal representatives to environmental issues can be illustrated by the ongoing process of building of a new coking plant in the factory. The investment was widely presented as leading to significant environmental improvements. However, during administrative proceedings it was revealed that the project is not in accordance with the legal requirement of using the best available technology.<sup>15</sup>

In Autumn 2007, the GARDE Programme<sup>16</sup> (the Global Alliance for Responsibility, Democracy and Equity) of the civic lawyers' association Environmental Law Service started to help local residents affected by pollution by providing free legal help. GARDE's lawyers helped to organise a petition against the irresponsible behaviour of ArcelorMittal and the state authorities that was signed by more than 2 300 citizens. At the same time, legal actions demanding a review of the operation permits issued were submitted to the competent authorities<sup>17</sup> and further actions are under preparation.



*Ostrava's polluted skyline.*

*Photo by Environmental Law Service.*

### **Labour issues**

Redundancies have been carried out in several steps and have been accompanied by voluntary leave compensation. The first round of job cuts in 2004 after privatisation resulted in 1 730 employees leaving the company.<sup>18</sup> On 20 September 2006 the company announced a further large redundancy plan that involves an additional 2 200 job

cuts within the next three years<sup>19</sup>. The trade union expressed concern that the further reduction of staff would again increase the volume of overtime work for the remaining employees.<sup>20</sup>

### **Perverse subsidies for ArcelorMittal Ostrava**

After privatisation, ArcelorMittal Ostrava enjoyed a "low tax environment" of 25 percent.<sup>21</sup> It is not clear whether this is still the case. Yet it seems extraordinary that the largest steel company in the world should be afforded such exemptions.

The international financial institutions have not lent directly to ArcelorMittal Ostrava, however in 1997 the International Finance Corporation signed loan agreements totalling USD 250 million for Nova Hut a.s. for comprehensive restructuring and modernisation of an integrated steel plant. The project was focused on downsizing, product mix, and plant compliance with environmental standards, with approximately 13 percent of the investment programme planned for an environmental upgrade to bring Nova Hut's facilities into compliance with Czech clean air regulations and the World Bank's Safety and Environmental Guidelines<sup>22</sup>.

The loan paid for a rolling mill built by ICF Kaiser, a U.S. engineering firm, which is "crucial to Nova Hut's future" as it produces higher value products for customers like car and appliance makers.<sup>23</sup> By 2003 Nova Hut had not paid back any of the loan<sup>24</sup>, and it is not known what arrangements have been made for repayment. While the loan was not made directly to ArcelorMittal, it has certainly benefitted the company, which is able to make use of the rolling mill paid for by the loan.

## ArcelorMittal in Vanderbijlpark

South Africa

Between 2001 and 2004, Lakshmi Mittal took over ISCOR (Iron and Steel Corporation), the troubled steel parastatal in South Africa, which produces more than 90% of South Africa's steel. Rather than paying for the company, he was just about paid to take it over. For achieving cost savings agreed under a management contract since 2001, he was awarded with R1.3 billion, and in 2004 got a dividend pay-out of R3 billion that more than covered his buying ISCOR shares for R2 billion in 2001. Mittal took a majority shareholding at the end of 2004.

The cheap price also included the costs of pollution that were externalised onto the communities next to the mill. Mittal has, so far, succeeded in avoiding any liability for the pollution that made his acquisition so cheap, and neither has he undertaken any rehabilitation of the polluted area.

### Buying a polluting steel mill

When Mittal Steel bought it, the apartheid parastatal ISCOR was already advanced in its struggle against the local community of Steel Valley, which it had polluted for over 40 years. The steel mill, built just after World War II, poured its effluent into unlined dams, contaminating the groundwater from which the Steel Valley smallholders drew their drinking water. It also released effluent into an unlined canal where owners fronting on the canal used the water for irrigation and recreation. Steel Valley people developed a high incidence of health problems such as cancer, and their farming activities suffered. The residents engaged the parastatal ISCOR – for whom many of them worked – in administrative and court battles. A number of times ISCOR settled out of court, first providing water to affected smallholders but on condition that they sign a document agreeing not to discuss the matter, and then in a settlement out of court in which ISCOR bought properties from residents.



ArcelorMittal in Vanderbijlpark taking no compromise on safety ...

Photo by groundWork, Friends of the Earth, South Africa.

ISCOR scrupulously avoided accepting liability for the pollution damage. In 1994 the new, democratic SA government prepared to take ISCOR to court for violating its water use licence by spilling heavy metals, but decided to rather “work with the polluter”. It argued that the legal battle would be so costly, in both money and time, and the fine set down in law would be so small, that it would be a waste of resources to fight ISCOR in court.

The result of this decision was that ISCOR was never “named as the polluter”, that is, found guilty of pollution. It therefore remained for the affected residents to take ISCOR to court on their own – an effort which failed as legal costs mounted, ISCOR disowned its own consultants' reports and argued that it was drawing up a “master plan” to deal with the issue. The Master Plan remains a secret to this day. It is a document of 9000 pages, describing in great detail how ISCOR – and eventually Mittal – will fix the pollution that it claims does not exist. The post-apartheid South African state, in the form of the Department of Water Affairs, has assisted ISCOR and Mittal in keeping the Master Plan secret. Although the Master Plan is in the state's possession, it has refused to release it to interested parties – like the polluted residents. This led to a farcical “public participation” in ISCOR's 2003 water use licence application, in which community members were allowed to read parts of the Master Plan in ISCOR's offices, but not to make any copies.

In early 2000, ISCOR started to buy out the residents of Steel Valley, creating a buffer zone to the east where the community once lived, closing it off behind electric fencing and thus removing evidence contained in this polluted area from the public eye.

Mittal's managers took over where the previous company left off. They have nearly completed the buy-out of the whole steel valley community. Residents are bitter about the low prices they received for their properties, and a small number are resisting their removal from the area. It is difficult for them to live in isolated homes. One of the residents has had his cattle impounded by Mittal farm managers who claimed that these cattle had strayed onto what is now their property, and had to retrieve the animals at great cost. This is part of Mittal's on the ground tactics to remove the last residents and seal off the whole area.

Mittal also pollutes other communities. Boipatong lies to the east of the steel mill. Contaminated water from the mill has flowed into the small river running through Boipatong, killing off water life like crabs and fish. Worse, the prevailing wind direction puts Boipatong directly in the line of the air pollution from the mill.

In April 2006 the South African government declared the Vaal Triangle, of which Boipatong, Steel Valley and the Vanderbijlpark mill form an important part, to be a pollution priority area. Six new monitoring stations have been installed, and a participatory process to set air quality standards for the area is in full swing. Mittal is one of the biggest polluters, ranking with the nation's troubled electricity producer (Eskom, which is only now starting to install sulphur removal equipment on some of its newest stations) and SASOL, which produces liquid fuels from coal, an intensely polluting process.



**Table 1: Top industrial polluters in the Vaal Triangle in 2000. Emissions given in tonnes per annum (tpa).**

<i>Particulates (PM10) / tpa</i>	
ISCOR Vanderbijlpark	8,99
Eskom Lethabo	8,15
ISCOR Vereeniging	8,046
Sasol SCI	6,618
Vaal Triangle Totals	43,04
<i>Sulphur dioxide / tpa</i>	
Eskom Lethabo	219,868
Sasol SCI	33,061
ISCOR Vanderbijlpark	23,203
Sasol/Total Natref	19,144
Vaal Triangle Totals	298,624
<i>Carbon dioxide / tpa</i>	
Eskom Lethabo	21,920,000
Sasol SCI	7,100,000
ISCOR Vanderbijlpark	6,244,000
Sasol/Total Natref	3,076,950
Vaal Triangle Totals	38,565,422

**From groundWork Report 2006, "Poisoned Spaces". Compiled from Scorgie 2004.**

In 2005, Mittal embarked on an expansion plan worth R9 billion. Piecemeal details became available through EIAs, and programme was claimed to include R1 billion in "environmental spending". This would be simply to conform to the environmental standards expected of them. In 2006, while the last two of the original sixteen applicants in the second pollution case were still in court, fighting, Mittal Steel, installed a new (R280 million) water treatment plant, and announced plans for improving air pollution. These improvements were announced with great fanfare. There are, however, no plans to compensate pollution victims or to rehabilitate the polluted area. The steel mills' neighbours have almost all moved away, but remain bitter. Some of them have joined a bigger "Vaal Environmental Justice Alliance" active in the whole Vaal Triangle, uniting with residents of Boipatong and Bophelong - also neighbours of the steel makers. In 2002, during the World Summit on Sustainable Development, the Vanderbijlpark steel mill was the focus of a "toxic tour" of the Vaal Triangle. It has received sustained media attention since then.

