Dutch steel industry between de-globalisation and globalisation
The Case of Hoogovens IJmuiden

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Introduction

Globalisation and the effects of this process of economic integration on different industrial sectors as well as social systems in widely discussed nowadays. An industry that is deeply affected by globalisation is the steel industry and related sectors like the automotive industry. The steel industry has long been seen as a strategically crucial sector, that also was an important employer providing jobs for thousands of people. In the last decades there have been massive changes in the production of crude steel and related products. The core of steel production shifted from the US, Japan and Western Europe to Eastern Asia and especially China. As the recent tariffs imposed on steel imports by the US indicate, the effects of this globalisation process are considered to endanger the national interests. What are the roots of this process and how has globalisation developed overtime in the steel industry?

To study this questions this paper aims to investigate the effects of globalisation on Dutch steel industry in particular. The Dutch steel company Hoogovens founded in 1918 and now part of the Indian Tata Steel Group, is an interesting example of how companies and their strategies are affected by changing international economic relations. Why was this steel company founded in a country with no iron ore at all and only limited production of coal? How did it manage to secure a position in the strongly competitive markets during the interwar period? What explained the exceptional growth of the production in the decades after the Second World War and how did the company survive in the period of stagnation and crisis after the 1973 ad 1979 oil shocks? And finally what course did it take in the recent years of globalisation? This process which connected markets for goods as well as labour and capital produced an unprecedented cross-border concentration in the steel industry in the new millennium. How did this affect the Dutch steel company?

Especially in the steel industry international relations can have a strong effect as the recent introduction of tariffs by the American government has shown. Whereas production and trade in steel on the one hand is very sensible to changing international relations, on the other hand steel is also a strategic product that is considered to be conditional for national economic and political independence. So studying the changing position of the Dutch steel industry can give more insight into the effects of globalisation and de-globalisation on an industrial sector in general. But it also learns us more about the way companies deal with changing international threats and opportunities.
1. De-globalisation and the start of a national steel industry

The Netherlands is and in the past has been, a small and open economy, to cite the title of one of the books on Dutch economic history by Jan Luiten van Zanden.\(^1\) As such it is, like most small countries, strongly dependent on international economic developments while it can hardly influence itself. For that reason, small states like the Netherlands have to adapt their policies to the changing international conditions. As such the Netherlands is favoured by its geographical position, which enables swift adaptation to changing economic conditions. It is situated at the North Sea shore and connected to the European market by several rivers. This contributed to the development of a strong maritime trading tradition which dates back to the 17\(^{th}\) century. In the 18\(^{th}\) century the Netherlands lost its position as the dominant trading nation to the British, but in the 19\(^{th}\) century it profited from the industrialisation in the surrounding countries, especially the UK, Germany and Belgium. The Netherlands again became a transitory hub in international trade especially during the second half of the 19\(^{th}\) century. The share of international trade in GDP rose to between 50 and 80 percent in the years from 1860 to WWI. This underlined the importance of international trade and the strong connections to international economy in this period.\(^2\) In fact the period before WWI is often described as the first age of globalisation.\(^3\).

Dutch manufacturing industry had profited from this early phase of globalisation. Due to the lack of raw materials such as iron ore and coal and relatively high wages, the industrial revolution sparked off relatively late in the Netherlands. It was not until around 1850 that the pace of economic growth accelerated and industry began to develop. This growth spurt was partly due to the liberalisation of the economy and a certain degree of democratisation in previous years.\(^4\) The metal industry initially lagged behind competitors in neighbouring countries. As the manufacturing industry developed, however, the use of steam engines and of iron and steel for railways, bridges, buildings and machinery also increased strongly. The domestic metal companies benefited from this, and gradually a process of mechanisation and scaling-up started. New large scale industrial companies such as shipyards and machine factories were founded. These companies conquered a

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4 For the economic development of the Netherlands during the 19th century and an overview of the debate, see: ; J.L. van Zanden en A. van Riel, *Nederland 1780-1914. Staat instituties en economische ontwikkeling* (s.l., 2000) 17-25.
growing share of the domestic market, making the metal sector an engine for economic growth around the turn of the century.\textsuperscript{5}

The flourishing metal industry relied entirely on foreign producers for its supply of pig iron or rolled plates and construction steel. With dozens of blast furnaces and steel factories just across the border in Belgium, France, Germany and across the Channel, this was no issue. Domestic industry on the contrary benefitted from this since foreign companies were dumping their production surpluses at low prices on the Dutch market. At the same time this dumping blocked the formation of an iron and steel industry in the Netherlands. This changed radically when in the summer of 1914 the First World War broke out. The British trade embargo made overseas import of iron and steel impossible, while producers on the European mainland were working at peak capacity to supply their own war industries. The Dutch internationally oriented economy was hard hit by the trade blockade enforced by Britain to bring Germany to its knees. Among the worst affected sectors was the metallurgical industry.

