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**Mapping Corporations, Connecting Communities:  
Remaking Steel Geographies in Northern England and Southern Poland**

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Stuart Dawley, Alison Stenning and Andy Pike  
Centre for Urban and Regional Development Studies (CURDS)  
School of Geography, Politics and Sociology  
Newcastle University  
Newcastle upon Tyne, NE1 7RU  
UNITED KINGDOM  
E-mail: [s.j.dawley@ncl.ac.uk](mailto:s.j.dawley@ncl.ac.uk)  
[alison.stenning@ncl.ac.uk](mailto:alison.stenning@ncl.ac.uk)  
[andy.pike@ncl.ac.uk](mailto:andy.pike@ncl.ac.uk)  
Tel: +44 191 222 7735  
Fax: +44 191 232 9259  
Website: <http://www.ncl.ac.uk/curds>

## **Mapping Corporations, Connecting Communities: Remaking Steel Geographies in Northern England and Southern Poland**

### **Abstract**

In recent years, economic geographers have turned their attention to the growing geographical reach and complexity of economic networks to focus on the increasing integration of economies, the geographical organization of economic activity and the social, economic and political relationships within these networks. Within this work, particular attention has been paid to the corporation, allowing for corporate geographies to be rethought using new approaches and new methodologies. Building on these approaches, we seek to develop a holistic economic geography which embeds the globalising corporation within a broad array of economic, social, political and cultural contexts shaped by multiple social agents. We do this in the context of the European steel industry. We argue that refocusing attention on the steel industry is important for two reasons. Firstly, the industry itself has radically changed in the last decade. Persistent global over-capacity and cycles of profitability, ongoing consolidation and privatisation, the emergence of new steel regions and of more 'globalised' steel producers have all altered the industry's anatomy. Secondly, the tools of economic geography have changed. New approaches enable us to look again at the steel industry and to rethink its corporate geographies. This paper develops these arguments by using an innovative approach, integrating the narratives of two steel corporations and two European steel regions, and focusing on issues of corporate geography, financialisation, government and governance, labour and community. In this way, we seek to continue the strong tradition within economic geography of conceptualising the spatial

contexts and consequences of economic change through accounts of the continuous remaking of steel geographies.

## **Introduction**

Over the last decade the pace of change within the European steel industry has witnessed remarkable acceleration. Driven by a complex combination of new market conditions, technological change and above all pressures to consolidate in the face of persistent global overcapacity, today's European steel industry is being recast in fundamentally new and different ways (Sadler 2002; Dunford and Greco 2007). From as recently as the mid-1990s, the corporate anatomy of European steel production has been rapidly restructured from a fragmented sector dominated by a large number of predominantly national, sometimes nationalised, companies towards an increasingly smaller number of integrated multinational - even transnational - producers (Fairbrother *et al* 2004). Within a more globalised market recently buoyed by exceptional demand from China and an array of emerging markets, the European steel industry is the third largest net exporting region and remains a key player (Fairbrother *et al* 2004; ISSI 2007; Sadler 2002). Yet, China's immanent transition to a net steel exporter, India's emergence as a global steel power, new rounds of steel production shifting to lower cost nations and the need to manage additional overcapacity in an enlarged European Union, suggest that the rapid pace of consolidation and change recently witnessed in the European steel industry will continue (Corus 2005; Arcelor Mittal 2006).

Researching the economic geographies of the European steel industry is not a new undertaking – many significant contributions to the economic geography discipline of the 1980s were derived from explorations of the drivers and territorially uneven impacts of steel industry restructuring (*inter alia* Beynon *et al* 1989; Hudson and Sadler 1989; Sadler 1992a).

However, in recent years, following the well-documented relative decline of the industry and its communities, steel has slipped out of focus. Yet, steel remains a strategic and dynamic industry and new economic geographies of steel have emerged in tandem with new corporate entities, financial structures and regulatory regimes, reshaping the relations between corporations, workforces and steel communities. In contrast to the processes of restructuring and contraction regulated by nation states and the European Commission during the 1970s and 1980s, the reshaping of the contemporary European steel industry is occurring within a more deregulated, integrated and market-led global landscape producing an array of interrelated dynamics of change (Hudson 2002). First, the influence of state-level interests and national institutional contexts continue to diminish in the wake of cross-border mergers and acquisitions, with the prospects for the European steel industry increasingly determined by the strategic objectives of fewer and fewer giant global companies. With the rise of transnational corporations such as Mittal Steel, and the mergers of former national champions into seemingly integrated transnational corporate structures, the “horizons of European steel firms have recently altered in fundamental ways” (Sadler 2002 p.12). Second, the pervasive forces of financialisation and shareholder value now driving and shaping corporate strategies through the capital markets represent an emerging dynamic that has, to date, been little covered in the literature. Third, driven by the long-delayed internationalisation of the industry and the reduced levels of state intervention, new challenges for the government and governance of steel are arising across global, European and local scales. For the European Union, the dynamics of change within the industry have raised new challenges to grapple with, ranging from managing the reduction of acute overcapacity of new accession states to regulating disputes of national interest within cross-border acquisition and mergers. Fourth, following successive waves of restructuring and job loss from the 1970s onwards, steel communities have undergone highly differentiated paths

of development and are yet again being reshaped within new corporate and regulatory geographies. Together, these issues raise important challenges for how we map and understand the ‘new in the old’, not just in the case of steel geographies but within traditional industries more generally.

This paper begins to address this challenge by developing a holistic analytical framework that builds upon traditional analyses of social actors shaping the changing economic geographies of steel (Beynon *et al* 1991; Hudson and Sadler 1989; Sadler 1992a). We integrate the traditional political-economy concerns of steel geography research - the competitive strategies, tactics and power relations of corporations, states (EU, national and regional), trade unions and communities - with a framework underpinned with an enriched understanding of the multi-scalar socio-institutional contexts that produce, regulate and mediate investment decisions and their outcomes (Smith *et al* 2002; Hess and Yeung 2006; Dawley 2007). This is not to eschew the focus from the structural forces such as competitive pressures driving the restructuring of the steel industry - for example, technological change, productivity, changing market preferences - but instead provides an approach sensitive to the roles of contextuality and contingency in shaping economic processes and action (Bathelt 2006; Martin 2000). Therefore, rather than juxtapose the ‘old’ and the ‘new’ approaches in a simple binary, we draw on complementarities and commonalities of different economic geographies to begin to unravel the relations between steel corporations and steel communities and the myriad of social actors that mediate these relationships. We argue that by focusing upon five, necessarily selective, interrelated strands of analysis: corporate forms and geographies; financialisation and shareholder value; government and governance; labour; and community, we can begin to explain and understand the new dynamics shaping and producing contemporary steel geographies. In particular, by crosscutting scales and integrating our lines of analysis we seek to reconnect corporations and communities - a

central concern for earlier steel geography approaches (Hudson and Sadler 1989) - and move towards 'holistic' economic geographies of steel (Perrons 2004). We acknowledge the challenge of broadening the focus of research implied by this kind of economic geography (Smith *et al* 2002; Hudson 2005). But as Perrons (2004:59) reminds us "although no study can report on all aspects of locality or region simultaneously, a holistic framework at least ensures these questions will remain on the agenda."

Specifically, this paper explores the dynamics of these processes by using an innovative approach, integrating the narratives of two steel corporations and two European steel regions involved in a recent episode of change. On the one hand, we focus on Corus, formed in 1999 by the merger of two former 'national champions' – British Steel and Dutch-owned Hoogovens – in an attempt to restructure into a more international, even global company. On the other hand, we explore Mittal Steel, a recent appearance in the global steel arena, operating in 14 different states and seen by many as the first truly transnational steel producer (Fairbrother *et al.* 2004). In each case, the analytical focus of this article is confined to the establishment and development of each corporation prior to the most recent round of merger activity which has seen European-based steel giant Arcelor merge with Mittal Steel in 2006 and Corus acquired by the Indian Tata conglomerate in 2007. In so doing, our investigation provides the context upon which the still unfolding processes and implications of more recent mergers can be better understood. Moreover, the current period of rapid pace of change within the global steel industry serves to indicate the temporal challenges confronting academic research when faced with corporate dynamics that "mutate and blend at a pace incongruent with academic publishing timeframes" (O'Neill 2003: 678). Geographically, we focus on two longstanding steel-producing regions, one in Northern England and one in southern Poland. In Northern England, a traditional western European steel heartland, Corus's remaining production is concentrated in Yorkshire and Humberside

(*inter alia* Sheffield, Rotherham and Scunthorpe) and the North East of England (Teesside).

Within the context of the broader northern region, Teesside provides our primary English focus. Małopolska and Upper Silesia in Poland represent an eastern European growth periphery, increasingly drawn into the spatial circuits of global steel. The steel industries of both regions have undergone profound restructuring, as post-steel regeneration strategies have combined with continuing – albeit highly uneven and volatile – investment within steel and associated industries.