#### **Hollow promises of democracy**

The real cost of the pollution has been borne by the community. The approximately 1000 families have almost all been bought out, but no one has been compensated for their losses, ongoing health costs or loss of community. They remain bitter. The promise of the new South African constitution remains hollow for the neighbours of Mittal:

"Everyone has the right (a) to an environment that is not harmful to their health or well-being, and (b) to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that - prevent pollution and ecological degradation..."

#### **The case of Strike Matsepe:**

It is not just the right to a healthy environment that has been denied. For Strike Matsepe, the whole dream of a new life in a new South Africa has been denied. Here is his story. Strike Matsepe had a once in a life-time chance to escape from the restrictions of apartheid by buying a property in Steel Valley with his pension, built up over a life time of hard work. He could then fulfil a dream of providing a home to his extended family. Having his dreams destroyed is tantamount to hollowing out the promise of freedom in the new, democratic South Africa:



... compromising only the health and wellbeing of its neighbours in Steel Valley.  
Photo by groundWork, Friends of the Earth, South Africa.

Strike Matsepe, now aged 74, worked as a mechanic at the Coca Cola factory in Vanderbijlpark and cashed in his pension to buy a smallholding in Steel Valley in 1990. "This was at the time of Mandela when people could buy where they liked," he says. He brought his children, stepchildren, sister, brother and grandchildren to live with him in his new home and states proudly: "a big sack of mealie meal was finished in two weeks." His plot is next to the huge ISCOR slag heap. In the past 15 years several of his animals have been born with birth defects and many have died. "In all 30 cows, 9 calves, 5 sheep, 6 goats, 3 tortoises, 7 dogs, 2 cats, 1 pig and 20 chickens have died." Strike suffers from blood in his urine, tiredness and lack of concentration. He recently spent 6 weeks in hospital with kidney failure. His sister Alinah had been in good health, but after she joined him in Steel Valley, "...she died in July 2004 of kidney failure and cancer. She had high levels of cadmium in her blood." Strike comments with some bitterness: "My sister would be alive now without ISCOR. ....Now they supply us with piped water, but it's too late for her".

Other family members are also sick, and report that they stay inside the house because the dust and air pollution is so bad. Recently having suffered a stroke, and then facing the threat of the sheriff of the court impounding all his possessions to pay legal costs from a failed court challenge, he states: "My body is full of pain", but he is prepared to die fighting ISCOR. "I am trapped here," says Strike. "I can't move and buy a new place with the little money they are offering me for this plot" (Interview, Vanderbijlpark, 22.6.2005).

## ArcelorMittal Temirtau (formerly Mittal Steel Temirtau, Ispat Karmet and Karaganda Metallurgical Plant)

Kazakhstan

### Background

Arcelor Mittal Temirtau (AMT), founded in 1950, is one of the largest integrated steel plants in the world. The steel plant, along with all its infrastructure facilities, captive coal, iron ore and power plant, was acquired by ArcelorMittal - then Ispat - from the Kazakhstan government in 1995. Located in the city of Temirtau, population 170 000, in the Karaganda Region of Central Kazakhstan, it covers about 5 000 hectares and has a steel-making capacity of about 5.5 million tonnes per annum. AMT operates eight coal mines in the region, producing a total of 12 202 million tonnes of coal in 2007. In the same year AMT's output of rolled steel was 3.581 million tonnes. The plant exports about 90 percent of its output, mostly to Russia, Iran and China.

The towns of Temirtau and Karaganda as well as the surrounding area (about 1 million people) indirectly depend on the plant, which used to account for nearly 10 percent of Kazakhstan's GDP. As of 2006 it employed 55 000 people and generated 4 percent of the country's GDP.



ArcelorMittal Temirtau exports the majority of its steel output but local residents pay the costs.  
Photo by CEE Bankwatch Network.

**Mittal's plant in Temirtau has received several direct and indirect loans from IFIs in the last 12 years:**

<b>Year</b>	1997
<b>Financial Institution</b>	EBRD
<b>Purpose</b>	To restore productive capacity and improve efficiency in the steel mill and coal mines; develop value-added, higher quality steel, and to implement three environmental action plans that would improve environmental and health & safety impacts and bring the company into compliance with World Bank environmental guidelines.
<b>Amount</b>	USD 54 million <sup>5</sup>
<b>Recipient</b>	AMT (former Ispat Karmet Steel Works)
<b>Year</b>	1997
<b>Financial Institution</b>	IFC
<b>Purpose</b>	To restore productive capacity and improve efficiency in the steel mill and coal mines; develop value-added, higher quality steel, and to implement three environmental action plans that would improve environmental and health & safety impacts and bring the company into compliance with World Bank environmental guidelines.
<b>Amount</b>	USD 132.5 million <sup>6</sup>
<b>Recipient</b>	AMT (former Ispat Karmet Steel Works)
<b>Year</b>	1999
<b>Financial Institution</b>	IFC
<b>Purpose</b>	To support the development of small and medium enterprises directly or indirectly associated with AMT and/or to assist workers formerly employed by AMT and/or to provide for the growth of the private sector in the Karaganda region.
<b>Amount</b>	USD 2.5 million <sup>7</sup>
<b>Recipient</b>	Indirect financial help to AMT through Kazkommertsbank
<b>Year</b>	2001
<b>Financial Institution</b>	IFC
<b>Purpose</b>	To stimulate the relationship between the large corporate sector (in this case AMT) and the private SME sector.
<b>Amount</b>	USD 3.4 million equity investments <sup>8</sup>
<b>Recipient</b>	AMT
<b>Year</b>	2004
<b>Financial Institution</b>	IFC corporate loan
<b>Purpose</b>	To enable LNM to improve the environmental performance of its present and future subsidiaries and bring them up to World Bank Group and/or European Union standards;

<sup>1</sup> ArcelorMittal webpage: <http://www.arcelormittal.com/index.php?lang=en&page=559>

<sup>2</sup> Reuters: ArcelorMittal to boost Kazakh unit output in 2008, 14 February 2008 <http://www.reuters.com/article/companyNewsAndPR/idUSL1449830920080214>

<sup>3</sup> IFC webpage: <http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/7d7d5d14261dfbf88525688e0075b0f3?opendocument>

<sup>4</sup> Mark Franchetti, Robert Winnett and Holly Watt, Miners face 'suicide mission' working for Mittal's empire, 10.06.2007, <http://www.timesonline.co.uk/tol/news/world/asia/article1909796.ece>

<sup>5</sup> EBRD Project Summary Document <http://www.ebrd.com/projects/psd/psd1997/3324.htm>. Elsewhere the IFC and EBRD loans in total are indicated as totalling USD 250 million (EBRD press release, 14.04.2008, <http://www.ebrd.com/new/pressrel/1998/18apr14.htm>)

<sup>6</sup> IFC webpage: <http://www.ifc.org/ifcext/spiwebsite1.nsf/1ca07340e47a35cd85256efb00700cee/7D7D5D14261DFBF88525688E0075B0F3>

<sup>7</sup> IFC webpage: <http://www.ifc.org/ifcext/spiwebsite1.nsf/c9aba76ed1df1938852571c400727d66/d30919963d4bbd98525688e0075b663?opendocument>

<sup>8</sup> IFC webpage: <http://www.ifc.org/ifcext/spiwebsite1.nsf/c9aba76ed1df1938852571c400727d66/d30919963d4bbd98525688e0075b663?opendocument>



- to assist LNM in creating and maintaining an environmental and worker health and safety system on a corporate wide level, to bring all its current and future operations in compliance with WB and/or EU standards;

- to rehabilitate, de-bottleneck and provide working capital and cash support to LNM's present and future subsidiaries.