The Dutch metal industry was confronted with a major problem in the supply of materials. As with many food items, a rationing system had to be introduced to secure an even-handed distribution. The situation deteriorated when Germany, in an attempt to draw the Dutch metal industry into its own war economy, in September 1916 banned all export of iron and steel unless it served the interests of the German war effort. Since the Dutch shipping and machine industries almost completely relied on German steel, this would force them into a position of what was seen as a ‘humiliating servitude’.\textsuperscript{6} The Dutch metal sector thus paid a heavy price for their dependency on foreign suppliers. This convinced the industry of the need to be able to meet its own primary requirements as regards iron, steel, and rolling mill products. The precarious position into which the war had brought Dutch government and especially the metal industry gave wings to the plans for a domestic iron and steel company. A group of industrialists, bankers and shipping magnates joined forces in setting up a committee that was to bring about a domestic steel industry ‘to strengthen the nation’s economic power and to maintain our economic independence’.\textsuperscript{7} In this vision an integrated steel company, that produced pig iron, that was processed to steel which subsequently could be used to produced rolled products like slabs, plates and bars, would make Dutch industry less dependent on foreign supply. The government shared this vision and was eager to assist in what one of the ministers described as ‘a matter of great national importance’.\textsuperscript{8} The enterprise was fed by a desire to strengthen the nation’s industrial basis and end dependency on foreign suppliers. After years of

\textsuperscript{5} J.L. van Zanden and A. van Riel, 350-351.
\textsuperscript{6} Joh. de Vries, Hoogovens IJmuiden, 1918-1968. Ontstaan en groei van een basisindustrie (Amsterdam, 1968) 111.
\textsuperscript{7} Brochure cited in De Vries, 680
\textsuperscript{8} De Vries, 112.
debates and planning in September 1918 Koninklijke Nederlandsche Hoogovens en Staalfabrieken (KNHS), or Hoogovens for short, was founded. This company can actually be seen as the result of the process of de-globalisation caused by the First World War. Foreign supply of iron and steel on which Dutch manufacturing firms had relied until 1914, was suddenly cut off. Hoogovens was founded with the intention to supply national industry with iron and steel. During the next century this would prove to be an enormous challenge and ultimately an impossible mission.

2. Finding a market in a period of rising nationalism (1918-1945)

The foundation and start-up of Hoogovens coincided with a period of substantial economic fluctuations and political turbulence. The armistice of November 1918, ended the war, but was not the end of trouble: in Belgium and France the damage after four years of destructive warfare was enormous, and the political situation in Germany remained tense after the collapse of its monarchy. Although the neutrality of the Netherlands had been respected and the country had not been directly involved in the war, hostilities in the neighbouring countries nonetheless had a profound impact on its economy. The period in which Dutch steel industry had to be developed and conquer its position on the world market would be dominated by turbulent markets, severe crisis and rising economic nationalism.

One issue that would have immediate effect upon the company’s viability and future market position was the choice of a suitable location. Because of their huge coal consumption virtually all existing European iron and steel industries were situated near large coalfields. However, just in this period the introduction of more efficient techniques led to a drop in coal consumption, shifting the emphasis towards easy access to ore. For that reason the founders of Hoogovens from the start were convinced the new company had to be established near the coast, where it would benefit most from favourable supply lines. This vision conformed to the typically Dutch mercantile tradition in which the country’s lack of raw materials was compensated by a favourable geographical situation. This commercial view of the iron works business was a novel element in the inaugural board’s plans, and the same ‘coastal advantage’ would also give Hoogovens an important competitive edge over its future competitors. After intensive study and long discussions it was decided the company would be built near the sea locks at IJmuiden, that separated the North Sea from the canal to Amsterdam. Apart from offering excellent connections overseas, this location also connected the company with

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9 Brochure, De Vries, 681.
the hinterland. This would prove to be essential for the export of products and allowed Hoogovens to meet domestic demand and yet carve out a niche for itself on the international market.