### **Recasting the economic geographies of steel**

Perhaps more than any other industry, the steel industry has epitomised the often-painful process of restructuring that has been experienced within industries in Western Europe over the last few decades (Hudson 1992. p110)

During the 1970s and 1980s, the scale and severity of restructuring in the western European coal, steel and shipbuilding industries challenged economic geographers to rethink the relations between, increasingly international, systems of production and territorially uneven development (Sadler 1992a; Hudson 2000). In terms of the steel industry, Dunford and Greco (2007) identify three strands of research that emerged from this period. First, an extensive body of work sought to conceptualise and interpret the drivers of steel industry restructuring, focusing upon processes of technological change, strategies of corporations and states and the changing nature of market and institutional contexts (Hudson 2002; D'Costa 1999; Sadler 2002). Second, much attention has focused upon the local and regional

implications of contraction and restructuring, both in developed countries and more recently transition economies, connecting to issues of supply-chain restructuring, unemployment and the nature of resettlement in (post-) steel communities (Sadler 1992b). In addition, accounts of trade unions and communities contesting closures provided important insights into the roles of class politics and territoriality within the restructuring process (Beynon *et al* 1991). Third, research has focused upon the strategies developed to regenerate and reindustrialise steel economies following large-scale redundancies and closure (Hudson 1995; Sadler 1992b). However, whilst helpful, underplayed within this categorisation of steel research are those studies seeking to integrate all three research themes within a more holistic conceptualisation and investigation of changing steel geographies (Hudson and Sadler 1989; Beynon *et al* 1991; Sadler 1992a).

In particular, the work of Hudson, Sadler and Beynon provided important insights into the intersecting roles and relations of key social actors involved in the restructuring of the international steel industry. The territorially uneven nature of steel industry restructuring was understood as being intricately interwoven and moulded by the dynamics of international markets and competition, corporate strategies, state intervention (EU; national and local) and the activities of trade unions. Consequently, the geography of steel closures and rationalisation reflected the altered roles of particular places in the reshuffling of the “complex balance between capital, labour and state policies” within an increasingly integrated international steel industry (Sadler 1992a p.252).

More recently, within the context of European integration, these conceptual foundations have been incorporated and extended within the industrial production systems (IPS) approach (Hudson 2002). The recent expansion of the European Union, seen as part of a broader global political-economic process, offers new spaces, opportunities and challenges for firms, states and regions connecting to, or being disconnected from, new and altered



circuits of capital, value and appropriation (Hudson 2002, 2005). The IPS approach explains new geographies of production as emerging from the co-evolution of competitive tactics and strategies of, amongst others, firms, states (EU, national and regional) trade unions and workers. The contingent outcomes and territorial impacts of new rounds of (dis)investment are shaped by the power relations between the key social actors, each seeking to mediate investment in their favour, as “ companies pursue profitability, trade unions and workers seek new employment and/or protect existing jobs, and states attempt to balance the pursuit of accumulation in their territory with the claims of equity and socio-spatial justice” (Hudson 2002 p.262). For the European steel industry, the changing geographies of production reflect how the competitive strategies and tactics of key social actors are shaping, and being shaped by, changing regulatory regimes (e.g. privatisation; single European market), new market dynamics (e.g. financialisation and shareholder value) and EU expansion (e.g. inward investment into CEE steel production). The emerging outcomes reflect a more consolidated and integrated European steel industry driven by the interconnected strategies of Europeanisation and globalisation (ibid).

The aim of this article is to contribute to these conceptual underpinnings in several ways. By building upon the existing studies of steel geographies, we integrate insights from economic geography’s recent ‘institutional’ and ‘relational’ turns with a geographic political economy approach that seeks to qualify, rather than to deny, structural economic imperatives shaping geographies of production (Goodwin 2004; Pike 2005; Dawley 2007). We begin by refocusing attention on the firm and its corporate geographies. Over the last two decades, few industries have matched steel’s apparent quest for corporate change. State owned ‘national champions’ have been restructured and transferred into private ownership, precipitating a belated flurry of international, often contested, mergers and acquisitions and ultimately repositioning European steel operations within new and complex global corporate

structures and forms (Sadler 2002; Marsh 2006a). Within this context, and echoing recent work which has reasserted the centrality of the firm (Boggs and Rantisi 2003; Taylor and Asheim 2001; Phelps and Waley 2004), we argue the importance of connecting to more ‘plural’ economic geographies which emphasise the agency of corporate strategies, diverse organisational forms, institutional architectures and investment decision-making processes (see *inter alia*, Schoenberger 2000; Taylor and Asheim 2001; Dicken 2000). This kind of approach situates corporate actors and investment decisions within specific social, cultural, political contexts – both *within* and *outside* the corporation (Hess and Yeung 2006) and recognises the discursive and material ways in which corporations formulate, articulate and enact their strategies (O’Neill 2003; O’Neill and Gibson-Graham 1999).

Secondly, we turn our attention to ‘financialisation’, an increasingly important, albeit under researched, phenomenon influencing corporate strategies and geographies (Martin 1999; Pike 2006). In particular, reflecting the former dominance of publicly owned national champions within the European steel industry, the wave of privatisations from the late 1990s has exerted additional financial pressure on steel producers through a more open exposure to “the disciplines of the market and the need to demonstrate shareholder value” (Hudson 2002: 273). As a capital and scale-intensive sector with substantial sunk costs undergoing costly restructuring, steel has often struggled to meet capital market expectations. We embed this emphasis of the generalised pressures of financialisation in recognition that different corporate and national institutional structures and cultures mediate the power of shareholders and that such powers are contested and resisted across space and in place (Pike 2006).

Thirdly, we restate the important role of governance and governmental control (Smith *et al* 2002; Coe *et al* 2004; Phelps and Waley 2004). Although national forms of direct state intervention have, to varying degrees, waned following the deregulation of national markets and the decline of public ownership, the recent regionalisation of steel ownership at the

European level has shifted regulatory power, albeit through Member States, to the supranational scale of the EU (Fairbrother *et al* 2004; Hudson and Sadler 1989). However, this is not to underestimate the continuing permeability of firms to the nationally varied assemblages of institutions, politics, and regulations shaping corporate strategies and activities, both in home and host nation contexts ( Beffa 2005; Dicken 2000; Pauly and Reich 1997). The prominence of the EU in the regulation of the steel industry is longstanding, ranging from the formation of the 1951 Treaty of Paris to the activation of production quotas under Article 58 of the Treaty of Rome as overcapacity in the industry reached ‘manifest crisis’ in the 1980s. More recently, macro-regional levels of regulation continue to play important roles, whether it be in relation to mediating merger and competition issues or managing the accession of additional steel capacity within an enlarged EU (Sadler 2002; Gow 2006). Concurrently, reflecting the reduction of direct nation state involvement within the steel industry, new forms and systems of governance are also being formed at the local and regional scales as social, economic and political actors within steel communities seek to shape economic and social change (Pike 2002; Hudson 1995).

Fourthly, we restate the importance of placing communities within broader steel geographies, a connection that was central to earlier studies of the steel industry (Beynon *et al* 1989; Robinson and Sadler 1985) but has been somewhat lost in the focus upon economic networks and circuits outlined above. We develop a holistic approach which reconnects corporations and communities, emphasising the ways in which the spaces of steel are multiply scaled, and therefore guarding against any easy fixing of specific economic, social or political processes at spatial levels (Wood and Valler 2001; Smith *et al* 2003; Beynon 1991). In this sense, we echo Perrons’ (2004: 58-59) call for “a focus on people and places ... to understand the increasing social, spatial and gendered divisions that characterize contemporary society”, to rehearse and reinvigorate accounts of the economic and social

welfare of people, communities and places and to rethink the emergent corporate geographies from the perspective of those communities living with and through, and often contesting, those transformations. We acknowledge that our chosen entry points and pathways through these global steel geographies can only ever be partial, but nevertheless they serve as important insights through which to begin to catch pace with the new corporate dynamics which are fundamentally altering the geographies of the steel industry.

In sum, our particular approach aims to map out the spaces of steel communities and corporations (See Figure 1), connecting the traditional foci of the firm and the state to a range of other agents and networks operating across and within multiple scales. Our research method comprised a combination of in-depth semi-structured interviews and secondary data analysis. Our interviews were carried out within a comparative framework across both case studies, involving parts of Corus and Mital Steel and other local steel producers and suppliers, development agencies, trade unions, chambers of commerce, employers' associations, local decision makers and journalists. The interviews were integrated with analysis of a dense set of secondary sources, including company accounts, press releases, specialist media publications, national and local newspaper reports, governmental, supranational and non-governmental publications, trade union newsletters and existing academic literatures.

