Steel industry keeps on 'adjusting' down

by Marcia Merry

The steel supply decline in the United States and worldwide grows worse by the month. Still, the Do-Do bird reaction from Washington, D.C. is to have users call for more imports, and for the steel manufacturers to call for more "restructuring" to "adjust" to making less steel.

The industry is in a disastrous condition. It could not supply the basic iron and steel needed for a mobilization to repair and build up the transport, energy, and other vital infrastucture needed by the country. Nor can the steel industry supply the vehicles, pipe, and other essentials for a farm gearup to expand food output here and abroad. New mills, and advanced methods are required. But instead, the Washington palaver is all about living within the constraints of the crisis.

On May 22, ten national farm organizations called on President Bush to relax the current import controls on foreign steel coming into the United States. The current restrictions expire Sept. 30, and the administration is soon to decide whether to renew the restraints.

In a letter to the White House, the farm groups stopped short of requesting the total elimination of import restrictions, but expressed concern for keeping the costs of farm inputs down by having a federal steel program that "allows substantially more competition in steel trade." Bob Frederick, spokesman for the National Grange, one of the signers of the letter to the President, said, "We are increasingly concerned about the threat of higher farm input costs and the damage to export markets which steel import restrictions impose for farmers and agricultural exporters."

The latter point by the Grange spokesman reflects the "free trade" talk of Clayton Yeutter, current Agriculture Secretary and formerly U.S. Trade Representative. The farm spokesmen theorize that if the U.S. restricts steel imports, then some of our trade partners will act in retaliation to restrict their imports of U.S. farm products. All of this is so much rhetoric for the gullible. In fact, steel output worldwide is nowhere near the levels required to repair and build needed infrastructure, and to provide for industrial, agricultural, and defense needs.

A study by *EIR* in 1982 estimated that at least 800 million metric tons of steel were required to be produced annually to meet the world's consumption needs, including building up nuclear power plants and other parts of the energy and transport grids of the world. In contrast, world steel production by 1985 had fallen to 679 million metric tons.

What is 'restructuring'?

The policy in force in the North Atlantic nations has been to axe capacity, and to rely on a small number of modern mills, and a large number of "mini-mills" to recycle scrap through electric arc and similar types of furnaces. This has been called "restructuring." In addition, corporate policy—exemplified by USX (the 23rd largest company in the country, formerly U.S. Steel)—has been to diversify into real estate and any other non-steel quick-buck activity.

In the European Community, the Davignon Plan of the early 1980s has fostered the same degradation of steel industry capacity by imposing quota ceilings on steel production.

In the United States, raw steel production has fallen from 125 million metric tons of annual output in 1977, down to 83 million metric tons in 1988. There has been a compound annual decline of 4%. There has been a compound annual decline from 1977 to 1987 of 5.8% in steel exports from this country. Other hard parameters of the industry have similarly declined.

The manifestation of this decrepit state of the industry is obvious from the dangerous disrepair of bridges in the country. Even the crudest government statistics on iron and steel use per capita show the decline of the industry and the endangerment of the nation and the West.

Looking at the available figures from the mid-1980s—because the situation has only worsened since then—the United States's per capita consumption of steel in kilograms fell from 479 in 1984 down to 448 in 1985. In contrast, the per capita steel consumption levels were greater in Japan, 553 kg per capita in 1985, and West Germany, 481 per capita in 1985, and the same as the United States in Canada.

The dismal situation at the boardroom level is shown in the recent statements of the chairman and chief executive officer of Bethlehem Steel Corp., Walter F. Williams. Speaking on May 18 to the Bethlehem, Pennsylvania Area Chamber of Commerce, Williams said, "Restructuring will always be with us in some form. We have to constantly adjust to stay ahead . . . to maintain financial strength."

The CEO described the company's commitment to "stick to our knitting, and concentrate on making the core steel business competitive and profitable."

Bethlehem Steel—the 89th largest company in the nation—has a labor contract that was to be ratified by the United Steelworkers union May 25. Williams called it a "fair and reasonable" contract, and expressed the view that the company could "ride over a mild recession." Williams also called for an extension of the federal bilateral agreements limiting the import of steel into the United States.