As a matter of fact the positioning of the Dutch steel industry near the sea shore forecasted its ongoing dependence on foreign trade. Ores and most of the coal needed for the production of pig iron, had to be imported from overseas. In that sense national independency was a fiction from the start. Hoogovens would be strongly connected to the world market. Although it was founded with the idea to supply the national industry, it soon became clear that also for its sales, the company had to orient itself internationally. The variety in products was too limited for the Dutch market. So for its supply with raw materials as well as its sales Hoogovens was from the start firmly connected to the international market.

However, shortly after the company was established, the demand for steel collapsed because of the end of the war. By 1921, global steel production had been halved, down to 45.2 tons (see Graph 1) and production cutbacks were inevitable.¹¹

Graph 1: world steel production crude steel in mln tons a year, 1900-1945

It seemed almost impossible for the young steelworks to position itself in this contracting market. At the same time wartime demand had instigated a process of upscaling in the iron and steel industry. This forced Hoogovens to operate on an big scale right from the start if it wanted to compete with established companies elsewhere. This meant that at every stage of the production process the installations involved would have to have a greater capacity than originally anticipated. However, the investment costs of such installations would also exceed original planning, and to make

matters worse, post-war inflation had caused the planned iron and steel works’ construction costs to skyrocket. This combination of factors forced the company to substantially tone down its plans. For the time being, only the blast furnaces would be build and operated as an independent company.

Due to this decision the output remained limited to pig iron. However, the domestic market for this product, which Hoogovens sold from 1924 onwards, was limited. Finding a foreign market thus was paramount. In this, its coastal location immediately proved to be of material advantage, and Hoogovens moreover initially benefited from a favourable economic climate just when production started in 1924. After the mid-1920s, the international currency markets stabilized and political tensions in Europe abated. This immediately translated into a revived demand for steel. World steel production steadily grew to a record high of well over 120 million tons on the eve of the 1929 economic crash (see Graph 1). Market conditions therefore became rather favourable. Still, finding customers for Dutch pig iron would be a complicated challenge. Virtually every country was protecting its own steel industry against foreign competition. French, Belgian and German producers catered to domestic markets where prices were shored up behind high tariff walls while surpluses were dumped elsewhere. Because of the difficulties of penetrating the international market, Hoogovens attempted to position itself domestically as well. Unlike well-established steel companies, it did not use retailers to do so but instead sold its products directly to its customers. Hoogovens was rather successful with this strategy on the domestic market as well as internationally (see graph 2)

This dependency on the sale of pig iron abroad rendered Hoogovens highly vulnerable to economic fluctuations. In October 1929 the New York Wall Street crash marked the beginnings of a lengthy and severe economic recession, which hit hard the steel industry. Between 1929 and 1932, production levels dropped by 60 percent world-wide. Steel production in the United States plummeted down to the level of 1904, but also in France, Germany and the United Kingdom steel production declined substantially. The crisis brought along a rapid collapse of international demand, causing an equally rapid price fall, but at the same time prices for the main raw materials remained at the same high level as a result of long-term supply contracts. This opposite price movement pushed Hoogovens deep into the red. As the young Hoogovens company was not yet able to process its pig iron in-house to steel relied almost completely on foreign markets to sell its products. Nonetheless it decided to maintain its production levels to hang on to a section of its market, albeit against rock-bottom prices and whilst sustaining heavy losses. Because other companies at that time lowered their production and cut back on their pig iron exports, for a few years Hoogovens even became the world’s largest exporter of pig iron. This dubious position was mainly caused by the fact that the company had not been able to further develop its production and

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12 Smil, 70; De Vries, 305 (table)
was still very one-sided in its production. In nevertheless also demonstrated the international connectedness of the Dutch steel industry.