< Figure 1 about here >

### **Remaking steel geographies in Europe: Northern England and Southern Poland**

Steel making has been profoundly restructured in recent decades. Historical geographies of the steel industry document the influence of raw material deposits, deep-water ports, localised supply chains and, often through nationalised ownership, regional policy (Hudson and Sadler 1989). More recently, new sites have emerged or joined global circuits, especially in east central Europe, China and India, increasing competition for European and other existing steel producers. However, capital intensity and lumpy investment demands mean that the supply flexibility is uneven, and therefore contemporary global steel industry continues to grapple with periods of significant over-capacity. Within Europe, steel making capacity continues to exceed production levels (Atkinson 2003), contributing to the quickening pace of consolidation, restructuring and employment loss (Table 1). Yet, Europe continues to play a major role with the global steel industry. In 2005, the EU25 accounted for 16.6% of global steel production, second only to China (30.9%) (IISI 2006). In terms of consumption, the EU25 represents just under one sixth of global steel demand (15.8%), with the global geography of consumption shifting at a rapid pace to China (31.1%) and other Asia (15.2%) (Table 2; see also Bacon and Blyton 1996; IISI 2006). Over the last decade the role of the EU, and its individual member states, have been repositioned within an evermore globalised industry drive by corporate strategies of merger, acquisition and internationalisation. First, from the mid to late 1990s steel production in the EU became increasingly concentrated in a few European companies – Arcelor, Corus, Riva and Thyssen-Krupp. Second, the increased presence of Mittal Steel within Europe and the recent attempts of European producers to acquire capacity beyond Europe repositioned formerly national

and latterly European steel geographies in the global context (Table 3). Third, the European steel industry has now entered a new phase of global integration, ownership and control, led by the creation of Arcelor Mittal through “the merger of the world’s two leading steel companies, creating a new undisputed global market leader (Arcelor Mittal Chairman quoted in Arcelor Mittal 2006). The formation of Arcelor Mittal, the world’s first 100 million tonnes steel producers, both shapes and is conditioned by the continuing momentum for consolidation within the industry, evidenced by the Tata Steel’s £6.7billion acquisition of Corus in 2007. In stark contrast to the historical national fragmentation of steel production, the future of steel is being driven by a quest for scale built around a global and diversified business model, better suited to managing the cyclical nature of the industry (Arcelor Mittal President, quoted in Mittal 2006).

<Tables 1 to 3 about here>

Northern England has been a heartland of the steel industry since the late 19<sup>th</sup> century. Historically the industrial core of the British economy, latterly the north, and the North East in particular, has suffered from the de-industrialisation of its traditional economic base, sporadic re-industrialisation and the ‘branch plant economy’, weak service sector growth and waning national regional policy (Hudson 2000; Pike *et al* 2006). Alongside south Wales, northern England provided the geographical focus of much of British Steel’s main production and employment at Sheffield, Rotherham, Scunthorpe and Teesside and the associated geographical concentrations of goods and service suppliers (Sadler 1992a). Within the wider northern region, Teesside’s reputation as ‘Ironopolis’ denotes its particularly tight historical connection with steel (Beynon *et al* 1991). Indeed, as recently as the 1970s Teesside was identified by the, then nationalised, British Steel Corporation as the

core site within a 'Ten Year Development Strategy' designed to restructure UK steel production and replicate the Japanese model of large steel complexes. Teesside was designated as the 'jewel in the crown' of the UK's five coastal sites (Llanwern and Port Talbot in South Wales; Scunthorpe; Ravenscraig in Scotland), receiving one third of the plan's new investment (Hudson and Sadler 1989). Although, as with all the five coastal sites, the optimistic trajectory of the Teesside plant was to be subsequently cut back and repeatedly challenged as part of the turbulent restructuring of the UK steel industry from the late 1970s onwards. The steel communities of northern England bear the hallmarks of a longstanding association with the steel industry, and British Steel in particular. High unionisation levels, uniform terms and conditions of employment, labourist workplace politics and statism as well as strong class and community identities as 'steel-makers' characterise these places (authors' interview, Shop Steward, Community, 2005; see also Jimenez, Walkerdine and Fairbrother, forthcoming). However, these are set against a backdrop of long-term restructuring processes, rationalisation and redundancy. Between 1979 and 1987 an accumulation of global over-capacity and government imposed spending limits saw employment levels within British Steel fall from 186,000 to 52,000 (Sadler 1990). Following privatisation in 1987, British Steel has undergone successive rationalisations, culminating in the 1999 merger with Dutch 'national champion' Hoogovens to form Corus. Whilst the implications of restructuring were felt throughout the UK's steel communities, northern England witnessed heavy concentrations of employment loss associated with plant closures (e.g. Consett), partial plant closures (e.g. Scunthorpe) and ongoing workforce rationalisations (e.g. Teesside). More recently, Corus implemented a further rationalisation of its UK steel production, culminating with the loss of over 13,000 jobs between 2001 and 2003, including the closure of the Stocksbridge plant (Tran 2003). In the Teesside sub-

region, the workforce was further reduced by 2,000 jobs, leaving direct steel employment at only 3,000 jobs – some 27,000 fewer than at its height in the 1960s (Sadler 2004).

After years of relative isolation from international markets, the steel communities of southern Poland in the Kraków and Katowice regions (Małopolska and Upper Silesia) have become ever more integrated into global steel geographies. In Upper Silesia, the iron and steel industry has a long history, dating back to the 18<sup>th</sup> and early 19<sup>th</sup> centuries. During this period a number of small steelworks were established, predominantly by German industrialists, alongside the associated development of the coal mining industry (Riley and Tkocz 1998).<sup>1</sup> These producers were increasingly consolidated and modernised by the Polish state during the post-war period of state socialism and their development largely overtaken in the early 1970s by the construction of Huta Katowice, the largest metallurgical plant in Poland. In Małopolska, the steel industry has a much more recent history, focused on the post-war construction of a new steelworks outside Kraków, in what became Nowa Huta (Stenning 2003). The then Lenin Steelworks (Huta Lenina) came on line in 1954 and production peaked in the 1970s when attention shifted to Huta Katowice.

The shape of the regions' steelworks and steel communities shifted dramatically as Poland embarked on a 'transition to capitalism' in 1989. By 2004, 95% of the steel sector was privatised, although a fully developed stock market and investment infrastructure has yet to develop in Poland (authors' interview, Hutnicza Izba Przemysłowo-Handlowa, Katowice, 2004). Employment fell from 158,000 to just over 30,000 between 1989 and 2004 (Hutnicza Izba Przemysłowo-Handlowa 2005). Following unsuccessful privatisation negotiations throughout the 1990s, in 2002, four of Poland's largest mills – Huta Katowice, Huta Sendzimir, Huta Florian and Huta Cedler – were incorporated into a treasury-owned holding company, Polskie Huty Stali (PHS, Polish Steelworks) and offered for sale to a



range of international steel producers. After bids were submitted by US Steel and the then LNM Holdings, the Polish government entered into exclusive talks with LNM/Mittal and, in early 2004, PHS was transformed into Ispat Polska Stal, now Mittal Steel Poland. Mittal Steel Poland accounts for approximately 70% of Polish steel capacity and employs 16,000 workers. The company's four steelworks, its partly-owned subsidiaries and coking plants are all located in the Upper Silesia and Małopolska regions.

### **Shaping steel: diverse corporate forms and geographies**

Market changes have shaped and, in turn, been shaped by corporate strategies, their inherited structures and geographies (Hudson 2002). Vertical integration amongst nationally-based producers has been eclipsed in recent years by a more diverse set of corporate forms, encompassing more internationalised, even globalised, geographies. Processes of consolidation and rationalisation through mergers, acquisitions and alliances have been driven and mediated by different steel-makers, including Corus and Mittal Steel. In particular, the longer-term historical, institutional and geographical evolutions of both corporations reveal the importance of opening up the 'black box' of corporate activity by conceptualising the firm as a "socio-spatial construction" within which power relations and discourses between actors mediate similar broader structural forces into contingent and varied geographies of production and investment (Yeung 2001 p.294). The contrasting organisational structures and geographies of Corus and Mittal Steel reveal the differences between the older steel producers embedded and shaped by their particular national political

economies – ‘Big Steel’ – and the claims of emerging global corporate networks (Marsh 2004b).