<b>Amount</b>	USD 100 million <sup>9</sup>
<b>Recipient</b>	LNM Holdings N.V. Group (owned by Mr. Lakshmi N. Mittal) for use in Kazakhstan - AMT and Romania - Mittal Steel Galati
<b>Year</b>	2007
<b>Financial Institution</b>	EBRD
<b>Purpose</b>	To support further improvements to the Mittal Steel Temirtau's health and safety practices at its coal mines in Karaganda with the aim to bring them in line with international best practice.
<b>Amount</b>	USD 100 million <sup>10</sup>
<b>Recipient</b>	AMT

The 1997 loan was criticised in the UK press as part of a larger scandal related to Tony Blair's support for Mittal's purchase of the Romanian Galati plant just a few months after Mittal had made a donation to the Labour Party (see ArcelorMittal Galati case study for more details). Afterwards it was also revealed that Mittal had made another, smaller donation to the Labour Party in 1997 and just a few months afterwards the UK gave its support for the EBRD loan for Mittal's plant - then named Ispat Karmet - in Kazakhstan.<sup>11</sup>

### Pollution

One of the objectives of the EBRD's and IFC's syndicated loan of 1997, which required an Environmental Audit and Environmental Impact Assessment, was to improve the environmental and health and safety performance of Arcelor Mittal Temirtau and to bring the company into compliance with World Bank environmental guidelines. The EBRD considers that the project has improved the environmental situation in Temirtau, though some actions were behind schedule at the end of the project in 2006<sup>12</sup>.

The IFC's 2004 loan to LNM Holdings, owned by Lakshmi Mittal, was also aimed at improving the environmental performance of AMT to meet World Bank Group and/or European Union standards.

However, AMT continues to be the main source of air pollution in Temirtau and one of the main polluters in the Karaganda region. The city of Temirtau has the second highest level of atmospheric pollution in the Karaganda Oblast and is ranked sixth in Kazakhstan<sup>13</sup>.

Implementation of Environmental Action Plans. Within the framework of the 1997 EBRD financed Mittal Steel Temirtau Project, three Environmental Action Plans (EAPs) for the steel works, the power plant TEC-2 and the coal mines were developed. According to the Project Summary Document on the EBRD's website "The implementation of the EAPs will gradually bring the facilities in full compliance with Kazakh environmental standards and with World Bank pollution abatement guidelines."<sup>14</sup>

However, information presented by the head of Karaganda State Department for Environmental Protection (KSDEP) of the Ministry for Environmental Protection of Kazakhstan (MEP) in June 2007 shows that the environmental situation in the city of Temirtau has declined during the last three years.<sup>15</sup> Considering AMT's large impact on the city, this casts doubt on the results of the project.

The management of the plant reports that over the course of the past eight years, emissions of specific air pollutants in the steel plant and power plant have been reduced from 107 to 64 kg per tonne of steel.<sup>16</sup> However this ratio of pollutants per tonne of steel does not mean an overall improvement in the situation as the air quality in the city depends on the total steel output. Despite the efficiency improvements, according to the KSDEP, over the three years up to 2007 the atmospheric pollution index for Temirtau increased from 7.4 to 8.9 and sulphur dioxide, phenol, ammonia and dust were registered at quantities exceeding maximum permissible concentrations<sup>17</sup>. In 2005-2006 the quantity of emissions decreased along with production<sup>18</sup> but official data shows that it rose again in 2007,<sup>19</sup> as production increased.<sup>20</sup>

Coal mining in Kazakhstan is accompanied by the release of around 300 million m<sup>3</sup> of methane gas, per year.<sup>21</sup> The high concentrations of methane create dangerous working conditions for miners as they can lead to explosions. Methane also contributes greatly to climate change. According to the official data ArcelorMittal has developed a methane drainage programme and reports that in 2005 it resulted in the capture and utilisation of 56 million m<sup>3</sup> of methane (about 18.6

<sup>9</sup> IFC webpage: <http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/6296eb2c6c7fcd3d85256e6a006a9d11?opendocument>

<sup>10</sup> EBRD webpage: <http://www.ebrd.com/projects/psd/psd2007/37546.htm>

<sup>11</sup> Murdo MacLeod: Mittal's £315 loan, Scotland on Sunday, 24 February 2002 <http://news.scotsman.com/romaniansteelworksrow/Mittals-315m-loan.2305133.jp>

<sup>12</sup> EBRD Project Summary Document, updated 31.01.2006, <http://www.ebrd.com/projects/psd/psd1997/3324.htm>.

<sup>13</sup> «Казakhstanская правда» newspaper of 30.06.2005; <http://www.kazpravda.kz>,

<sup>14</sup> EBRD website: <http://www.ebrd.com/projects/psd/psd1997/3324.htm>, updated 31.01.2006

<sup>15</sup> Report of the Head of Karaganda State Department for Environmental Protection Smagulov B.A. at the work group meeting in the Ministry for Environmental Protection, May 23, 2007, Astana, Kazakhstan (received from KSDEP on June 28, 2007, outgoing mail number 03-2-1-4/6588 from 28.06.2007)

<sup>16</sup> EBRD website: <http://www.ebrd.com/projects/psd/psd1997/3324.htm>, updated 31.01.2006

<sup>17</sup> Letter from the Ministry of Environmental Protection of Republic of Kazakhstan No. 03-2-1-4/6588, dated 28.06.2007

<sup>18</sup> TMC Net: Mittal Steel Temirtau boosts investment 50%, 04.02.2006, <http://www.tmcnet.com/usubmit/2006/02/04/1342977.htm>, East Capital news: MittalSteel Temirtau downs steel output 10.5% in 2006, 17.01.2007, [www.eastcapital.ru/common/img/uploaded/files/17\\_01\\_2007\\_english\\_version.pdf](http://www.eastcapital.ru/common/img/uploaded/files/17_01_2007_english_version.pdf)

<sup>19</sup> Report of the Head of KSDEP B. Smagulov at the Public Hearing in Temirtau on the environmental problems of the city of Temirtau on March 27, 2008

<sup>20</sup> Interfax Kazakhstan: Kazakhstan boosts steel output 12.7% in 2007, 28.01.2008 [http://www.interfax.kz/?lang=eng&int\\_id=12&function=view&news\\_id=1584](http://www.interfax.kz/?lang=eng&int_id=12&function=view&news_id=1584)

percent).<sup>22</sup> However, these figures contradict information from the Kazakh MEP that reports that only 3 percent of methane has been utilised<sup>23</sup>.

### Health and safety and accidents at the AMT owned coal mines

Year	Mine	Number of deaths
December, 2004	Shakinskaya mine, Shakhtinsk, Karaganda region	23
September, 2006	Lenina mine, Shakhtinsk, Karaganda region	41
January, 2008	Abaiskaya mine, town of Abai, Karaganda region	30

After all the accidents the company paid compensation to the dead miners' families, however there are still complaints from the bereaved families about the compensation. The representative of the miners' widows Natalia Tomilova said that after the accident at Lenina mine in 2006 there were levies imposed on the sum of compensation that was equal to 10 annual salaries and paid as "compensation for moral damage", and thus they received less money than was declared as compensation by the company. "If compensations were paid as non-recurrent material assistance, they would not be subject to levy taxes. The company just wants to protect itself from suits for moral damage," said Ms. Tomilova. The widows also claim that AMT did not fulfil its promises to improve living conditions for miners' families<sup>24</sup>.

The first strike by miners at the AMT coal mines was after the accident at Lenina mine in September 2006. The main demands from the miners were an increase in salaries, pay for the time spent in the mine - not for the amount of coal extracted - and safe working conditions in the mines.

For many years the guaranteed pay level was only 30 percent of the total potential pay, with the remaining portion dependent on fixed bonuses derived from the amount of coal extracted, so miners were thus financially motivated to maintain their productivity regardless of safety conditions.

After the strike only the basic guaranteed salary (30 percent of the total possible salary) was raised by 60 percent, and the management tried to save money by imposing fines on the miners and lowering the pay categories on which the salary depends.<sup>25</sup>

After the accident at Abaiskaya mine in January 2008, Pavel Shumkin, the former head of the independent Free Confederation of Trade Unions in Kazakhstan, and now the leader of an unofficial workers' movement at AMT, commented: "Today's tragic accident was caused by the irresponsible system of coal production at Mittal's mines. The system involves the outmoded wage plus bonus scheme, the barbaric 24 hours underground approach, and the absence of effective trade unions to protect miners' rights and interests. The system also means legal protection for top managers, without which it can't survive."