Graph 2: annual sales pig iron Hoogovens in 000 tons, 1925-1945

In the second half of the 1930s the economy recovered and, also in response to the looming war, the demand for iron and steel picked up again. Changes in the global market had made clear that it was impossible for the Dutch company to continue to restrict its activities to the iron works. Ultimately, selling only pig iron, most of it abroad, would be non-viable because margins were too small. Meanwhile the steel market continued to improve. The growing international tensions had caused the steel economy to bounce back to such a degree that already in 1937 the board of Hoogovens observed ‘a fierce hunger for iron and steel’. And the domestic market was also growing. Encouraged by the recovering market, Hoogovens now embarked on the realization of its own Siemens-Martin steel plant. In March 1939 the first batch of steel was cast. A second furnace followed in March 1940. Once it was decided to build the steel plant it was a logical step also to start thinking about a rolling mill in which steel billets could be worked into sheets. Hoogovens in December 1938 decided to build a rolling mill with an annual capacity of 120,000 tons of thick plates for the ship-building industry. With this installation the vision of an integrated iron and steel industry would finally be completed. Meanwhile, however, war had again erupted in Europe, a war that would delay these plans considerably. The Dutch government immediately after the outbreak of war in September 1939 banned the export of pig iron. This robbed Hoogovens of a substantial segment of its sales. But the company

13 De Vries, 409-411.
managed to keep up production levels by compensating for some of its lost exports by a growing domestic market. Especially its steel products were greatly sought after by Dutch rolling mill factories now cut off from their foreign suppliers. All things considered, the company seemed to live up to the high hopes that had accompanied its foundation twenty years earlier. That changed abruptly when German troops invaded the Netherlands on 10 May 1940. The Dutch industries, Hoogovens included, could not escape an enforced compliance with German orders. Ironically, at the moment Hoogovens finally became the integrated steel industry it was meant to become, it was completely assimilated into the German war economy. When the war was over, Hoogovens management concluded that a Dutch steel industry would be incapable of protecting a domestic economy from foreign threats. It could only flourish by actively seeking out the opportunities provided by international cooperation.

3. International cooperation and rising exports (1945-1983)

In the first three decades after the Second World War, Hoogovens grew from a modest-size steel company to an important player on the European steel market. The company followed a course of upscaling, take-overs and mergers, but first of all radically changed its strategy from supplier of the domestic market to an export oriented industry. The decision to build a new wide strip mill (called Breedband) in fact marked the end of the concept of Hoogovens as an industry primarily catering to the domestic demand. Opting for this wide strip mill, which was opened in 1953, meant that henceforth the company would operate within a European and global context. The inauguration of Breedband was part of a more general reorientation of Dutch economic policy after the end of the war. The government emphasized that economic self-reliance could never create enough employment to keep up with the fast-growing Dutch population. Only export could remedy the acute deficits looming over the national budget. To facilitate exports the new policy pleaded in favour of industrialization, especially in the chemical and metallurgical sectors. This industrialization-policy created an atmosphere that allowed companies like Hoogovens to thrive.\textsuperscript{14} At the same time the growth of international trade and especially the growing demand for steel opened up new opportunities for the export.

The industrialization and internationalisation of the Dutch economy received a substantial boost by the extensive support scheme for the European economy, known as the Marshall Plan, announced in the summer of 1947. The Marshal Plan propagated prosperity growth as the outcome of efficiency, productivity and technological innovation, and emphasized that a free market economy

\textsuperscript{14} Herman de Liagre Böhl, Jan Nekkers, en Laurens Slot, Nederland industrialiseert! politieke en ideologiese strijd rondom het naoorlogse industrialisatiebeleid 1945-1955 (Nijmegen: Socialistische Uitgeverij Nijmegen, 1981)
and planning and order went hand in hand. The Netherlands did share with the Americans a predilection for international trade, industrial collaboration and European and global economic integration. The golden years that followed the bleak period of economic crisis and war, were to a considerable extent the product of this international outlook.  

A second factor that contributed to Hoogovens’ international outlook was the establishment of the European Coal and Steel Community (ECSC). The ECSC combined the coal and steel productions of France, West Germany, Italy, the Netherlands, Belgium and Luxembourg and placed the entire sector under a supranational High Authority in which the six participating nations were represented. Trade obstacles between the member states with regard to coal, ores, iron and steel products were removed, while coordination of production and investments in these economically crucial industries was expected to speed up Western Europe’s recovery from the war. The ECSC was the starting point for future European integration and would have a profound effect on the market position of the Dutch steel company. The share of European sales rapidly increased and Hoogovens’ domestic market more and more would consist of the six ECSC nations, especially after 1962. In addition the company also supplied a widening range of customers outside Europe. This market expansion, made possible by the Schuman treaty, was an essential condition for the pronounced production increase and upscaling Hoogovens would experience in the 1950s and 60s.  