The rationale for the international British Steel-Hoogovens merger in 1999 was scale, market access, especially to continental Europe for former British Steel businesses, and a strategy to become a multi-metal group (British Steel 1999). British Steel was twice Hoogovens’ size, employing 44,000, but it was less diversified and Hoogovens’ profitable Dutch operations offered the ailing British group access to a much needed source of cash-generation (Morgan 2003). However, the ensuing burden of post-merger rationalisation was to most harshly felt in the UK, with 13,000 jobs lost by 2004 and a rapid deterioration of the UK’s relative position in term of steel production (Tran 2004). Moreover, clashes between the particular national traditions of corporate governance hampered decision-making and limited integration between group businesses, typified by the aborted sale of Hoogovens profitable aluminium business to French group Pechiney in 2003. Outraged by the prospect of Dutch assets being lost to subsidise UK debts and restructuring costs, Corus’s Dutch Works Council and the Dutch non-executive directors of the supervisory board not only vetoed the sale but successfully upheld their case in an Amsterdam Court of Appeal. Thus, with internal corporate strategies being conducted through external courts, it was of little surprise that rumours of “open warfare between the UK and Dutch parts of Corus” (Financial Times 2003) became rife.<sup>2</sup> Despite the swift denial of reports of a ‘de-merger’ it was nevertheless recognised that:

... our Anglo-Dutch relationships have undoubtedly been tested recently. We now have to build bridges and reinforce our efforts to get the best out of our different styles and approaches. Most importantly we intend to shake off the tag of ‘beleaguered Anglo-Dutch company’ (Stuart Pettifor, Corus Chief Operating Officer 2003)

Financial crisis within the UK operations triggered senior management changes, including the appointment of French Chief Executive Philippe Varin, and the introduction of the 'Restoring Success' programme focused upon employment reductions and the concentration of its assets and investments – targeting niches of the high-value added carbon steel market – across three principal UK operations, Rotherham and the two main integrated plants at Scunthorpe and Port Talbot. Teesside's 300m tonnes of slab output was now deemed a 'non-core' asset for Corus, both surplus to Corus' own internal demand and also situated in the 'commodity' end of the steel market - highly vulnerable to cyclical downturns and emerging low-cost competition from Russia, Brazil, China and Taiwan (Morgan 2003). Consequently, Teesside Cast Products (TCP) was written out of Corus' future strategy and given the option of becoming cash-generative, with partial or new owners, or, to appease investors based in the City of London, closed. Trade unions were heavily involved in the development of the new business plan to create a 'stand alone' slab supplier to the world market but one in which Corus held a controlling influence to prevent a new competitor entering the UK market. Despite local management aspirations to exploit greater independence outside Corus, negotiations culminated in a 10-year cost-price supply agreement, including \$100 million of capital investment, with Duferco SA (Switzerland), Marcegaglia (Italy), IMSA (Mexico) and Dongkuk (South Korea) for 78% of its output with the remainder delivered to Corus (Corus 2006). Consequently, Teesside Cast Products remains a Corus business unit with Corus terms and conditions of employment. Crucial to the turn around in prospects for the Teesside operation was the marked growth in the global steel market in 2004, demand for slab production accelerated as steel rolling companies without their own slab facilities strived to secure guaranteed supplies. It illustrates too the apparent competitiveness and viability of the Teesside operation within the cost-driven global slab market.

Change in Corus has been publicly acknowledged with the aspiration to begin “building the ‘one-Corus’ culture. To succeed we know we must operate as a single, integrated company ... a new type of organisation – one that was less complex and bureaucratic, less UK-centric, more capable of sharing information and more clearly focused on business priorities” (Corus 2003: 7). However, by 2005 Corus remained very much a western European operation, with 50 (24,200) and 23 per cent (11,300) of the workforce concentrated in the UK and Netherlands respectively (Corus 2006). The euro centric nature of the corporate structure was reinforced by the divestiture of some North American holdings in 2003 and its ongoing struggle to consolidate and internationalise (e.g. collapsed merger talks with CSN, Brazil, and subsequent discussions with Thyssen-Krupp). However, even despite the Anglo-Dutch merger, given the industry’s momentum for consolidation Corus itself now became a takeover target. In 2007, following a six month bidding war with Brazilian steel maker CSN, Tata Steel - part of the larger Indiana Tata conglomerate - took over Corus. Tata’s acquisition of Corus represents the largest ever Indian takeover of a foreign company and catapults Tata Steel from being the 56<sup>th</sup> to the 5<sup>th</sup> largest steel producer in the world. For Jim Leng, now deputy chairman of Tata Steel, the acquisition by Tata illustrates that it is “no longer sufficient to be European...this is a global industry, we have got to respond with passion, but with commercial passion” (cited in BBCNews 2007).

In direct contrast to Corus’ origins, the LNM Group was established in 1976 by Lakshmi Mittal after breaking with his father’s steel group Ispat Industries. Mittal set up LNM as ‘turnaround’ experts acquiring failing, indebted and low-priced steel assets, often state-owned, in need of restructuring. Mittal argues for a particular global vision of the steel industry: “[it]... is not regional anymore. It is global and therefore management’s thinking

has to also become global to survive” (Business Management Eastern Europe 2004: 39). Since 1989, Mittal has pursued this vision with some enthusiasm. He has acquired 14 plants and is regularly associated with further acquisitions. These acquisitions were, until recently, managed by a very specific corporate structure. The two parts of the group – public (Ispat International) and private (LNM Holdings) – played different roles with Ispat responsible largely for lower risk plants in western Europe and north America and LNM for the riskier investments in ‘emerging markets’. While profitable, the public-private complexity of the group’s structure did not find favour with more orthodox financial institutions. It was suggested that “any analysis of the many different parts of the LNM group ... [was] rather like trying to understand the relationships in a large Mormon family” (Barrow 2002).

In 2004, Mittal Steel emerged as part of Lakshmi Mittal’s bid to create “the first truly global steel company” (Bream 2004) through the \$13.3bn merger of Ispat International, in which Mittal had a 77% holding, with his family’s privately-owned LNM Holdings and the \$4.5bn (€3.5bn) acquisition of the US International SteelGroup (ISG). Mittal Steel then overtook Arcelor as the largest global steel-maker, furthering Mittal’s strategy of being the “lowest-cost steel producer in every single market” and the first 100m-tonnes-per-year producer (Bream 2004). Significantly, industry analysts see the former LNM and Ispat businesses as fragmented, with Mittal Steel only able to rationalise in North America (Milner 2004). Yet ISG’s chairman, Wilbur Ross, confidently claimed “we are changing the entire world steel map” (quoted in Milner 2004). The ramifications of this latest consolidation for steel geographies were yet to be worked through when Mittal Steel declared its interest in Arcelor.

In southern Poland, Mittal’s intervention was closely wedded to the group’s broader strategy: “...our acquisition of Polskie Huty Stali, Poland’s leading steel producer...is

strategically very significant for LNM. It makes us not only the leading producer in central and eastern Europe but the second largest in Europe as a whole. A position we have created in only 9 years” (Mittal 2004: 1). The group as a whole employs 175,000 people of 45 nationalities in 14 countries and, as we have seen, makes very strong claims to be a truly global company. The challenges of integration, however, confront Mittal as much as they confront Corus; in 2004, *Business Week* argued that “one of Mittal’s biggest challenges is to make the empire work together” (Reed 2004).

Until 2004, Mittal’s European plants were managed with large degrees of autonomy and independence. Each formed a distinct facility and had its own servicing functions such as sales and marketing. In September 2004, Mittal’s central and east European operations were integrated under one CEO and a new organisational structure comprising centralised finance, sales and marketing, operations, logistics, projects, human resources and legal services, in order to “capture the synergistic opportunities through integration” and to enhance both cost and market effectiveness for the region (LNM Holdings 2004). In southern Poland, the new structure was perceived – in Mittal Steel’s part-owned subsidiaries at least – as a renewed threat since similar production profiles in a number of acquired plants raised questions about the long-term survival of all plants within the context of existing overcapacity (authors’ interview, 2004). Just over six months later, Mittal Steel announced the creation of a Europe-wide structure, merging eastern and western European operations. This move was explained by Mittal using *exactly the same* language of ‘synergistic opportunities’ and ‘a common business plan’ (Mittal Steel 2005) and was accompanied by the creation of two other macro-regional structures – the Americas and the Rest of the World.

This new structure has reinforced earlier mechanisms to encourage integration. The group’s executives are integrated through its Knowledge Integration Programme. With weekly

conference calls and top executives regularly moving between different plants. The current CEO of Mittal Steel Poland for example was previously CEO of Ispat Mexicana. At the same time, supplies are coordinated within the group such that it is self-sufficient in coke (owning eleven coal mines) and produces 40 per cent of its own iron ore (Reed 2004). Nevertheless, questions have been raised about the ease with which Mittal Steel manages such diverse operations and so many corporate histories, in tune with wider questions about Mittal's corporate culture and the role of the Mittal family itself, which have echoed through the Mittal-Arcelor deal.

