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The Death of Steel. The Bankruptcy of Steel Manufacturing

By Dr. Binoy Kampmark
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Steel, in various global quarters, is in retreat. Jobs are under threat. In Britain, the Indian steel manufacturer Tata steel has claimed it will sell its loss-making business, adding to the worried voices in Wales in January about what everybody there feared. Conditions, the company argues, have "rapidly deteriorated" due to oversupply, imports into the European market, and currency issues.[1]

The result is that one in six jobs in the UK steel industry risk being shed. "If we shut [Port Talbot]," observed steelworker and union representative Mark Davies, "the problem will just move from the UK. Without action in Europe to stop steel dumping, it will spread."

Across Europe, the response is being replicated, with blast furnaces closing. Ancelor Mittal has closed its Spanish plant in Sestao near Bilbao, citing the Chinese bugbear flooding the market with cheaper steel.

Governments are in a muddle about interventionist policies, a point Beijing simply does not share. According to Germany's steel association WV Stahl and union IG Metall, "political over-regulation and cheap imports" are depriving Europe of its plants. German steelmakers, for instance, juggle the costs of green levies within a European Emissions Trading System in a manner that Chinese firms do not.

Erratic responses dominate the scene of rescue. Neo-liberal vultures gave in to socialising banks to arrest the rot, seemingly shedding their ideas of letting a market operate by means of natural selection. The social distortions arising from a loss of jobs in steel, however, does not seem to be moving the policy makers in the same way. Whole working populations will vanish.

The economic disasters of Europe have also found form in other commodity markets. In Australia, steel maker Arrium faces collapse with the loss of 7,000 jobs across the country. The business pundits have come rushing out with ideas that steelmaking, while it has a "future in Australia", can only thrive with "new business models and technologies."[2] The trumpet of patriotism is always at the fore: "many Australian steels," insist Roy Green and John Hamilton Howard, "are world class, which allows a broad range of steels to be used in fabrication work" (*The Conversation*, Apr 8).

Arrium was certainly operating in a dreamland, suggesting in February that there had been a lift in earnings despite problematic external conditions. One stark reality remained, with its main operations at Whyalla showing up a loss of $43 million. Delusion and market predictions tend to be false friends.

The country is facing the reality that has faced other towns and cities across the globe:

when the demand for a commodity diminishes, be it through operating costs, and the phenomenon of "dumping", capital will dash.

Marred as it is by a neoliberal fetish, Australian governments have found themselves reluctant to prop up certain industries, while assisting others. Other countries, such as a heavily subsidised China, have shown no such reluctance. The Australian opposition leader, Bill Shorten, is speaking about a "nationalist" response to the steel industry.

The warnings in Australia over its undiversified economy have gathered over the years. This is the economy of the unreformed, charging conquistador – appropriate, extract and export, and bank on the idea of endless demand. Finite resources are raided; demand provides an eternal resource of optimism. The country is starting to pay a heavy price for this miscalculation.

In terms of steel manufacture, things have looked bleak for some years. Between 2000 and 2014, steel production increased by a voluminous 96 per cent, much of it propelled by the Chinese economic miracle. Chinese production dwarfs that of other states, with 2013 figures in terms of tonnes coming in at a weighty 779 million, or 48 per cent of the world's total. (Japan is a distant second with 110.60 million.) Such unqualified support has left competitors struggling with prices.

Even Chinese companies are selling overseas at a loss, which has bred something of a contradiction in the market. In January, China posted its first annual contraction in a quarter century. Crude steel production diminished by 2.3 per cent (to 803.83 million metric tonnes). The economic planners within the country are sensing the need to push the economy into growth led more by consumption than heavy industry.

For all that, as demand shrinks, exports have increased; far from shutting down, Chinese mills continue to operate with irrational vengeance. On March 31, the secretary of the board of Baosteel of Shanghai announced that the company's annual steel output would *increase* by 20 per cent to 27.1 million tonnes.[3] Similarities with the Saudi approach to oil come to mind.

The weak are being picked off; the resilient, boosted by the vitamins of government protections and subsidies are surviving. Even within Europe, business rates imposed by governments vary, with France and Germany looking far more attractive than their British counterparts. The neo-liberals, yet again, are confused about where to go, and how best to deal with social policy and the losses arising from market shocks.

Dr. Binoy Kampmark was a Commonwealth Scholar at Selwyn College, Cambridge. He lectures at RMIT University, Melbourne. Email: bkampmark@gmail.com

Notes:

1. http://www.independent.co.uk/news/business/news/steel-redcar-tata-four-chart-that-shows-why-the-uk-steel-industry-is-in-crisis-and-why-the-a6701111.html
2. https://theconversation.com/arriums-collapse-shows-australia-must-get-a-lot-smarter-about-steel-57436
3. http://www.afr.com/markets/commodities/metals/awash-with-an-oversupply-of-chinese-steel-and-no-end-in-sight-20160407-go0hfk

Articles by: Dr. Binoy Kampmark