

CHAPTER 2

THE GLOBAL STEEL INDUSTRY

2.1 Global Production

In 1997, global crude steel production amounted to 794.5 million tons. The production in 1950, after World war II, was merely 192 million tons. Within 50 years, the production quantity increased dramatically as more and more countries intensified their industrialization programs.

Before 1970s, the United States, Japan, and the European Community (EC) dominated the steel industry. In 1947, some 57 percent of the world's crude steel was produced in the United States. The U.S. continued to increase its output up to 136.8 million tons in 1973. Japan started to rebuild its steel factories after the second world war. In 1950, production volume amounted only 5 million tons. There was a dramatic increase in production capacity. In 1960, the production volume was 23 million tons. In 1970, the production reached 93 million tons. In 1973, Japan's production peaked, reaching 119 million tons.

European Community also followed the same trend. In 1950s, its production was 32 million tons. In 1960, the quantity was 72 million tons. In 1974, European Community reached 156 million tons.

Up to the seventies, developed countries dominated the world steel industry. Steel industries in developing countries, like Malaysia, Thailand, Indonesia, Korea, Taiwan, Brazil, and Mexico, were in their infant stage. In 1967, Malaysia produced 150,000 tons of steel. Korea had a production of 1.9 million tons in 1974 while Brazil's production was 7.5 million tons in the same period. Taiwan's production was 0.6 million tons.

In 1970, all the producers in Latin America, Africa (excluding South Africa), the Far East (excluding Japan), and South East Asia made only 39.57 million tons of steel. Their share of world steel production was only 6.6 percent, even though the population in this area is almost half the world's population at that time (Warren, 1975).

However, after the seventies, developing countries charted a different pattern in the development of their steel industries. In terms of production, Malaysia produced 3.0 million tons ranking 36th biggest all over the world in 1997. Korea ranked 6th with 42.6 millions ton production, and Brazil ranked 7th with 26.2 million tons, and Taiwan 13th with 16.0 million tons.

Table 2-1: Steel output in the World, United States, Japan, and European Community

(Unit: million tons)

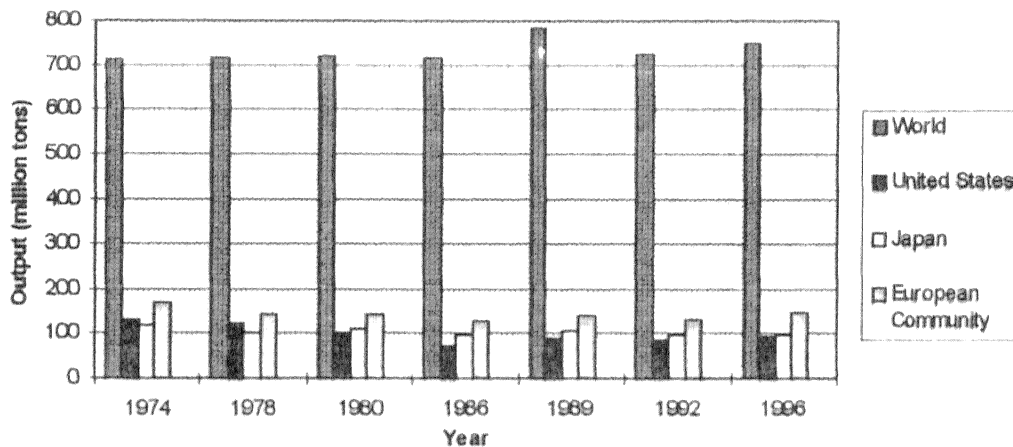
Year	World	United States	Japan	European Community
1974	709	132.8	117.1	168.1
1976	676	116.9	107.4	146.1
1978	717	124.3	102.1	145.3
1980	718	101.5	111.4	142.0
1986	714	74.0	98.3	125.9
1989	785	88.4	107.9	140.0
1992	723	84.3	98.1	132.1
1993	731	88.7	99.6	132.2
1994	729	91.2	98.3	151.7
1995	750	95.2	101.6	155.8
1996	748	94.6	98.8	146.9

Source:- Hogan, William T (1990), *Global Steel in the 1990s:*

Growth or Decline,

- United Nations Economic Commission for Europe (1997), *The Steel Market in 1996 and Prospects for 1997*, pp12, 172
- Malaysian Industrial Development Authority (MIDA) and United Nations Industrial Development Organization , *Medium and Long Term Industrial Master Plan Malaysia 1986-1987*, p36

Figure 2-1: Steel Output in the World, United States, Japan, and European Community



2.2 Global Demand

Global demand of steel products amounted to 695 million tons in 1997. Major consuming countries are United States, China, Japan, European Union, and Korea. They consumed 107 million tons, 102 million tons, 83 million tons, 123 million tons, and 38 million tons respectively. Their consumption covered 65.2% of the world demand.