### **Making money: financialisation and shareholder value**

Corporate geographies are increasingly shaped by pressures to deliver investment returns generated by a 'financialised' capitalism and its search for 'shareholder value' within increasingly competitive capital markets (Williams 2000; Pike 2006). The generalised pressures from institutional investors are mediated by the specific ownership structures and particular corporate forms, with their own institutional histories, legacies, geographical attachments and attempts at agency to reshape their prospects. Corus' particular Anglo-Dutch corporate structure shapes how it articulates capital market expectations. The merger – described as a “combination” – represented “a major strategic move designed to deliver benefits to shareholders, customers and employees” (Corus n.d.). Corus Plc is the parent company of wholly-owned subsidiaries Corus UK Ltd and Corus Nederland BV. Corus shares are traded in London, Amsterdam and New York. Corus has 158,000 registered shareholders, of which 90% are institutions and 10% are private individuals. The main institutional investors are banks and investment management funds and, although Corus claims a “worldwide spread of shareholders”, the geographical split is dominated by

institutions in the UK (36%), North America (24%), other Europe (19%) and the Netherlands (19%) (Corus 2003). British Steel's pension fund holds around 2% of shares, giving the trade union trustees little voice in corporate governance and strategy through its voting entitlement.

Following merger, Corus' initial strategy sought "to selectively seek growth and shareholder value creation ... achieved through the development of those businesses where we can achieve market-leading positions" (Corus 2002). But amid concerns over senior management failure, Corus' financial performance was initially disastrous: financial losses (net £305m in 2003), poorly performing share price, no shareholder dividend since 2000, static and declining capital and R&D expenditure and substantial debt (£1.3bn 2003) (Corus 2003). Keen to recover the value of their holdings and conscious of the £1bn profits registered in the late 1980s, institutional investors have supported Corus' 'Restoring Success' programme and even underwritten a £291m equity issue much of which will fund the £251m 'UK restructuring' programme. Key 'shareholder value' metrics shaped restructuring programmes and, although employment costs (as % of turnover) remained fairly static (20.6% in 1999 and 21.9% in 2004), turnover per employee rose dramatically from £62k (1999) to £158k (2004) reflecting job cuts and productivity improvements (Corus 2003). Jobs in the UK bore the brunt of reorganisation as management sought higher value per employee. Under new leadership and senior management with a more European rather than Anglo-American ethos and in a cyclical market upturn, Corus sought to recover credibility and improve investor confidence with a long-term strategy, regain investment grade status and resume dividend payments. Despite improving relations and facilities with their bankers, Corus remained encumbered by short term, 3 year, payback horizon on investments. However, within the recent global upturn in the global steel market, reciprocally propelled by dynamism of merger and acquisition activity, in 2005 Corus recorded a group operating profit of £680



million and reduced the level of debt to £821 million. Riding the wave of the industry's rising boom, Corus's improved performance served to generate further increases by Russian interests, led by Alisher Usmanov, to gain a holding within the Anglo-Dutch Corporation. Whilst the activity surrounding Usmanov eventually petered out, soon after Corus's share prices were to rise once again following speculation surrounding a merger with the Russian Evraz Group - involving the prominent billionaire Roman Abramovich (Macalister 2004; Ostrovsky and Marsh 2006). However, it was to be a year later before the ownership of Corus was to eventually change, with the culmination of a protracted bidding war between CSN and Tata raising Corus's shares to record highs, with the final acquisition price agreed at 608p per share, a stark contrast to 40p a share recorded in May 2003.

On the eve of the Arcelor deal, Mittal Steel was 88% owned by the Mittal family, who received an additional \$2bn dividend from the Mittal 'merger' deal; Ispat's other shareholders took ownership of 3% of the new Mittal Steel and ISG 9% (Bream 2004). At this point, shares were floated on the Amsterdam stock exchange. Until 2004, the high level of private shareholding insulated Mittal's steel operations from capital market pressures. As such, it has been argued that "Mr Mittal has operated for most of his career in the manner of an entrepreneur untrammelled by the rules and practices of stock markets" (Marsh 2006a). Despite this, Mittal is committed to a financially sustainable and global steel industry:

The sustainability of the steel industry is what matters... Consolidation is essential for its future ... Management must change! ... be more bottom-line oriented, rather than technologically driven. Capital intensity needs to be reduced and capital expenditure must earn a return (Mittal 2003).

The examples of Mittal Steel and Corus illustrate the differing ways through which the financial expectations and imperatives of the contemporary global steel industry are being mediated and expressed through altered ownership structures, corporate strategies and geographies of production. However, corporate responses to the generalised pressures of financialisation are not occurring in isolation. Instead, they are marked by a ‘contagion effect’ within a broader drive towards global consolidation. During the early stages of Mittal Steel’s approach to Arcelor, Corus’ share prices rose by 15% in a single day as the financial markets speculated that Corus would become subject to a rival and responsive round of acquisition and merger (Aldrick 2006).

### **Regulating the steel industry: government and governance**

The continuing role of nation states and national cultures in shaping the geographies of the global steel industry have been clearly highlighted by Mittal Steel’s protracted 2006 bid for its competitor, Arcelor. Arcelor was created in 2001 on the basis of a merger between the French, Luxembourg and Spanish ‘national champions’ – Usinor, Arbed and Aceralia respectively. Its ties to those three countries are still strong, despite the fact that it also produces in north and south America, in Asia and across the rest of Europe.<sup>3</sup> These ties have been brought into play in two particular ways. First, Mittal Steel’s bid for Arcelor is depicted, by both media commentators and Arcelor executives, as transgressing the boundaries not just of different business models but also different corporate and national cultures (Marsh 2006b). Arcelor is depicted as “as the embodiment of the European social model” whilst “Mittal Steel is pejoratively described as ‘the Indians’” (Gow 2006). Second, and at the same time as constructing and representing national cultures, Mittal Steel’s acquisition of Arcelor has also seen the state take on a central role in a deal between two

largely-private corporations. For example, not only does the state of Luxembourg remain a shareholder of Arcelor, the company remains Luxembourg's second largest employer. Similarly, the company remains a key employer within France and Spain leading to the then French finance minister, Thierry Breton, repeatedly calling for the interests of stakeholders – including the state – to be taken into account alongside those of shareholders. However, despite support from his Luxembourg and Belgium counterparts and Guy Dolle, the CEO of Arcelor, Breton's stance was subsequently attacked by the EU trade commissioner Peter Mandelson as demonstrating the “emotion of economic nationalism” (Freeland and Parker 2006). At the same time, Lakshmi Mittal responded to these state actions by embarking on a “charm offensive across Europe's capitals” (Harrison 2006) whilst also engaging in protracted negotiations with the EU and US antitrust legislators. In this strategic moment, it is clear to see that the state and wider narratives of nationality continue to play an important role in the economic governance and shape of global steel geographies.<sup>4</sup>

For Mittal, arguably the steel industry's first transnational corporation, the decline of state aid is deemed as being “positive for the industry, as the use of subsidies has too long sustained uneconomic steel capacity and contributed to market distorting practices” (Mittal 2003). Nevertheless, softer EBRD and International Financial Corporation loans and, at times controversial, political support have played an important role in Mittal's expansion. Indeed, Murphy (2006: 140) argues that the corporation's “growth and close ties with the World Bank and other transnational financial institutions were inseparable”. Privatisation, the blurring of government and governance, ‘globalisation’ and the liberalisation of trade and competition regimes have established a multi-layered regulatory context for steel operating across a range of scales from the international to the community.

Internationally, in WTO context, the EU has sought an open trading regime through the elimination of tariff and non-tariff barriers, notwithstanding the dispute with the US concerning import tariffs in 2003 (Fairbrother *et al* 2004). Within the EU, interventionism has been rolled-back and subsidies phased-out to support the emergence of a restructured and internationally competitive steel industry in Europe while managing the national and regional political sensitivities of geographically uneven rationalisation and employment loss. Indeed, EU regulations seek to restrict funds to “ensure that the workers do not have to bear the brunt of the readaptation” (Eurofer n.d.). Competition and state aids regulate the industry but, complicated by the cohesion agenda and the uneven adherence of Member States, “even then ... [the EU] ... attempted to organise a voluntary package of capacity closures in exchange for agreements on state support” (Sadler 2002: 3). Labour interests in northern England remain unconvinced, however, and suspicious of perceived “back door” subsidies in France, Germany and Italy (authors’ interview, ISTC, Scunthorpe 2005). Moreover, The level playing field of state aid regulations is also perceived to be unhelpful to existing producers seeking to invest to upgrade their infrastructure in response to the competition and export-oriented nature of demand, for example the £12m public support Corus are seeking for development in Teesport has met resistance under EU state aid rules.