The strike after the Abaiskaya accident brought more significant changes in the salary scheme. In March 2008, a representative of the Karaganda EcoMuseum NGO met with AMT's General Manager Mr Rajendran and received information on significant changes in the salary system. According to Mr Rajendran the guaranteed salary now is 160 000 tenge (about EUR 850) per month and if the targets are fulfilled the salary increases to 250 000 tenge.

The interests of the miners are officially represented by the trade union 'Korgau', but it is difficult to consider it as an independent body, as one of its members is Murat Persadaev - Director of the Coal Department of ArcelorMittal Temirtau<sup>26</sup>, and it is felt by many to lack sincerity and integrity.

Workers allege that Mittal has done little to improve labour and safety conditions since taking over AMT. Since the 2006 accident at the Lenina mine the poor conditions and delapidated safety equipment, much of which is said to date from the 1970s,<sup>27</sup> has been the focus of much attention. After the 2006 accident, eight middle-level managers were charged with negligence and accused of violations of the health and safety requirements for the work in the mine. However, workers interviewed by the Sunday Times reported that such violations were conscious and commonplace. Workers were sent into the mines even when maintenance work on the ventilation system was being carried out, lifts were overcrowded, equipment for dousing potentially explosive coal dust with water was outdated and often ineffective, and methane detectors were said to have been moved or muffled in order to continue coal extraction and to fulfill the workplan prescribed by the management.<sup>28</sup>

<sup>21</sup> Ispat-Karmet Steel Works (Mittal Steel Temirtau) Project, *The Ecological Society Green Salvation*, May 2006.

<sup>22</sup> EBRD Project Summary Document, <http://www.ebrd.com/projects/psd/psd1997/3324.htm>

<sup>23</sup> Report of the Ministry for Environmental Protection of the Republic of Kazakhstan "Karaganda region. State of environment and nature resources", 2003

<sup>24</sup> *Otvorniy Novosti* 23.11.2006, <http://news.central.kz/archive/country.kz.news/200611/23174124.text>

<sup>25</sup> <http://www.zonakz.net/articles/15776>, Ainur Kurmanov, 10.10.2006

<sup>26</sup> *Zona KZ*, Караганда на грани забастовочного "взрыва", 25.01.2008  
<http://zonakz.net/articles/20765?mode=default&PHPSESSID=a9125c4ea2f134e88edf0033f73ec3b8>

<sup>27</sup> Mark Franchetti, Robert Winnett and Holly Watt, *Miners face 'suicide mission' working for Mittal's empire*, *Sunday Times*, 10.06.2007,  
<http://www.timesonline.co.uk/tol/news/world/asia/article1909796.ece>

<sup>28</sup> Mark Franchetti, Robert Winnett and Holly Watt, *Miners face 'suicide mission' working for Mittal's empire*, *Sunday Times*, 10.06.2007,  
<http://www.timesonline.co.uk/tol/news/world/asia/article1909796.ece>



Dariga Nazarbayeva, Kazakh president Nursultan Nazarbayev's eldest daughter, said that the September 2006 explosion at Lenina mine was caused by neglecting safety rules, and called for amendments to the labour code to increase punitive measures for employers violating labour legislation<sup>29</sup>.

### Mittal's social investments

Mittal's investments are often interpreted as 'saving' dying steel towns<sup>30</sup> – a vastly exaggerated belief given the complexity of the problems caused by the rise and fall of large steelworks. Temirtau is a particularly troubled town, with a large proportion of the population living below the poverty line and a high level of unemployment, with a high level of injecting drug users and by far the highest rate of HIV-AIDS infection in Kazakhstan<sup>31</sup>.



*In spite of several public loans, pollution from ArcelorMittal remains a serious problem in Temirtau.*

*Photo by CEE Bankwatch Network.*

AMT has contributed to several community development projects in Temirtau, however local communities have shown concern about their quality. There have been some good examples when AMT spent money on serious actions aimed at helping local people, such as buying ambulances for the region in August 2006, but much of the "development" help is rather more populist in nature than bringing real help to miners or people in polluted Temirtau.

AMT tends to support activities that are highly influenced by the local authorities, for example the celebration of the 70th anniversary of the Karaganda region or putting an advertisement screen in the

centre of Karaganda. We believe that in addition to providing scholarships to students and sportsmen the company should develop plans to provide direct aid to those people suffering from Mittal's pollution in the city and to miners' families. Civil society organisations in Karaganda and Temirtau consider that ArcelorMittal should transfer its focus from comparatively low-cost, short-term, highly visible donations, to serious social projects like free or discounted medical care in a modern hospital, free medical examinations, or educational centres for children.

### Perverse subsidies for ArcelorMittal Temirtau

The EBRD rendered assistance in the first stages of the privatisation of the steel works. According to the EBRD's Environmental Policy (Articles 16 and 21), projects should be conducted "in accordance with the requirements of national legislation". However, the results of an investigation conducted by the Prosecutor General of Kazakhstan show that during the contractual process of privatisation Kazakh legislation was violated.<sup>32</sup>

The contract contains an agreement that no new environmental laws will apply to the steel works for 10 years from the date of privatisation of the steelworks<sup>33</sup> (ie, the date of its sale to ArcelorMittal). Furthermore, for several years – even during the implementation of the EBRD project – due to an agreement with the Kazakh government ArcelorMittal paid fixed fees for pollution regardless of the actual volume of pollutant emissions, and fixed corporate income tax regardless of the results of its financial activities<sup>34</sup>. The mining branch of ArcelorMittal also does not have to conduct land rehabilitation activities on land which was exploited for mining activities before 1996 – and such land makes up the majority of contaminated land.

At the same time, in Kazakhstan, there is an investment tax agreement between the Kazakh government and Arcelor Mittal up to 2009.<sup>35</sup>

The management of AMT has also appealed to the city authorities of Temirtau to reduce its land tax by 30 percent, based on the justification that the company "invests a lot" into the social sphere of the city. The world's largest steel company requested a tax reduction that would be more appropriate for a charity organisation. The decision of the city council was negative<sup>36</sup>.

In 2007 the State Tax Inspection revised Mittal's activities in 2002–2004 and charged more than 100 billion tenge (USD 828 million) of additional taxes to be paid to the government of Kazakhstan<sup>37</sup>. In

<sup>29</sup> Associated Press: Kazakh president's daughter seeks new punishment for safety breaches after deadly mine blast, October 2006 [http://www.iht.com/articles/ap/2006/10/20/business/EU\\_FIN\\_Kazakhstan\\_Mittal.php](http://www.iht.com/articles/ap/2006/10/20/business/EU_FIN_Kazakhstan_Mittal.php)

<sup>30</sup> See for example Paul Lewis: Harnessing the power of multinationals, *International Herald Tribune*, 14 February 2005, <http://www.iht.com/articles/2005/02/13/opinion/edlewis.php>

<sup>31</sup> International Labour Organisation: HIV/AIDS in Kazakhstan, December 2002, <http://www.ilo.ru/aids/docs/dec02/cis/Kazakhstan-eng.pdf>.

<sup>32</sup> <http://www.obkom.org/sector1/karmet/preds/>, Citation of the Prosecutor General of the Republic of Kazakhstan, 09.02.1998, 23-1-131-98.

<sup>33</sup> Environmental, Health and Safety Audit and Partial Environmental Assessment, Agreement concerning environmental issues, EBRD, Dames & Moor, 1997

<sup>34</sup> Decree of the government of the Republic of Kazakhstan, 17.03.2003, #257

<sup>35</sup> Mittal Steel SEC Filing 1-14666, 26 October 2004, <http://www.secfiling.com/dsTKg.12bp.htm>

<sup>36</sup> Vyacheslav Kohanov, *Jurist Online*, undated, [http://base.zakon.kz/doc/lawyer/?uid=undefined&doc\\_id=30073265](http://base.zakon.kz/doc/lawyer/?uid=undefined&doc_id=30073265)

<sup>37</sup> Alekul portal, 15.01.2008, [http://alekul.ru/obzorie/news\\_2008-01-15-23-18-28-859.html](http://alekul.ru/obzorie/news_2008-01-15-23-18-28-859.html)

2008 Mittal appealed against this decision to the inter-district commercial court of Karaganda but the appeal was declined. Mittal's lawyers have submitted a new appeal to the regional court.