The growth in steel production of Hoogovens coincided with a virtually uninterrupted world-wide expansion that went hand in hand with an equally world-wide increase in steel trade (see Graph 3).  

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Global steel exports, in 1950 a mere 10.7% of the total production, by 1974 had increased to 23.9%, illustrating the growing internationalisation of the steel market.\(^{18}\) The American dominance in global steel production during this period gradually diminished as production capacities in other parts of the world expanded. In Japan and Germany, where the national steel industry had suffered greatly during the Second World War, industrial recovery went hand in hand with modernization and innovation. At the same time, controlled industrialization in the Soviet Union had turned that nation into a mass producer of steel and a potential competitor of both the American and the European steel industries. The American share in global steel production dropped from circa 70% in 1945 to 16% in 1975. By then, the Soviet Union with an annual production of over 140 million ton had succeeded the United States as the world’s leading steel producer.\(^{19}\)

The steel sector’s global expansion was closely linked to a flourishing economy which, despite some fluctuations, continued until the 1973 oil crisis. During that period, Hoogovens was one of the leaders among the rapidly growing European steel industries. It benefited from, on the one hand, a relatively low domestic steel consumption which allowed a substantial export growth and, on the other, from its maritime location which again proved its worth for the export market.\(^{20}\) Hoogovens’ comparatively steep production increase was facilitated by a significant shift towards


\(^{19}\) Vaclav Smil, 65–66; Committee on Statistics, 2.

foreign exports. In 1954, Hoogovens still sold two thirds of its production within the Netherlands, but by 1962 this domestic share had dropped to less than half, largely in response to growing export to the ECSC, where Hoogovens’ share in the same period rose from 11% to 26%, while sales to the third parties outside the ECSC, such as the United States, also showed a steep growth (see Graph 4).

Graph 4: annual sales Hoogovens in 000 tons, 1962-1982

Already during the 1960s the demand for steel was levelling off, in part because post-WWII shortages had by now been remedied. Besides ships, office buildings and machinery, there was now a growing demand for consumer goods such as cars, washing machines, refrigerators and vacuum cleaners. Steel was still used for such items but in smaller quantities. At the same time, the introduction of new technologies reduced the amount of steel these products required. As a result, the steel market became saturated and prices dropped. These developments were accompanied by rising raw material costs and with, especially in the Netherlands, soaring wages. The compound effect of rising costs and diminishing returns greatly strained profit margins. Nonetheless Hoogovens remained convinced that steel consumption would continue to rise over the next few decades and expanded its production so as to be able to benefit from the effects of upscaling. This expansive strategy was fed by a desire to protect the company’s share in a stagnating steel market. As a result, between 1962 and 1972 Hoogovens total sales more than tripled, while in the same period its share in the ECSC’s production rose from 2.5% to 4.5%.21 In other places in the world, steel industries likewise witnessed production increase, upscaling and clinging on to their own market shares, as an

appropriate response to shrinking margins. The outcome was that production capacities kept
growing, even in the face of a levelling demand, and margins continued to shrink.

Hoogovens managed to some extent to compensate for its falling profit margins by
increasing its exports. It explored new markets outside the ECSC and found them in other European
nations and particularly in the United States. Nonetheless, the European Community, into which the
ECSC had merged with the addition of six more nations, remained the company’s chief market, with
well over half its products being sold there. Illustrating the internationalisation of Hoogovens sales is
the continuing reduction of the importance of the domestic market. In 1962 still good for almost half
the sales it went down to one fifth of the total only ten years later. (see Graph 4) Hoogovens’ export
successes were a measure of the expanding company’s efficiency and the advantages of its prime
coastal location.

Although Hoogovens in the 1960s managed to substantially raise its steel production and
rolling mill capacity, its ability to convert the output into products with a higher added value was
lagging behind. To solve this problem the company intensified its relations in the German steel
industry, which in 1967 was responsible for 39 percent of the ECSC’s total steel production. In this
Hoesch Werke AG, the company in which Hoogovens in 1966 had acquired a 14.5 percent share i,
was a logical choice. The arrangements for cooperation were laid down in an agreement that also
included terms for further collaboration between both companies. In the future, Hoogovens would
supply Hoesch with semi-finished products such as slabs and hot-mill coils. Both companies would
also coordinate their investments whereby Hoesch would limit its crude-steel capacity and focus
more on processing, while Hoogovens agreed to expand its crude-steel capacity so as to be able to
supply Hoesch with steel. After two years of intensive negotiations and debates, Hoogovens and
Hoesch in July 1972 finally merged under the fantasy name Estel.

