

UK Tata Steel operation at centre of escalating trade war

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4 April 2016

Tata's UK steel business is losing more than double the amount previously reported.

Last week the firm announced it planned to hive off its entire UK operation, threatening 15,000 jobs in Port Talbot, Wales and Scunthorpe and Rotherham in England, along with another 25,000 jobs in the supply chain.

It was widely reported that the company was losing around £1 million a day, but the *Observer* reported Sunday, "It is understood that Tata Steel is losing £2.5m a day in the UK... and that it will lose at least £100m in running a sales process until the end of April."

Tata's UK plants could be bought up by Germany's ThyssenKrupp, which is also interested in buying other parts of Tata's European operation, or even all of it. The *Observer* said ThyssenKrupp had not yet concluded a deal due to concerns about the losses being incurred by Tata in the UK, compounded by the fact that its pension fund has enormous liabilities. The *Observer* notes, "The British Steel Pension Scheme (BSPS), which was inherited by Tata when it bought Corus in 2007, has £14.5bn of liabilities, making it one of the biggest pension schemes in the UK."

"Accounts for the business show that last year Tata had to pump £129m into the scheme last year and will spend even more in 2016. The 130,000 members of the pension scheme, which has a deficit of £485m, face an uncertain future if Tata sells the business."

The *Guardian* and its sister *Observer* are among the major newspapers supporting the campaign led by the Labour Party and the trade unions in support of protectionism and trade war. On Thursday, the *Guardian* editorialised that Tata's decision to sell its plants represented "a national summons to get serious." It complained, "After the US imposed anti-dumping

tariffs on Chinese steel, the EU could have followed suit, but the UK appears not to have voted for them."

On Saturday, a further editorial was headlined "Port Talbot matters more than China."

The *Observer* stated that steel production in the UK was being decimated by the "flooding of the global market with cheap, state-subsidised Chinese steel, and the lack of government action to shield UK steel from these extraordinary global headwinds."

Tariffs had to be imposed, even though "an escalation of punitive tariffs between China and the rest of the world would be bad for the global economy. But they were a necessary evil: a tool to be deployed... strategically against countries violating free trade principles."

Sections of the ruling elite everywhere are responding to the escalating crisis of the global economy and stepped up competition with a turn to protectionism. British Labour Party leader Jeremy Corbyn has come forward as the spokesman for this strategy, which is portrayed as guaranteeing national interests as well as safeguarding jobs.

He visited Port Talbot March 30 and reiterated his earlier call for a state buyout "to protect our steel industry and not see it destroyed on the altar of global corporations that decided somewhere along the line Port Talbot is expendable."

Even when answering a question, from Jon Snow on *Channel Four News*, on whether the steel industry should be exempt from environmental legislation, he turned the issue towards protectionism: "China doesn't have any such demands on these issues," he complained. "And if someone is importing goods from a country that doesn't have very good standards then maybe we should do something about it and not allow those imports to come in."

On Friday, trade unions including the Rail, Maritime and Transport (RMT) union, staged a protest against a takeover of the Northern Rail franchise by Germany's Deutsche Bahn subsidiary Arriva, including raising the German flag over Manchester's main Piccadilly station. Corbyn sent a letter of support, urging the renationalisation of the railways.

These demands were put forward in explicitly anti-communist terms by Tim Roache, the general secretary of the GMB trade union, who said Friday, "Never did we think the Tories would let the Chinese Communist Party dictate the fate of vital UK industries like steel. There was a time when the Tories sought to root out the reds under the bed. Now they want to get into bed with them."

Aside from calls for a temporary nationalisation of Tata's steel plants, until a new buyer is found, Labour is insisting that the "steel industry" must be the target of a vast multi-billion pound tax-payer funded subvention. The steel industry referred to is largely Tata—a giant transnational corporation with a combined market capitalisation of about \$134 billion—or whichever corporate competitor takes over all or part of its operations.

Such measures only throw fuel on the fire of the intensifying trade war being waged between the major steel producing powers, under conditions of saturated global markets, and will lead to further job losses in the UK and internationally.

On Saturday, China announced it would impose import tariffs of 14.5 percent to 46.3 percent on some specialist, high-tech steel from the European Union (EU), South Korea and Japan. The flat-rolled electrical steel affected is the type of high-tech steel made by Tata's Cogent subsidiary in Newport, Wales. The United States has already imposed tariffs of 266 percent on Chinese steel, and the EU has imposed sanctions in 37 cases of steel exported to Europe at dumped prices, 16 on products coming from China. The EU planned to levy higher tariffs against Chinese steel, but was blocked from doing so by the British government.

The ruling Tories' position is dictated by key economic concerns. Britain has forged close economic links with China, culminating in the state visit to Britain by Chinese President Xi Jinping last October. During the trip, it was announced that China would be involved in funding and constructing new nuclear

reactors in Britain that could be worth up to £100 billion over the next decade. An estimated £30 billion in bilateral investment deals were also agreed. Earlier in the year, in the face of US opposition, Prime Minister David Cameron announced that Britain would become a founding member of the \$50 billion China-backed Asian Infrastructure Investment Bank (AIIB).

However, protectionism offers no alternative to the rule of global corporations. Rather it ties the working class to the struggle between these corporations and heralds a stepped up struggle of each against all that will leave hundreds of thousands of economic casualties in its wake.

The amount of overproduction of steel globally is vast. China is being targeted because it produces just over half of the world's steel and now has an overcapacity in the steel sector of 400 million tonnes—more than double the *total* annual EU steel production of around 170 million tonnes. But every country has equivalent levels of overcapacity.

The OECD states that the global steel industry's capacity has more than doubled since the early 2000s, "resulting in over-supply, low prices, weak profitability, bankruptcies and localised job losses." In 2013, crude steel demand stood at "1,648 mmt [million metric tonnes], or about 516 mmt below nominal capacity, representing one of the highest gaps in the history of the global steel industry."

More than 328,000 workers are employed in the steel industry in the EU and 8 million globally, with these workers and those in related industries all now threatened with job losses, attacks on wages and pension rights. China itself is shedding 500,000 jobs in steel, 11 percent of the total. Some 1.3 million jobs are going in the coal industry, fully 20 percent.

Only a socialist struggle by the working class against the steel corporations and the governments and parties that defend the profit system, one that rejects all forms of nationalism and class collaboration, offers an alternative to the international race to the bottom now underway.



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