Enlargement has focused EU efforts upon the ‘harmonious integration’ of the steel industry in central and eastern Europe through development and restructuring plans (Sadler 2002: 11). Yet, mirroring the uneven economic governance and transparency of post-socialist transition (Kaufman and Siegelbaum 1997), the role of national governments, either directly or through agencies, has been strengthened in managing privatisation and negotiating deals with potential investors, often attaching conditions of employment guarantees and investment in local communities. Indeed, national governments or their holding companies have often retained shares in new corporate entities.

For northern England, the UK government has utilised the EU regulations to underpin its *laissez-faire* approach to regulating the steel sector. Notwithstanding the highly localised geography of job loss, addressed at the regional and local levels, the government's response to the Select Committee on Trade and Industry's inquiry into Corus' UK restructuring plans stated:

steelmaking is a vital industry for the UK, supporting a wide range of manufacturing industry and providing well paid jobs for highly skilled people. The Government wants to see a viable, long term high value steel industry in the UK...the Government accepts that the industry must change in order to achieve this. The change process is painful but given the State Aid rules HMG cannot provide financial support (House of Commons 2004).

The UK government rejected the need for a national strategy for steel, arguing that the sector is fully served through its non-sectoral, horizontal supply-side economic policy.

In contrast, as the then sole owner of the industry, the Polish government has been actively working since the early 1990s to develop a coherent plan for the restructuring of the national iron and steel related industries. It developed a series of programmes, often constructed with the assistance of international consultancies and financial institutions, focused on improving productivity and reducing employment to wider European norms, which culminated, following a crisis in the industry in the late 1990s, with the creation of Polskie Huty Stali (PHS) in 2002. Alongside this capacity restructuring, successive Polish governments subsidised, using state budget funds and international aid, the Social Packet for the Metallurgical Industry (Hutniczy Pakiet Socjalny) to fund redundancies and early retirement, run in conjunction with an EU PHARE-funded social assistance programme, INITIATIVE.

However, with just 2,000 of the 18,900 redundant steelworkers choosing retraining and job placement support over redundancy payments as part of the Social Packet initiative, subsequent rounds of restructuring- in line with EU competition and state aid laws- have pursued ‘new activation’ social assistance packages (Ministerstwo Gospodarki 2002). These measures include training contracts; vocational counselling and training events; conditional redundancy payments for steel employees establishing their own businesses; and partial wage subsidies for employers in other sectors recruiting former steelworkers (Towalski 2003). However, the degree to which these targeted and active labour market measures are successfully reintegrating ex-steelworkers within labour is not yet clear.

Thus, east and west, national government approaches to steel industry restructuring are circumscribed by their negotiation of EU regulations and the changing competitive environment. Indeed, the focus of the most recent version of the Polish government’s restructuring programme reaffirmed the commitment to “facilitate modernisation of Polish steel industry finally to ensure its competitive functioning in conditions of an open-economy market” (Ministerstwo Gospodarki 2002) and to remove the state still further from its management.

### **Living and working steel: labour...**

The challenges of connecting the changing nature of steel geographies to the (re)shaping of steel communities has long been highlighted (*inter alia* Beynon *et al* 1989; Hudson 1995; Sadler 1992a & b ). This creates issues for their economic, social, political and cultural coherence as objects of public policy: “...the idea of a ‘steel community’ may not easily translate into a coherent and localised community, as defined by existing public boundaries”

(Fairbrother and Morgan 2001: 21). The legacies and shifting nature of such boundaries are integral to understanding the re-making of steel geographies.

Labour continues to shape the restructuring and regulation of steel geographies and provides a critical connection from the workplace to the economic and social welfare of households and communities (Herod 2001). Steel remains a highly organised industry, especially in its heartland regions, and unions have faced significant challenges within the workplace and beyond at the community, local, regional, national and supra-national levels (Bacon and Blyton 1996). Within the workplace, under constant pressure to increase productivity and generate returns on investment projects, labour has been subject to new technologies and working practices, including teamworking and the dismantling of seniority-based work allocation systems. Teesside, in particular, feels the competition as a “European company with European terms and conditions” (authors’ interview, ISTC Teesside, 2005). Against the national ISTC focus on the national UK market, ISTC Teesside “went native....to retain the steel making community in Teesside” (authors’ interview, *ibid*, 2005), signing confidentiality agreements and negotiating an unprecedented participation in strategy development for the cast products business within Corus’ nationally agreed employment terms and conditions.

At the community and local scale, unions have had to confront rationalisation and job loss for steel workers and engage in the retraining, diversification and regeneration of post-steel communities. On the backdrop of falling levels of national union density, in southern Poland, unions are grappling with member representation within the context of emergent, highly internationalised, steel companies rather than the national state-owned companies of old (Ost 2001; Stenning 2003). Post-socialist transition and restructuring have swelled the

ranks of redundant and retired steel workers above the levels of those in employment, reinforcing the longstanding social and community roles of steel unions in Poland. In both northern England and southern Poland, acute experiences of restructuring have led steel unions to establish community-oriented unions in recognition that “it is the responsibility of a modern union to serve its members both at work and at home” (Community 2006; see also Sadler and Thompson 2001).

Outside the workplace, the central role of unions in Polish politics has been confirmed by their required participation in privatisation deals. Although Mittal acquired Polskie Huty Stali without union agreement, they were obliged by trade union pressure to finalise the privatisation deal with a ‘social package’, including privatisation bonuses, employment guarantees until 2009, salary increases and election rights for two representatives on the supervisory board. However, mirroring labour unrest at other Mittal sites in Czech Republic, Ireland, Kazakhstan, Romania, South Africa and Trinidad (Pallister 2002), within months of privatisation the unions complained to the government that Mittal breached agreements threatening jobs in core and subsidiary firms (Poland A.M. 2004; authors’ interview, *Solidarność* 80, 2005).

New ownership and consolidation in steel producers has triggered union mergers. Across the four sites and numerous production units within Mittal Steel Poland, there are currently 28 union organisations representing 12 different unions in sites dispersed across three regions. The first stage of merger has consolidated branches between two unions at Huta Cedlera and Huta Katowice (*Dwa w jednym* 2004) and consolidation remains a key priority for union activists throughout Mittal Steel Poland (authors’ interview, *Solidarność* 80, 2005). Trade unionists identify a lack of coordination between unions and branches as an opportunity for



management to negotiate separately – and differently – with distant parts of the corporation; such a challenge only becomes stronger with the integration of Mittal’s central European activities. At Teesside, a multi-union committee involving ISTC, GMB, Amicus and SIMA has been longstanding.

Globalisation amongst companies has prompted international union co-operation, stretching the experience and skills of national unions used to working with national industries and national governments (Bacon and Blyton 1996; authors’ interview, ISTC Scunthorpe, 2005). Within Europe, some knowledge exchange is evident with eastern trade unionists learning from western colleagues (Meardi 2004). Indeed, ISTC have made and hosted union visits throughout eastern and western Europe since the late 1980s, forging particular links with Dutch union FNV after the Hoogovens merger (authors’ interviews, ISTC Teesside, 2005). However, connecting back to debates surrounding defending place or betraying class loyalty (Hudson and Sadler 1986), such initiatives can be marked by a lack of class solidarity and inter-territorial competition between steelworkers: “Polish representatives in some [European Works] Councils were blamed for ‘stealing jobs’, i.e. for transferring production to Poland and depriving employees from other countries of work. The respondents complained of suspiciousness and misunderstandings resulting from it” (Rudolf 2002: 19). At the European Union level, enlargement has intensified the perception of unequal inter-territorial competition between steel communities east and west:

working conditions in eastern Europe threaten to undermine standards in western Europe and attract companies to relocate in cheaper labour markets ... workers in eastern Europe have felt isolated and critical of steel unions and companies in the

West ... Solidarity with eastern Europe's steel workers has been notable for its absence (Bacon and Blyton 1996: 775-776).

Indeed, a group of northern MEPs launched a campaign to demand "assurances over fears that the expanding European Union could open the floodgates to cut-price steel products - and threaten thousands of [UK] steelworkers' jobs" (McLauchlan 2003). Trade union interests in northern England were keen to share the burden of adjustment: "We've been through that already on Teesside and in the UK, we've had the pain. They should have to do the same" (Teesside Joint-union Committee, cited in McLauchlan 2003). The relatively higher employment levels ('over-manning'), health and safety standards and employment terms and conditions and wages have all been raised as examples of 'unfair' competition.