To Hoogovens, strategic considerations prevailed in this merger, which took place in the
context of the development and ongoing consolidation of the European steel industry. Company
management saw room for only eight to ten larger steel companies on the future European market, a
clustering largely fuelled by the necessity of upscaling in order to reduce costs. At the same time, the
progressively larger production units demanded matching investments. The 1972 merger thus was
based on the assumption that the economy would continue to grow and that steel consumption
would keep pace. According to this philosophy, upscaling and progressive European integration
would give the bi-national steel company a strategic head start.

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22 Dankers en Verheul, 265–66; Appendix 15.
23 After the war Hoogovens acquired a 40 percent share in Dortmund-Hörder Hüttenerunion, which in 1966 was
24 Dankers en Verheul, 348–52, quote on 352.
However, the economic and political reality turned out to be completely opposite. After the 1973 oil crisis, the post-war economic boom turned into a protracted economic crisis that had severe consequences for the steel industry, especially in Europe. At the root of the steel crisis were some structural processes which were exacerbated by a geographical shift in steel production centres. Nations once regarded as markets for European steel in previous years had been building their own steel industries, often with considerable government support. Former steel consumers like Brazil, Argentina, Taiwan and South Korea now became producers which in their turn flooded the European market with their cheap steel. Although global steel production actually recovered and in 1978 reached a record high of 716 million, in 1982 it fell back to 644 million ton in response to the second oil crisis of 1979 (see Graph 3). As a result the share of the European steel industry in the global steel market continued to shrink. Whereas in the peak year 1974 the ten EEC member states together still produced over 156 ton, by 1982 this had become a meagre 111 million ton, a reduction of over 25 percent. A serious readjustment of the prognosis for the steel industry was in order.

In Europe the deep crisis fanned the desire to protect domestic employment everywhere. The result was what has been called a ‘re-nationalization’ of European steel policies. The EC watched helplessly while European steel companies, with support from their respective governments, ruined themselves in their rivalry. Everywhere except in Luxembourg, the Netherlands and Germany, national governments were pumping huge sums into their own steel industries. Attempts to reach an agreement so as to limit this subsidy surge came to nothing. The second oil crisis of 1979 and emerging American protectionism, which caused stagnating exports, deepened the crisis. The Dutch steel company now called Estel/Hoogovens was particularly affected as it saw its American market slashed almost in half within a year.

Over the years Estel’s financial position had been completely undermined by accumulating losses as a result of the protracted crisis. In 1975-1980 these totalled to nearly 2 billion guilders and 1981 promised to be even more dramatic. After the ECSC changed its policy and announced the ‘crise manifeste’ in October 1980, national subsidies were accepted when these contributed to reorganisation and reduction of steel production. Now that Europe had sanctioned this, Estel asked the national governments of Germany and the Netherlands for support to facilitate the reduction and reorganization that were necessary for the German production site in particular. However, the two governments held widely different views as to how the reorganization should be implemented. Ultimately these divergent opinions on how to save the national steel industry would bring about

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Estel’s demerger which was effected in October 1982. Its once widely applauded bi-national character thus contributed to the downfall of the already greatly weakened company.26

Hoogovens attempt to team up with the process of internationalisation, was thus frustrated by the deep economic crisis of the 1970s. This crisis that affected the steel industry very hard in fact stimulated what is called a ‘re-nationalisation’ in the steel industry. The recently created binational steel enterprise bore the brunt of energy crises, global overproduction and economic downturns. Like so many other companies, Estel, too, was therefore forced into reorganization, downsizing and finally dissolving the merger. In this respect Hoogovens conformed to a broader trend of a return to core activities and a rescinding of transnational collaboration. Another merger that was terminated, in 1980, was that between aircraft builder Fokker and German company VFW.27 The era of industrial multinationals operating on international markets seemed to be over.


During the 1980s and 1990s Hoogovens again cherished its independence. These years were marked by deep troughs, but equally by periods of prosperity when the company flourished, achieved excellent returns and was able to make new investments. Incidentally, the company’s ups and downs were not caused exclusively by economic cycles. Hoogovens’ position in the steel market changed as well under the influence of new producers in Eastern Europe and in emerging economies, who in the context of a globalizing economy developed into serious competitors. From the 1980s onwards the impact of global trade currents became more pronounced and companies increasingly competed on an international scale. Multinational enterprises became more powerful and tried to beat each other to a maximum share of the market. The numerous mergers and take-overs produced winners and losers. Hoogovens was swept along in the dynamic interplay of blurring national borders and international consolidation. As the new millennium dawned, the IJmuiden steel company again yielded its independence to become part of an international enterprise.