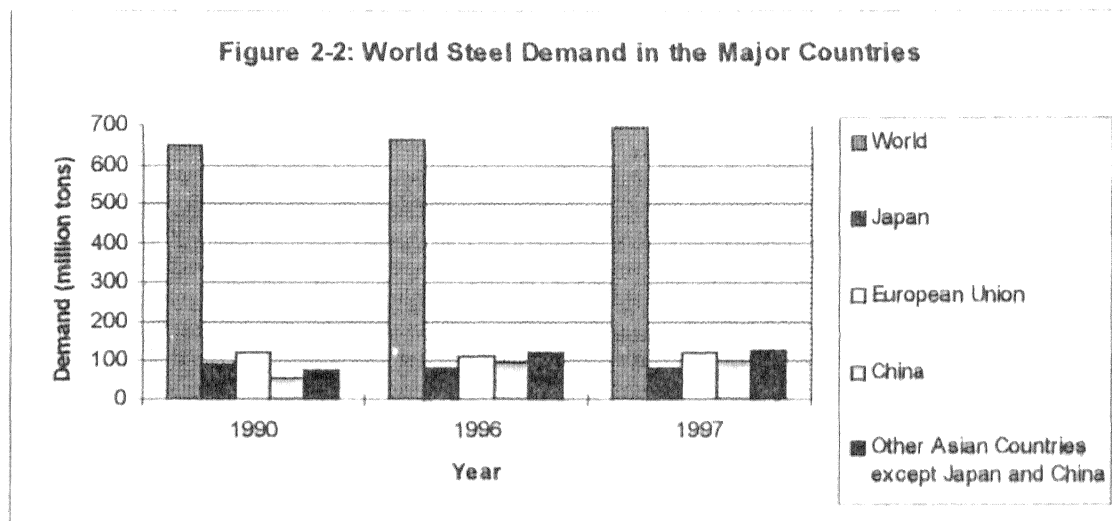
The characteristic of the world demand is that the consumption of developed countries is stagnant or decreasing because major infrastructure projects were completed in developed countries, while the consumption of developing

countries is increased. For example, the steel consumption in Japan and European Union was 94 million tons and 122 million tons respectively in 1990. However, the consumption of Japan reduced to 83 million tons and European Union's consumption increased only a little bit reaching 123 million tons in 1997. Meanwhile, the consumption of China was 54 million tons in 1990. However, its consumption jumped to 102 million tons in 1997. The consumption of other Asian countries except Japan and China also increased from 76 million tons to 129 million tons during the same period.

Table 2-2: World Steel Demand in Major Countries

Year	World	Japan	European Union	China	(Unit: million tons)
					Other Asian Countries except Japan and China
1990	649	94	122	54	76
1996	665	81	114	97	125
1997	695	83	123	102	129

Source: International Iron and Steel Institute, Steel Data Center (1998), *World Steel Demand*, 1998



2.3 World Steel Export and Import

Global trade of trade products has nearly doubled, from 115 million tons in 1975 to 226 million tons in 1994. The major steel trading countries are European Union, Japan, Russia, Latin America, Korea, United States and China.

European Union's export quantity was 92 million tons in 1994 while its import amounted to 71 million tons. Japan, Russia, Latin America, and Korea exported 22 million tons, 21 million tons, 16 million tons, and 9.7 million tons respectively in 1994 while each country's import quantity was 5.7 million tons, 0.9 million tons, 6.8 million tons, and 8.3 million tons in the same year. These countries have surplus in their trade balance.

Meanwhile, United States and China are more involved in the import of steel. The export quantity of each country was 3.6 million tons and 1.7 million tons in 1994 while their import quantities were 24 million tons and 21 million tons respectively. These two countries have deficit in their trade balance. ASEAN countries also depend on import to meet demand of steel. In 1994, their total export quantity amounted to 4.3 million tons while their total import quantity was 24 million tons.

Table 2-3: Import & Export of Steel by Countries in 1994

(Unit: million tons)

	Export	Import	Trade balance
China	1.7	22.8	- 21.1
European Union	92.4	71.5	20.9
Japan	22.2	5.7	16.5
Korea	9.7	8.4	1.3
Latin America	16.4	6.8	9.6
Russia	21.3	0.9	20.4
United States	3.6	27.6	-24.0
ASEAN	4.3	24.4	-20.1

Source: -United Nations Economic Commission for Europe, Steel section;
Government contributions; International Iron and Steel Institute,
1997
- South East Asia Iron & Steel Institute Statistical Committee, Steel
Statistical Year book 1997, (Aug , 1998)

Figure 2-3: Import & Export of Steel by Countries in 1994