### Lack of access to information

Within the framework of the latest EBRD/IFC project, a Public Information Plan (PIP) was due to be developed, the main objective of which was to make available and distribute information to the public about the environmental impact of the project and to take into account public opinion<sup>38</sup>.

The EBRD claims that the plan, which consists of the distribution of information through the local mass media and public meetings, was fully carried out and that the general public for the most part supported the project and project components. However, informal discussions and media monitoring suggest that AMT is considered to be one of the least transparent companies in the Republic of Kazakhstan<sup>39</sup> and that the public and media does not have a clear understanding of the project<sup>40</sup>.

After a number of accidents at the coal mines in recent years (2004–2008) the policy of the company on cooperation with the public has finally changed. In 2008 the company has presented its Stakeholder Engagement Plan to the public, prepared by international consultants hired by AMT. The Plan sets up promising standards the company is intending to use in its cooperation with the public.

The EBRD's Environmental Policy (Annex 2, Articles III, IV) states that project sponsors should make all information about environmental impact assessments available to the public for the entire length of the EBRD's participation in the project. However, the NGO Green Salvation (GS)<sup>41</sup> requested information and documentation concerning environmental aspects of the EBRD/IFC project several times. In reply, GS received notification from the head of the environmental department of AMT that: "We do not have information about EBRD project 3324"<sup>42</sup>. Even the EBRD's country office in Almaty did not have the requested information – a fact acknowledged by the EBRD's head office in London.

The public and stakeholders have not had the opportunity to keep up to date about the implementation of the project on the EBRD's website, since the information posted on the site dates from 1997. Updated information about the project was posted on the EBRD's website only nine years later in 2006. Such a lack of access to information about ongoing project activities contradicts the EBRD's current Environmental Policy (Article 28).



*Local NGOs hope that the new stakeholder engagement plan will help them to access information about pollution and health and safety.*

*Photo by CEE Bankwatch Network.*

The EBRD and IFC's involvement in AMT illustrates the need for the international financial institutions to be more closely involved in the monitoring of the projects they finance. All the same, it is highly debatable whether financially successful companies such as ArcelorMittal need the support of international taxpayers. The IFIs should involve affected communities in the monitoring of their projects and develop more reliable and strong Environmental Action Plans. The IFIs and their clients should also disclose environmental information throughout the projects' lifespans and develop a system of effective feedback to the client and affected people when the projects' activities do not correspond to their environmental, health, safety and social requirements.

<sup>38</sup> PSD, EBRD Environmental Bulletin "Environment and Transition Process", 1999

<sup>39</sup> <http://panorama.vkkz.com/>, Панорама № 45, November 25, 2005

<sup>40</sup> Green Salvation (Kz), EcoMuseum (Kz)

<sup>41</sup> <http://www.greensalvation.org/>

<sup>42</sup> Letter from ArcelorMittal Termitau to Green Salvation Ecological Society N01-5/97 of 16.03.2006



# ArcelorMittal Zenica (former Zeljezara Zenica)

Bosnia and Herzegovina

## Background

One of the biggest steel mills in South East Europe, the former Zeljezara Zenica is located in Bosnia-Herzegovina, in the Federation of Bosnia and Herzegovina entity. It was previously a state-owned steel mill, with a capacity of 1.8 million tonnes per year.

During the war in Bosnia from 1992 problems with the railway and road communication lines and the fact that the iron ore mines were on the other side of the front line meant that work at the plant was interrupted for several years. Parts of the plant were subjected to aerial bombardment.



Three out of sixteen chimneys at the largest steel plant in the former Yugoslavia being demolished in March 2008.

Photo by Mirza Subasic.

In 1999 the Kuwaiti Consulting and Investment Company bought a share of Zeljezara for USD 65 and the name of Zeljezara Zenica changed

to "BH Steel". In August 2004 Mittal through LNM Holdings bought 51% of the shares in the Zenica steel works from the Government of Bosnia and Herzegovina, and then in 2005 paid USD 98 million to the Kuwaiti Investment Agency for another 4.1 percent of the shares. As part of the agreement, LNM agreed to invest a minimum of USD 135 million in plant and equipment over ten years in order to lift production at Mittal Steel Zenica from 200 000 to more than two million tonnes. A joint venture agreement was also reached with RZR Ljubija in 2004 for the mining and development of the Ljubija iron ore mines.

Before the war in BiH the plant had 22 500 employees, but afterwards this was down to around 5000,<sup>6</sup> many of whom were inactive.<sup>7</sup> Since the Mittal purchase the new management has cut down the number of workers to under three thousand by stimulating compensations for voluntary redundancy. Mittal has pledged to retain all 2 850 active employees.<sup>9</sup>

## Environmental issues

In December 2007 an analysis of the air quality at several locations in the town of Zenica reportedly found higher than permitted concentrations of sulphur dioxide and particulate matter.<sup>10</sup> In the street where the Kemal Kapetanović Institute is situated, which carried out the tests, the legal levels were exceeded on no less than 14 days, while in the Crkvica district they were exceeded on 8 days. According to Mubera Pezo, the Head of Communal Services in the Zenica District Council, similar levels were also measured in the first week of 2008. Pezo also expressed concern that the intended integrated steel production at the Mittal plant may further impact on the situation.<sup>11</sup>

Air pollution has got worse in the town during the winter months, but it is unclear whether this represents a longer term trend of decline in air quality in Zenica during recent years. Media reports imply that the recent measurements were one-offs rather than part of a regular monitoring programme, and they report disagreement over whose responsibility it is to carry out air quality measurements. Responsibilities on environmental matters are often unclear in Bosnia-Herzegovina due to the war and the country's resulting complicated administrative structure. Indeed, ArcelorMittal is only now going through the process of obtaining an environmental permit for its operation.<sup>12</sup>

<sup>1</sup> Reuters: Mittal's Bosnia plant plans 20 pct rise in output, 17th January 2007 <http://www.reuters.com/article/companyNewsAndPR/idUSL1787566420070117>

<sup>2</sup> OECD Investment Compact for South East Europe and SEE Investment Forum: Investors of the year 2005 - Profiles of award winners, 2005, [www.oecd.org/dataoecd/1/30/36263847.pdf](http://www.oecd.org/dataoecd/1/30/36263847.pdf)

<sup>3</sup> Mark Cotton: Mittal Steel pays \$98M to raise Mittal Zenica stake to 92%, MarketWatch portal, 12 December 2005 <http://www.marketwatch.com/news/story/mittal-steel-pays-98m-raise/story.aspx?guid=%7B4587CB0B%2DDD16%2D4B94%2D8EE7%2D9D4856B5FF89%7D>

<sup>4</sup> ArcelorMittal webpage: Mittal Steel Highlights 2004: <http://www.arcelormittal.com/index.php?lang=en&page=555>

<sup>5</sup> Mittal Steel webpage: Mittal Steel Overview, undated, <http://www.mittalsteel.com/Facilities/Europe/Mittal+Steel+Zenica/>

<sup>6</sup> Kate Dunn, EBRD: Mittal's Bosnia Deal Signals Confidence, 11th January 2006, <http://www.ebrd.com/new/stories/2006/060111.htm>

<sup>7</sup> Pobjeda/Pioneer Investors in South East Europe: Real war for steel works in world's black metallurgy 28.08.2006, <http://www.pioneer-investors.com/news2.asp?newsid=5791>

<sup>8</sup> Pobjeda/Pioneer Investors in South East Europe: Real war for steel works in world's black metallurgy 28.08.2006, <http://www.pioneer-investors.com/news2.asp?newsid=5791>

<sup>9</sup> Mittal Steel webpage: <http://www.mittalsteel.com/Facilities/Europe/Mittal+Steel+Zenica/>