During the difficult years of recovery in the wake of the Estel failure the main focus of the company strategy was the consolidation of its current competitive position. In this, Hoogovens’ starting point was its own inner strength and it repeatedly opted for a stand-alone strategy.28 By targeting the consumer markets – cars, household appliances, packaging – Hoogovens was hoping to

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27 Sluyterman en Wubs, Over grenzen, 176–78.

28 Maurits van Os, Grensoverschrijdende fusies in de twintigste eeuw, Amsterdam: Boom, 2009, 186.
remain independent. But during the late 1990s, almost all Western European steel producers for various reasons were looking for possible alliances. Another crisis loomed over the sector as new producers were attempting to gain access to the European market. In addition to Eastern European producers, that overran the market after the fall of the Berlin wall in 1989, South Korean and Japanese steel companies were seeking out the Western markets in the wake of the Asian crisis of 1997. Another argument for a more intensive collaboration was that customers and especially car producers were limiting the number of their suppliers. This became all the more pressing when in the late 1990s the automotive industry witnessed several mergers and take-overs. These large customers would increasingly choose steel producers capable of supplying steel in bulk.29

Meanwhile, in the steel industry more and more producers tried to tap into the advantages of scale by entering into new alliances and exploring new markets. Towards the end of the 1990s scarcely a week went by without a new merger or alliance being announced. The privatization of many steel factories freed companies to join in the international consolidation process.30 In Europe, particularly the mergers of Krupp-Hoesch and Thyssen in Germany and the strategic partnership of the Luxembourg Arbed Group and Spanish Aceralia generated considerable interest. The globalization process that sparked off during the 1990s, was expected to have a profound effect on the steel-industrial landscape. In the long term, the epicentre of steel production would shift towards the raw-materials producing regions in the emerging economies. Asian and South-American steel producers who possessed their own ore mines, had the upper hand and in the future might possibly control the steel market. Some even speculated that within one or two generations there would be only room left on the global market for about dozen large enterprises. 31

These developments and expectations fuelled the search for a new partnership at Hoogovens. Early 1999 it began to explore options for an intensive collaboration – in the form of a 50-50 joint venture for flat products – and possibly a merger with British Steel. This company, privatized since 1988, desperately needed a foreign partner.32 Despite the huge dowry with which the British government had endowed British Steel on the occasion of its privatization – it had cancelled all its debts – the steel crisis of the 1990s had hit the company hard. Gaining access to the European market had become a top priority. The rising exchange rate of the British pound and the British factories’ high costs greatly complicated matters. British steel was simply too expensive to export.

29 Van Os, 182
Just when the first contacts between Hoogovens and British Steel were being established, dark clouds once again gathered above the international steel industry. At the start of 1999, the economic outlook was decidedly bleak. Competition from Asia increased and the prices of most products went down. Meanwhile, Hoogovens realised that the progressive tendency towards concentration in the European steel industry called for an active approach. The company considered itself too small to survive on its own.\footnote{Tata Steel Netherlands (TSN) Archives, file 191, number 2, presentation Concerto April 23\textsuperscript{rd} 1999.} Hopes were high regarding a British merger. With Unilever and Shell as shining examples of a fruitful British-Dutch partnership, there seemed no reason to assume that a similar alliance between the British and Dutch steel industries might not be equally successful. The merger was announced in June 1999 and four months later the shares of Hoogovens and British Steel were converted to shares of Corus, again a fantasy name invented by a marketing agency. Hoogovens became part of the Corus Group plc, with a head office in London. The merger resulted in a steel company that ranked 6\textsuperscript{th} on the international list of largest steel producers, after the Luxembourg company Arcelor, South Korean Posco, Japanese Nippon Steel, the originally Indian group Ispat International that was managed from London, and Chinese company Shanghai Baosteel.\footnote{International Iron and Steel Institute, 2002 edition World Steel in figures (Brussel 2002).}