### **...and community**

The pervasive restructuring of the steel industry and steel companies has had marked implications for steel communities and their local economies. Overall, an estimated 10,000 jobs are dependent upon steel making in Teesside, directly including 1,700 in the TCP, 200 in the beam mill and 1,000 in engineering services and other contractors, and up to 7,000 indirectly within and beyond the region (authors' interview, HR Manager, TCP, 2005). In the North East region, 586 firms provide goods and services to the Teesside operations (Sadler 2004). To avoid compulsory redundancies amongst the ageing workforce (average age 46), ISTC Teesside secured a commitment to voluntary redundancies and early retirement while moving younger people into the remaining jobs under threat of industrial action and production disruption for Corus (authors' interview, 2005). More recently, Corus

have accepted that employment reductions have cut too deep and adversely affected the skills mix required by the remaining businesses (authors' interview, Corus, 2005). Steel works in both case study regions have witnessed the growing use of temporary employment contracts, a continual downward trend in employment and increasing difficulties in recruiting and unionising new workers (authors' interview, Solidarność 80, 2005; authors' interview, ISTC Scunthorpe, 2005).

Where steel jobs have been cut, the post-rationalisation experience of steel workers is uneven, in part, dependent on the levels and nature of labour demand in old industrial regions, local labour markets may struggle to offer the qualitative and quantitative absorptive capacity to resettle large swathes of redundant steel workers (Bluestone 1984). Many ex-steelworkers have been unable to find alternative employment due to their age and skills, especially in jobs with pay levels, terms and conditions and unionisation comparable to working in steel (Fevre, 1989). While former steel workers are often craftsmen with transferable skills, there are limited alternative employment opportunities where such skills may be used, particularly at similar pay rates (authors' interviews, ISTC Scunthorpe, 2005). The shared camaraderie and culture of steel workers living and working in place, forged through their often hot, dangerous and dirty but relatively well paid shift work, has not been easily replaced (authors' interview, ISTC Teesside, 2005). Older workers have sought voluntary redundancy and pension top-ups but the situation is harder for younger workers with families and mortgages. Gender divisions of labour have been reconfigured within households with the accelerated reduction of male 'breadwinners'. In Poland, the 'end of work' has been coupled with the end of socialism to herald major changes in the shape and life of the steel communities. In particular, older workers have taken early retirement in their thousands, leading to reduced levels of labour market participation of older generations

(Stenning 2005), whilst younger generations have seen the labour market diversify and enlarge geographically. The tight local binds between home and work are increasingly broken as younger workers are forced to seek employment beyond their home communities, in relatively more dynamic - albeit low wage labour market segments of - service-driven urban centres and beyond, even in western Europe (Fairbrother and Morgan 2001; Harvey 2004).

In the wake of restructuring, regional, local and community-level institutional agency has been pivotal in reshaping steel geographies, pursuing adaptation measures in the context of national and European constraints. More place-sensitive policy approaches have been sought given the different experiences of steel communities (Fairbrother and Morgan 2001). In England, amid limited support from Corus, task forces have been established (Pike 2002; Sadler 2004). ISTC Teesside sought to make changes in Corus a “community issue” and secured local government funding from Redcar and Cleveland for a steel impact study (authors’ interview, 2005). Under the ‘Tees Pride’ banner, the ‘Steel Task Force’ convened a ‘Steel Summit’, involving unions, local authorities, the regional development agency, local MPs and MEPs and the local media, focused upon revamping the Tees Valley Task Force (Dault and Logan 2003) and establishing a national, strategic Steel Forum. The activities of the Steel Task Force included commissioning research to assess the broader footprint of Corus’ activities on the regional and local economy. Sadler’s (2001 and 2004) analyses estimated that Corus’ annual investment, including £50 million on maintenance and site services alone, stimulated a direct and indirect supply chain employment multiplier of 1.7 within the local economy. However, Corus considered such efforts useful in maintaining political pressure for a period but ultimately to have not delivered (authors’ interview, Corus, 2005).

In southern Poland, whilst there has been an absence of large-scale, coherent local initiatives to respond to the community impacts of steel restructuring, unions, key local actors and local authorities have worked to mitigate the more negative impacts of privatisation and capacity restructuring through a series of smaller, often ad hoc activities, such as financial assistance funds and charitable initiatives, and through the mobilisation of existing social policies (Stenning 2003; Weis 2005). In more recent years in some communities, these activities have been developed to connect to broader national and often European initiatives to combat post-industrial poverty, social exclusion and labour market restructuring.

Corporations too, increasingly integrate community development activities into their wider commercial functions in an interesting echo of earlier paternalist eras (Domański 1992). Both Corus and Mittal Steel proclaim a deep commitment to corporate social responsibility. Corus claims that it “places much emphasis on being a responsible member of the communities in which it operates” (Corus 2003:12) whilst Mittal Steel argues that it “invests in local communities, not just steel plants” and has rescued ailing steel plants and communities from “the verge of collapse, not to mention huge social disaster” (Connolly 2002). Whilst Mittal’s pledge is evidence with examples drawn from Kazakhstan, Romania and the Czech Republic, these cases, however, jar with the experience at Haulbowline in County Cork. There, Mittal Steel (then the LNM Group) withdrew, at very short notice, five years after purchasing the plant for a nominal fee of 1 punt from the Irish government, leaving “the Irish government and the European Steel and Coal Commission ... with the cost of the redundancy package for the company’s 407 former workers” (Summers 2002) and “a €30million bill to clean up the derelict site” (Mooney and Fahy 2004).<sup>5</sup>

Post-steel regeneration strategies in the wake of the loss of steel have delivered uneven outcomes. In northern England, a partial industrialism, often reliant upon the ‘reluctant entrepreneurs’ (Turner and Gregory 1996) of redundant steel workers, supported by UK Steel Enterprise, have established some new businesses and jobs (Busy 2003). Co-operative and community-based regeneration has also had some success (Hudson 1995). But even decades after initial closures and rationalisations only modest and moderately successful examples exist of large-scale regeneration projects on former steel sites, often through mixed-use developments by public-private partnerships (Morgan and Davie 2004). Multiple organisations and agencies at a variety of scales have emerged to support the survival and development of communities after the loss of steel jobs and the imposed diversification of local economies. Such organisations do not always work together, however, and there have been repeated calls for more ‘joined-up’ policy in steel communities (Fairbrother and Morgan 2001). There are lessons here for Polish communities facing similar challenges.

### **Conclusions: Mapping Corporations, Connecting Communities**

In connecting these communities through their corporate, regulatory and labour geographies – real and imagined – we have sought to integrate analyses of both steel firms and steel places to offer an innovative contribution to ongoing debates in economic geography. Building on both newer approaches and older forms of economic geography, we have used the narratives of two communities and two corporations constantly to cross scales and represent the complexity of processes and pressures within the global steel industry. We have worked to engage simultaneously with the fate of communities and corporations and to analyse government, governance and financialisation across a range of scales to interpret changing steel spaces.

A central focus of our analysis – and a challenge for the employment of new economic geography approaches – has been the faltering and delayed globalisation of the steel industry, only recently marked by a very rapid process of consolidation, the emergence of globalising steel producers and increasing financialisation, as the industry has been subjected to global circuits of financial value and shareholder manoeuvres. In particular, the case studies of Corus and Mittal provide compelling examples through which the still unfolding processes and implications of more recent mergers, *inter-alia* Corus-Tata and Arcelor-Mittal, can be better understood. The narratives of Corus and Mittal emphasise the complex ways in which corporations produce, multiple, dynamic, and contested rationalities and investment decisions in response to similar economic imperatives and competitive pressures (Dawley 2007). In so doing, our analysis restates the importance of addressing the “displacement of the large corporation as a core subject of human geography research” (O’Neill 2003: 678-677) by situating the pivotal agency of the corporation within an enriched understanding of the multi-scalar socio-institutional contexts that produce and mediate investment decisions. Consequently, whilst recognising the growing influence of financialisation in shaping corporate strategies, we have also highlighted the ways in which both the regulatory authority of national and supranational organisations remains strong, indicative of the contrasting histories of contemporary steel corporations, and – even within the struggles for consolidation and globalisation – we can identify the continuing importance of the national scale as an economic, social, cultural and politico-regulatory space. Within these national and supranational spaces, we have also stressed the critical importance of grounding industry transformations in communities – both in steel regions and in more global communities of labour and capital. First, the analysis reveals the complex spatialities and socio-institutional contexts through which corporate change and the flows – of power, capital, labour, products, policy and ‘talk’, amongst others – are contested between and within such communities.

Second, we restate the need to keep hold of questions of the social and economic welfare of individuals, households and communities.

Economic geographies of the steel industry have been a rich source of conceptual developments in the field, repeatedly encouraging us to rethink the spatial contexts and consequences of economic change. The density and dynamism of steel geographies and the continuing scale of global steel production and employment mark the industry out as one with significant and broader analytical potential. The industry's most recent transformations are no exception but raise new challenges for understanding the 'new in the old' and how we value new insights offered through the study of traditional industries and their communities.



## Notes

<sup>1</sup> The region of Silesia – Upper and Lower – has historically been a border region, straddling Poland, Czechoslovakia and Poland. The main Upper Silesian industrial region shifted from Germany to Poland after the First World War.