<sup>10</sup> Adnan Džonlić: Dim, sumpor, zagađenje..., 15.01.2008, <http://dzonlic.blogspot.com/2008/01/dim-sumpor-zagaenje.html>; Zenicani portal: Zenički zrak nije zdrav, 15 January 2008, [http://zenicani.org/index.php?option=com\\_content&task=view&id=210&Itemid=2](http://zenicani.org/index.php?option=com_content&task=view&id=210&Itemid=2)

<sup>11</sup> Adnan Džonlić: Dim, sumpor, zagađenje..., 15.01.2008, <http://dzonlic.blogspot.com/2008/01/dim-sumpor-zagaenje.html>, Zenicani portal: Zenički zrak nije zdrav, 15 January 2008, [http://zenicani.org/index.php?option=com\\_content&task=view&id=210&Itemid=2](http://zenicani.org/index.php?option=com_content&task=view&id=210&Itemid=2)

<sup>12</sup> Avaz portal: Arcelor Mittal Zenica mora ispuniti stroge uvjete za dobijanje okolišne dozvole, 10.01.2008, [http://www.avaz.biz/index.php?option=com\\_content&task=view&id=5023&Itemid=73](http://www.avaz.biz/index.php?option=com_content&task=view&id=5023&Itemid=73)

### Labour and health and safety issues

In December 2007 the President of the ArcelorMittal Zenica Union Islam Imamović claimed that the number of accidents at the company in the last few years has markedly increased compared with the pre-war level.<sup>13</sup> In the first eleven months of 2007 four workers lost their lives and fifty-two were injured. Three of the deaths took place in February 2007 in an incident thought to involve argon gas poisoning.<sup>14</sup> Out of 3 300 people employed, 211 were on sick leave at the time of the Union President's statement.<sup>15</sup>

Health and safety problems are not thought to be the only reason – the ageing of the workforce was also mentioned as a factor – however the union President stated “Workers are expected to observe health and safety measures, however we in the Union believe that the company's management ought to set an example with its own behaviour. They must not send workers to carry out difficult and highly responsible tasks if they are not suitably equipped for the job.”<sup>16</sup>

There has also been an ongoing labour dispute in ArcelorMittal Zenica over wages. On 25th July 2007 workers held a three-day two-hour work stoppage after the Union and management failed to reach agreement on a wage increase.<sup>17</sup> The Union is demanding 2.50 KM per hour while the management is offering only 2.18 KM per hour.<sup>18</sup> The work stoppages were followed by an attempted general strike, however this was banned by a Sarajevo court which stated that the Union had failed to meet the legal conditions for the strike.<sup>19</sup>

There are also difficult labour issues at the Ljubija iron ore mines near Prijedor in the Republika Srpska entity of Bosnia-Herzegovina resulting from the war in Bosnia in which non-Serb workers were dismissed from their posts and never reinstated (see below).

### War and human rights issues

One of the most attractive aspects of the Zenica plant for Mittal Steel was the presence of significant reserves of iron ore in the same country, at the Ljubija mines.<sup>20</sup> As mentioned above, in 2004 LNM signed a joint venture agreement with RZR Ljubija (Rudnici Zeljezne Rude

Ljubija) to form the company New Ljubija Mines, and to mine and develop the complex,<sup>21</sup> which has an annual capacity of approximately 1.5 million tonnes and reserves estimated to last 35 years.<sup>22</sup>

The Ljubija mines, however, have a dark history, which was outlined in a 2006 report by Amnesty International.<sup>23</sup> The mines were one of the case studies in the report showing that the consequences of ethnic discrimination in employment during the war have not been addressed and that they persist in both entities of Bosnia. The problem is not confined to Ljubija and needs to be addressed much more thoroughly by the state and entity governments, however as the 51 per cent owner of the Ljubija Mines, Mittal needs to develop a strategy to deal with the mines' legacy.

Allegations concerning the mining complex during the Bosnian war include:

- Systematic dismissals of non-Serb workers. Former workers told Amnesty International that on 22 May 1992 announcements on the radio informed them that Bosniak and Bosnian Croat workers must not report for work any more, and that in the following weeks they received dismissal letters signed by the RŽR Ljubija management. The workers who appealed against their dismissal to the had their appeals rejected and received written communication that they could not continue to be employed because their position was reserved for employees of Serb ethnicity.<sup>24</sup>
- The detention of thousands of Bosniaks and Bosnian Croats in detention camps in Omarska, which is part of the Ljubija mines complex. "Improvised detention facilities made in the Ljubija iron ore mine" were also allegedly used, including in the main separator in the central mining area.<sup>25</sup>
- Involvement of the war-time management of the Ljubija mines in crimes committed during the "ethnic cleansing" campaign.<sup>26</sup> It is not clear whether these allegations have been investigated or whether any of the accused are still working at the mines.

<sup>13</sup> Sarajevo-X portal: Povećan broj nesreća na radu u Arcelor Mittal-u, 07.12.2007, <http://www.sarajevo-x.com/clanak/071207062>

<sup>14</sup> Javno.com news portal: Death In Zenica: Three Mittal Steel Workers Die From Gas, <http://www.javno.com/en/world/clanak.php?id=20480>, 13 February 2007

<sup>15</sup> Sarajevo-X portal: Povećan broj nesreća na radu u Arcelor Mittal-u, 07.12.2007, <http://www.sarajevo-x.com/clanak/071207062>

<sup>16</sup> Sarajevo-X portal: Povećan broj nesreća na radu u Arcelor Mittal-u, 07.12.2007, <http://www.sarajevo-x.com/clanak/071207062>

<sup>17</sup> 24sata info portal: Dvosatne obustave rada u Mittal Steelu Zenica zbog neuspjeha pregovora između Sindikata i Uprave, 24.07.2007 <http://www.24sata.info/6749>

<sup>18</sup> Reuters: Court bans general strike at Bosnia's Mittal plant, 3 August 2007, <http://in.reuters.com/article/companyNews/idINL0325921620070803>

<sup>19</sup> Reuters: Court bans general strike at Bosnia's Mittal plant, 3 August 2007, <http://in.reuters.com/article/companyNews/idINL0325921620070803>

<sup>20</sup> Kate Dunn, EBRD: Mittal's Bosnia Deal Signals Confidence, 11th January 2006, <http://www.ebrd.com/new/stories/2006/060111.htm>

<sup>21</sup> 51 per cent of the new company is owned by LNM, while the Republic of Srpska entity government retains the remaining 49 per cent. Source: Amnesty International Media Briefing: "Bosnia and Herzegovina: Behind closed gates: Ethnic discrimination in employment" 26th January 2006, <http://www.amnestyusa.org/document.php?lang=e&id=ENGEUR630032006>

<sup>22</sup> LNM Holdings press release: LNM Holdings N.V. Initials Joint Venture Agreement For The Privatisation Of Ljubija Iron Ore Mines In Republic Srpska, Bosnia & Herzegovina [www.mittalsteel.com/mittalMain/attachments/LNM\\_News/2004%20-%20April%20-%20Ljubica%20Mines%20FINAL.pdf](http://www.mittalsteel.com/mittalMain/attachments/LNM_News/2004%20-%20April%20-%20Ljubica%20Mines%20FINAL.pdf)

<sup>23</sup> Amnesty International (AI, 2006): Bosnia and Herzegovina - Behind closed gates: ethnic discrimination in employment, 2006, [http://www.amnesty.org/en/alfresco\\_asset/128e1c49-a434-11dc-bac9-0158df32ab50/eur630012006en.html](http://www.amnesty.org/en/alfresco_asset/128e1c49-a434-11dc-bac9-0158df32ab50/eur630012006en.html)

<sup>24</sup> Prosecutor v. Milomir Stakic, Judgement, Case No. IT-97-24-T, Paragraph 127, cited in AI, 2006

<sup>25</sup> Annex V (The Prijedor report) to the Final Report of the Commission of Experts Established pursuant to Security Council Resolution 780 (1992), UN Doc. S/1994/674/Add.2 (Vol. I), 28 December 1994, Part two, VII.D, cited in AI, 2006

<sup>26</sup> Human Rights Watch, Bosnia and Herzegovina, The Unindicted: Reaping the Rewards of "Ethnic Cleansing", January 1997, Vol. 9, No.1 (D), cited in AI, 2006