<sup>2</sup> Within less than 2 years of the merger, the enforced redundancies of Corus' first two joint chief executives reflected the apparent clash of corporate cultures, especially the unfamiliarity of the Hoogovens management with the pressures of financialisation, the scale of the operation and the power of chief executives in the Anglo-Saxon management board structure (Morgan 2001).

<sup>3</sup> Since 2005 Arcelor has owned Huta Warszawa, the largest Polish steelworks not owned by Mittal Steel.

<sup>4</sup> Arcelor's planned merger with Russian steel giant Severstal in an attempt to stave off, or indeed improve, Mittal's bid for Arcelor reveals further the contagious nature of take-over and merger activities in the global steel industry (BBC News 2006).

<sup>5</sup> That Mittal concurrently spent €50 million on his daughter's wedding – hiring Kylie Minogue to perform – only served to strengthen bad feeling (Mooney and Fahy 2004)

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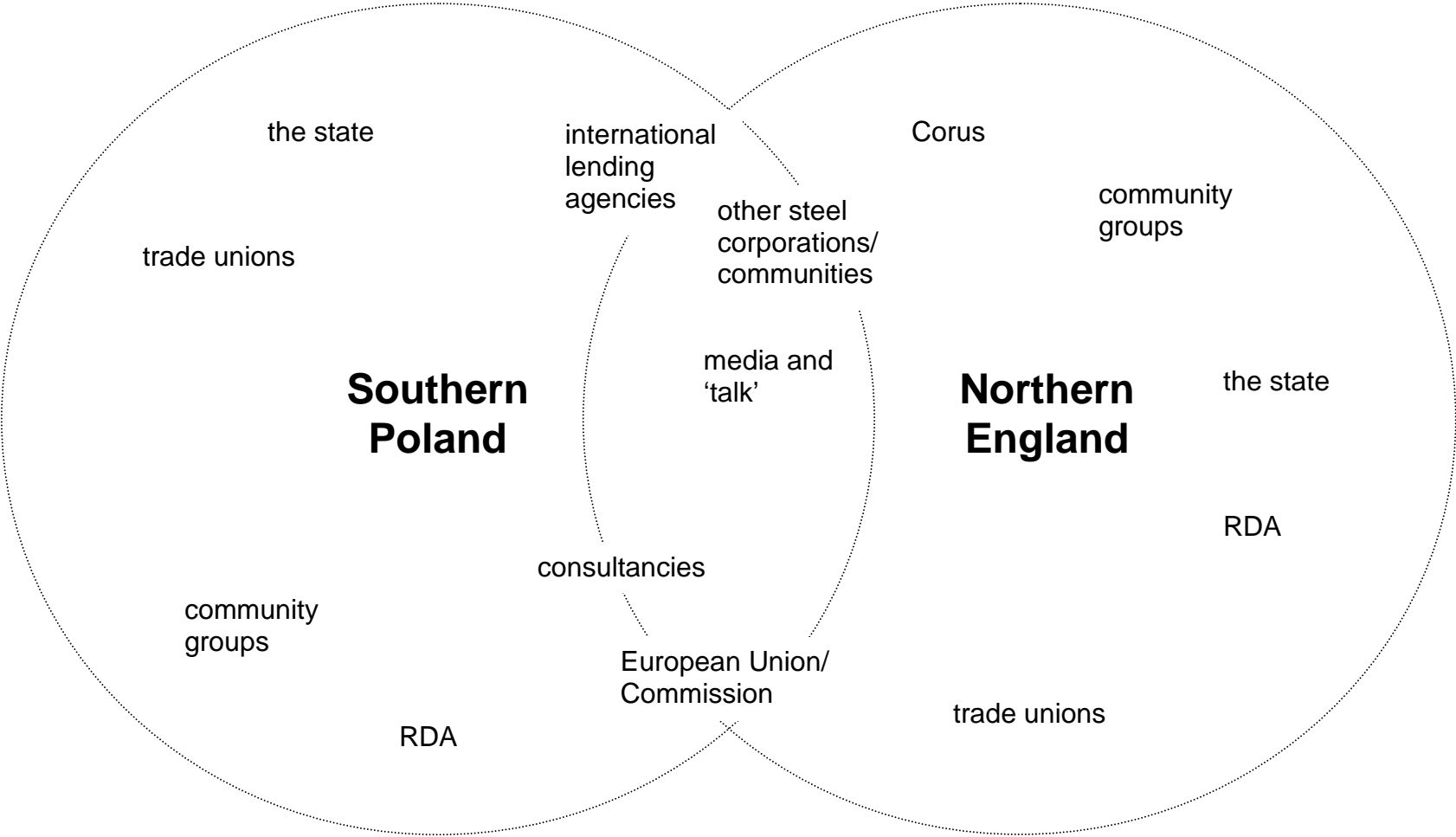
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Figure 1: Mapping the Spaces of Steel



**Table 1: Employment in the EU15 steel industry, 1974, 1999 and 2004<sup>4</sup>**

	Employment in 000s		
	1974 <sup>2</sup>	1999 <sup>2</sup>	2004 <sup>3</sup>
Austria	44	12	11
Belgium	69	20	18
Finland <sup>1</sup>		9	7.6
France	158	38	34
Germany	232	78	72.5
Italy	96	39	39
Luxembourg	23	4	4.1
Netherlands	25	12	10.5
Spain	89	22	21.6
Sweden	51	13	12.5
UK	194	31	19.6
Total	998	280	250.4

<sup>1</sup> Figures reflect Finland's accession to EU in 1994

<sup>2</sup> Figures taken from IISI

<sup>3</sup> 2004 figures taken from Eurofer and does not include : steel tubes industry, wire drawing, drawing, cold rolled narrow strip manufacture, manufacture of cold formed sections.

4. Comparable national data for Poland and 2004 Accession states is not yet available.

Source: Calculated from Sadler (1992) and Eurofer (2006)

**Table 2: World's largest steel-producing and consuming countries, 1999 and 2005**

Crude Steel Production			
1999		2005	
Country	Output, million tonnes	Country	Output, million tonnes
Japan	110.3	China	394.4
USA	89.7	Japan	112.5
China	66.3	USA	94.9
Ukraine	52.6	Russia	66.1
Germany	38.4	S Korea	47.8
Italy	25.5	Germany	44.5
S Korea	23.1	Ukraine	38.6
Brazil	20.6	India	38.1
France	19.0	Brazil	31.6
UK	17.8	Italy	29.3

Apparent Steel Use (finished steel products)			
1999		2005	
Country	Million tonnes	Country	Million tonnes
China	130.8	China	315.0
USA	109.8	USA	103.5
Japan	69.0	Japan	78.1
Germany	34.1	S Korea	46.7
S Korea	33.6	India	36.7
Italy	29.4	Germany	35.5
India	23.5	Italy	32.0
Taiwan	20.3	Russia	30.4
Spain	16.9	Taiwan	19.9
Russia	16.9	Spain	20.9

Source: Calculated from Sadler (2002) and IISI (2006)

**Table 3: Global steel-producing companies, 1999, 2005 and 2006.**

Source: Calculated from IISI (2006; 2007) and Sadler (2002)

1999			2005			2006		
Company	Country	Output, m tonnes	Company	Country	Output, m tonnes	Company	Country	Output, m tonnes
Posco	South Korea	26.5	Mittal <sup>1</sup> Steel		63.0	Arcelor Mittal <sup>4</sup>		117.2
Nippon Steel	Japan	25.2	Arcelor <sup>2</sup>	Luxembourg/ France/Spain	46.7	Nippon Steel	Japan	32.7
Arbed	Luxembourg	22.2	Nippon Steel	Japan	32.0	JFE	Japan	32.0
Usinor	France	22.2	Posco	South Korea	30.5	Posco	South Korea	30.1
Corus	UK/ Netherlands	21.3	JFE <sup>3</sup>	Japan	29.9	Baoshan	China	22.5
LNM/Ispat <sup>1</sup>		20.0	Baoshan	China	23.8	US Steel	USA	21.2
Baoshan	China	16.7	US Steel	USA	19.3	Nucor	USA	20.3
Thyssen Krupp	Germany	16.1	Nucor	USA	18.4	Tangshan	China	19.1
Riva	Italy	14.1	Corus	UK/ Netherlands	18.2	Corus	UK/ Netherlands	18.3
NKK	Japan	12.8	Riva	Italy	17.5	Riva	Italy	18.2

<sup>1</sup> LNM/Ispat, and latterly Mittal Steel has its headquarters in the UK and Netherlands<sup>2</sup> Formed in 2002 through the merger of Arbed, Aceralia and Usinor<sup>3</sup> Previously NKK and Kawasaki<sup>4</sup> Formed in 2006 through the merger of Arcelor and Mittal