- Killings at the mine complex. The International Criminal Tribunal for the former Yugoslavia found that 48 people were killed in the Ljubija iron ore mine.<sup>27</sup> The Tribunal also found that "hundreds of detainees were killed or disappeared in the Omarska camp between the end of May 1992 and the end of August when the camp was finally closed".<sup>28</sup> The Tribunal also found that in July 1992, more than 100 people were killed in the Omarska camp, including people who were initially detained in the so-called "white house", a building which is part of the Ljubija mines complex,<sup>29</sup> and that on 5 August at least 120 persons detained in the Omarska camp were taken away and subsequently killed.<sup>30</sup>
- The presence of mass graves at the mines. In 1994 the UN Commission of Experts reported that the mines in Omarska, Tomašica and Ljubija contained a great number of bodies of victims of the fighting in the Prijedor area, as well as of those who were killed during detention.<sup>31</sup> The report alleges that: "... the Serbs regularly recruited local villagers and camp inmates to assist in disposing of the bodies and then killed them as well so as to eliminate any potential witnesses".<sup>32</sup> The report also mentions a massacre carried out in July 1992 in room 3 of the Keraterm camp, found by the Commission of Experts' to have "resulted in a huge mass burial, most likely at one of the Omarska/Tomašica mine sites".<sup>33</sup> In 2001, 373 bodies were reported to have been exhumed from the mass grave of Jakarina Kosa in the Ljubija mine.<sup>34</sup> Amor Mašović, the head of the FBiH Commission for Missing Persons, is reported to have stated that "there is no doubt whatsoever that there are bodies as yet unfound within the mine of Omarska and its vicinity [...] We are not talking about dozens of bodies here, we are talking about hundreds".<sup>35</sup> Former workers at the mine testified to Amnesty International that they knew of other former workers who were called to help bury the bodies of murdered non-Serbs, and that they recognized some of the victims as their former colleagues.<sup>36</sup>

No-one is arguing that Mittal Steel is responsible for any atrocities carried out at the mines, but it is clear that there are many unanswered questions which need to be approached delicately by the company, particularly as 49 per cent of the company is still owned by RZR



*ArcelorMittal's operations in Bosnia-Herzegovina.*

*Photo by Mirza Subasic.*

Ljubija, and thus by the Republika Srpska government, and the role of these parties in any atrocities at the mines cannot be ruled out.

If there are still bodies in the mine complex, it would be appropriate for Mittal Steel to accord victims and their relatives the dignity of allowing excavations to take place before iron ore is mined. This is one of the demands from civil society organisation the Association of Camp Survivors from Prijedor Municipality, however this request appears to be being ignored by the relevant authorities and Mittal Steel.<sup>37</sup> A newspaper article on the issue alleges that the government of the Federation of Bosnia and Herzegovina entity, which would normally be expected to take an interest in the fate of non-Serb citizens, is also ignoring the issue because of its connections with Mittal Steel in Zenica.

As Amnesty International put it: "In such cases [...] where economic activities may potentially destroy evidence of war crimes and crimes against humanity or may otherwise be an impediment to the realization of the rights of the victims and the families of the victims of serious human rights violations committed during the war, it is the duty of the authorities to take all necessary steps to ensure that economic priorities do not come before justice for the victims."<sup>38</sup>

<sup>27</sup> *Prosecutor v. Radoslav Brdjanin, Judgement, Case No. IT-99-36-T, cited in AI, 2006*

<sup>28</sup> *Prosecutor v. Milomir Stakic, Judgement, Case No. IT-97-24-T, Paragraph 220, cited in AI, 2006*

<sup>29</sup> *Prosecutor v. Milomir Stakic, Judgement, Case No. IT-97-24-T, Paragraph 209, cited in AI, 2006*

<sup>30</sup> *Prosecutor v. Milomir Stakic, Judgement, Case No. IT-97-24-T, Paragraph 211, cited in AI, 2006*

<sup>31</sup> *Annex X (Mass graves) to the Final Report of the Commission of Experts Established pursuant to Security Council Resolution 780 (1992), UN Doc. S/1994/674/Add.2 (Vol. V), 28 December 1994, II.24, cited in AI, 2006*

<sup>32</sup> *Annex X (Mass graves) to the Final Report of the Commission of Experts Established pursuant to Security Council Resolution 780 (1992), UN Doc. S/1994/674/Add.2 (Vol. V), 28 December 1994, II.24, cited in AI, 2006*

<sup>33</sup> *Annex X (Mass graves) to the Final Report of the Commission of Experts Established pursuant to Security Council Resolution 780 (1992), UN Doc. S/1994/674/Add.2 (Vol. V), 28 December 1994, II.24, cited in AI, 2006*

<sup>34</sup> *Snjezana Mulic: "Željezna ruda obogacena ljudskim kostima", Bosanskohercegovački dani, 15 April 2005, cited in AI, 2006, translated into English at: <http://www.ex-yupress.com/dani/dani114.html>*

<sup>35</sup> *"New battle breaks out over Serb death camp", The Guardian, 2 December 2004*

<sup>36</sup> *Amnesty International: Interviews with former workers of the Ljubija mines, August 2003 and February 2005, in AI 2006*

<sup>37</sup> *Snjezana Mulic: "Željezna ruda obogacena ljudskim kostima", Bosanskohercegovački dani, 15 April 2005, cited in AI, 2006, translated into English at: <http://www.ex-yupress.com/dani/dani114.html>*

<sup>38</sup> *Amnesty International (AI, 2006) : Bosnia and Herzegovina - Behind closed gates: ethnic discrimination in employment, 200*

The new management of the mines has reportedly stated that "so far neither in Omarska, nor in any other area under the control of the New Ljubija Mines have any body or mass graves been found".<sup>39</sup> This is in direct contradiction with the above report of 373 bodies being exhumed and the findings of the UN's Commission of Experts.

Survivors of the camps as well as relatives of the killed and "disappeared" have addressed Mittal Steel and the new management of the mine asking that some of the mines' installations and land to be preserved to commemorate the dead and the victims of the other crimes committed in the mine complex.<sup>40</sup> The Mittal Steel management told Amnesty International that the company is in contact with local NGOs to discuss appropriate ways to commemorate the victims.<sup>41</sup> Amnesty International reports that in December 2005, Mittal Steel declared its intention to finance the construction of a memorial site at the Ljubija mines.<sup>42</sup> It is not known whether this has been done.

Establishment of the facts and Mittal's strategy for dealing with the legacy at the mines is made very difficult by the fact that RŽR Ljubija is owned by the government of the Republic of Srpska, which is not likely to benefit from, and may be further incriminated by, a more in-depth examination of the site. An anonymous Mittal Steel representative admitted in an interview with *The Guardian* that the company does not want to do anything to antagonise the Bosnian Serbs with whom it is working and is therefore in a difficult situation.<sup>43</sup>

In addition to the mass graves issue, the discriminatory employment practices at the mines during the war are continuing to cause problems today. Unemployment in Bosnia is very high<sup>44</sup> and many of the workers dismissed in 1992 still have problems today. This also causes problems with eligibility for pensions, and those unfairly dismissed largely have to fend for themselves. Those who were dismissed have difficulties in getting new jobs, not only because of the lack of jobs, but because they have not been able to obtain their work booklets from the company. These are documents which contain information about a person's working life and are generally needed in order to get a new job. The dismissed employees report that the company sometimes claims it does not have the booklets.<sup>45</sup>

Around 300 former workers have organised themselves into a trade union to try to get the company to acknowledge the unfair dismissals that happened and to ensure that in the future the company strictly adheres to non-discriminatory employment policies. The union of former workers' also demands that the company re-appoints at least some of the unfairly dismissed workers - they realise that New Ljubija Mines is reducing rather than increasing its workforce, so renewed employment for all of them is not realistic, but they would see even a small number of appointments as a symbol of good will.<sup>46</sup>

However the New Ljubija Mines management does not accept any liability for non-Serb workers who were unfairly dismissed during the war or before the joint-venture agreement was concluded in 2004, and has no plans to take on significant numbers of employees.<sup>47</sup> The management also believes that the dismissed workers would mostly be unable to work in the mine due to being close to retirement age.<sup>48</sup>

In interviews the management of New Ljubija Mines insisted that ethnic discrimination would not be tolerated<sup>49</sup>, however, Amnesty International remains concerned about the situation, for current and new employees, as well as former employees. Amnesty is not aware of active steps taken by the company in order to ensure non-discriminatory employment practices, and given Bosnia and Herzegovina's recent history, it would be surprising if ethnic prejudices did not persist without preventative measures being implemented. In addition, employees discriminated against during the war or more recently do not have effective recourse to justice, as the state and entity institutions have, according to Amnesty International, failed to implement existing anti-discrimination provisions and to promote anti-discrimination policies.<sup>50</sup>

#### Perverse subsidies for ArcelorMittal Zenica

In July 2005 the EBRD approved a EUR 25 million loan to Mittal Steel Zenica for a project with a total cost of EUR 160 million to improve energy efficiency and provide working capital at Mittal Steel Zenica. While energy efficiency is a highly desirable goal, it is unclear why such a large global company should benefit from low-interest public loans in order to achieve this. No information is systematically disclosed regarding the progress of the project and it is not clear how the company is progressing with its aims.

<sup>39</sup> Snjezana Mulic: "Željezna ruda obogacena ljudskim kostima", *Bosanskohercegovački dani*, 15 April 2005, cited in AI, 2006, translated into English at: <http://www.ex-yupress.com/dani/dani114.html>

<sup>40</sup> "New battle breaks out over Serb death camp", *The Guardian*, 2 December 2004, <http://www.guardian.co.uk/serbia/article/0,2479,1364350,00.html>

<sup>41</sup> Amnesty International: Telephone interview with Roeland Baan, LNM Central and Eastern Europe, Chief Executive Officer, March 2005, cited in AI 2006

<sup>42</sup> Amnesty International (AI, 2006): *Bosnia and Herzegovina - Behind closed gates: ethnic discrimination in employment, 2006*

<sup>43</sup> "New battle breaks out over Serb death camp", *The Guardian*, 2 December 2004, <http://www.guardian.co.uk/serbia/article/0,2479,1364350,00.html>

<sup>44</sup> "According to official figures, unemployment amounted to 44.2% in 2007. However, this figure overestimates true unemployment. According to the Labour Force Survey conducted in April 2007, unemployment was estimated at 29%. Taking informal employment into account, unemployment is estimated to be closer to around 20% of working-age population, although no recent official estimate is available." European Commission, *Bosnia and Herzegovina Economic Profile* [http://ec.europa.eu/enlargement/bosnia\\_and\\_herzegovina/economic\\_profile\\_en.htm](http://ec.europa.eu/enlargement/bosnia_and_herzegovina/economic_profile_en.htm)

<sup>45</sup> Amnesty International (AI, 2006): *Bosnia and Herzegovina - Behind closed gates: ethnic discrimination in employment, 2006*

<sup>46</sup> Amnesty International: Interview with Nijaz Brkic, former cashier at Ljubija Mines, February 2005, cited in AI 2006

<sup>47</sup> Amnesty International: Interview with Murari Mukherjee, New Ljubija Mines general manager, February 2005, cited in AI 2006

<sup>48</sup> Amnesty International: Interview with Murari Mukherjee, New Ljubija Mines general manager, February 2005, cited in AI 2006

<sup>49</sup> Amnesty International: *Bosnia and Herzegovina - Behind closed gates: ethnic discrimination in employment, 2006*

<sup>50</sup> Amnesty International: *Bosnia and Herzegovina - Behind closed gates: ethnic discrimination in employment, 2006*



## Conclusions and recommendations

The case studies in this compilation show that the pollution, health and safety and labour problems experienced by neighbours and workers at ArcelorMittal plants formerly owned by Mittal Steel are more than occasional blips. Rather, they represent the logical conclusion of the company's strategy of buying old, heavily polluting steel mills and taking cost-cutting to its extreme.

From the health and safety issues in the company's Kazakh mines to the air pollution at all of the sites and the hazardous waste dumping in South Africa, the problems vary, but the common theme is the age-old clash between the need to invest in environmental, labour and health and safety improvements and the need to keep costs down. In South Africa, the company has resorted to coercive practices in the case of families who have refused to give their land for Mittal's use. In India they are planning a huge steel complex on the lands of indigenous communities and poor farmers.

While the company claims significant investments have been made for the necessary improvements, particularly in central and eastern Europe anecdotal evidence from workers and local residents suggests that the level of effectiveness of these investments has not been satisfactory for various reasons. In some cases questions have been raised about the investments themselves, and in other cases investments seem to have been made but demands for higher production and the system of bonus payment appear to have led to managers being put in situations in which they had to choose between higher production and environmental or health and safety protection.

While no one expects all of the problems to be resolved overnight, the company's claims to be making intensive investments to address the issues are severely undermined by its reluctance both to release basic information to stakeholders and to meet with them. Its approach in ignoring the huge number of letters sent by Ohio citizens, as well as requests to release its environmental action plans in Romania and Ukraine, shows a basic lack of goodwill and casts doubt on the sincerity of its intentions. In South Africa, Mittal refuses to release a 9000 page "Master Plan" in which its pollution and plans for dealing with the pollution are detailed. In this respect, it is a hopeful sign that ArcelorMittal Temirtau has recently adopted a Stakeholder Engagement Programme, and we look forward to seeing how it works in practice.

Due to the issues covered in the case studies, we would like to make the following general recommendations. These are not intended to be comprehensive, but to serve as a starting point for improving the company's interaction with its neighbours and workers. As the new joint culture of ArcelorMittal is being established, we hope that this will involve developing a culture of putting people and the environment on an equal footing with financial considerations.

### To ArcelorMittal's management and shareholders:

- As a first step, where this has not already been done, the senior management of ArcelorMittal needs to meet with all stakeholders to listen to their concerns and to develop action plans for stakeholder engagement.
- Where they have been made, environmental action plans need to be released to the public, and where they have not been made they need to be developed.
- Environmental action plans must be developed in consultation with community people living adjacent to ArcelorMittal's plants and incorporated into government licences to operate.
- The company needs to review its working arrangements to ensure that its managers do not have to make trade-offs between environmental/health and safety protection on the one hand and production targets on the other.

### To local and national authorities in locations where ArcelorMittal is operating:

- ArcelorMittal should not be given any tax or environmental exemptions.
- ArcelorMittal's status as a major employer in some areas does not mean that it should be treated leniently with regards to pollution, health and safety and labour issues. Where ArcelorMittal's operations do not comply with the law, the company should be sanctioned as any other company.
- ArcelorMittal should not be allowed to displace poor and indigenous communities when their livelihood depends on the very land where the company plans to build its plants.

### To the EBRD and IFC

- ArcelorMittal should not receive further low-interest public loans. A company of such a size should easily be able to finance projects from other sources.
- For those projects that are still ongoing, the EBRD and IFC need to intensify their monitoring of the environmental, labour and health and safety aspects of the projects, as well as stakeholder engagement.

# Notes













CEE Bankwatch Network  
[www.bankwatch.org](http://www.bankwatch.org)



Ecological Society Green Salvation, Kazakhstan  
[www.greensalvation.org](http://www.greensalvation.org)



GARDE programme of the Environmental Law Service, Czech Republic  
[www.responsibility.cz](http://www.responsibility.cz)



groundWork, Friends of the Earth, South Africa  
[www.groundwork.org.za](http://www.groundwork.org.za)



groundWork, USA  
[www.groundwork-usa.org](http://www.groundwork-usa.org)



Friends of the Earth International  
[www.foei.org](http://www.foei.org)



Karaganda Ecological Museum, Kazakhstan  
[www.ecomuseum.kz](http://www.ecomuseum.kz)



Mouvement Ecologique, Friends of the Earth, Luxembourg  
[www.oeko.lu](http://www.oeko.lu)



National Ecological Center of Ukraine, Ukraine  
[www.necu.org.ua](http://www.necu.org.ua)



Ohio Citizen Action, USA  
[www.ohiocitizen.org](http://www.ohiocitizen.org)



Vaal Environmental Justice Alliance, South Africa

“Many perceive the rise of Mittal Steel – now ArcelorMittal – from a small mill to a global steel giant as one of the great wonders of the business world, but the cost of Mittal Steel’s success has largely been paid by the communities living and working near the company’s plants.”