Around the turn of the millennium, the steel markets noticeably deteriorated and prices were dropping. Once again various nations took numerous measures in an attempt to protect their national steel industries. Corus’ losses were accumulating, especially among its British factories. The Dutch company in IJmuiden still managed to avoid the red but the combined results were cause for concern and underlined the need for reconstructive measures.\footnote{Annual reports Corus Nederland BV, Corus Group plc, 2000-2008.} The poor performance, which was in part caused by a high exchange rate of the pound sterling, considerably strained the integration of the Corus Group’s two subsidiaries. Within a few years, Corus’ ranking on the list of major enterprises dropped from 6\textsuperscript{th} to 9\textsuperscript{th}, and this was only the beginning of a process of continuous decline of the relative importance of European steel industry.\footnote{International Iron and Steel Institute, Edition World Steel in figures 2002-2006.} (see Graph 5)
This process was pushed by the South-East Asian steel industry, China in particular. By the late-20th century, the Chinese economy was booming. Its steel industry benefited from the nation’s rapid industrialization and soaring urbanization. Of the worldwide demand for steel in 2006, over one third came from China. As long as the Chinese domestic demand continued to rise and its local steel industry could not keep up with the nation’s economic growth, Western competitors were able to manage the problem. However, while steel prices remained fairly stable those for iron ore continued to go up due to the huge Chinese demand and the consolidation of raw materials producers. When China in 2001 joined the World Trade Organization (WTO) this initiated a spectacular export growth and from 2005 onwards China could call itself the world’s largest steel exporter. Much of that steel ended up on the European markets, at extremely low prices.

Competition became world-wide and this accelerated global concentration in steel industry. Global alliances between producers from different continents became increasingly more common. In 2004 Ispat International merged with LNM Holdings to form Mittal Steel and made acquisitions in for instance Germany, France, the United States and Canada. Two years later Mittal Steel took over Arcelor, itself the product of a 2002 merger between Spanish company Arceralia, French company

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38 Annual report Corus Netherlands BV 2006.
Usinor and Luxembourg company Arbed. Mittal became the world’s largest steel producer, with a total annual steel production capacity of 117 million tons. Corus, with its annual production of 18.3 million tons, saw its position as one of the world’s top-10 steel producers slipping away. The rationale behind the consolidations was obvious. Larger enterprises were better able to strengthen their bargaining power with respect to producers of raw materials and customers. The assumption was that these companies were more flexible and better able to anticipate the cyclical fluctuations and associated price instabilities inherent in the sector.\textsuperscript{40} In this concentration process, heavy competition on a steel market saturated due to overcapacity, was an important factor. To better position themselves in this global struggle many companies continued to opt for upscaling by means of mergers and take-overs. Especially companies operating in saturated markets and performing poorly or undervalued on the stock market were targeted during this new wave of consolidation.\textsuperscript{41} Corus was among them.

For the Indian-based Tata Steel, Corus was an ideal candidate for a merger since it would open doors to Western markets. In addition to its access to the European markets, the technical expertise Corus and especially Ijmuiden possessed, was a strong asset. Tata Steel on the other hand owned ore mines and could give Corus access to the booming Indian economy. Particularly the latter was an important factor. Corus Nederland marketed over 85 percent of its production within the European Union and was hoping that expanding beyond Europe might be easier in cooperation with Tata. In January 2007 in a public auction Tata overbid the offer of its Brazilian competitor CSN and two months later the take-over of Corus Group by Tata Steel Ltd became effective. But the take-over was (again) badly timed. The financial crisis, erupting in September 2008 with the bankruptcy of the American firm Lehman Brothers, evolved from a financial into an economic crisis which affected every sector of the global economy. The international steel industry was also hard hit when demand for its products dropped. Not for the first time in history the Dutch steel company faced an uphill struggle just when in entered a new combination. This time the world even seemed to be heading for the deepest crisis in the post-war period. The steel industry was badly hit. Between 2007 and 2009, global production plummeted by 10 percent.\textsuperscript{42} In Ijmuiden, the percentage was even higher. The British part of Tata Steel was hit hard by the crisis and between 2008 and 2016 lost half of its production capacity.\textsuperscript{(see Graph 6)}

\textsuperscript{41} TSN Archives, Steel Consult International, ‘Consolidation in the global steel industry, what does it mean for the Middle East?’, presentation at the 11\textsuperscript{th} Middle East Iron and Steel Conference, December 2007.
\textsuperscript{42} International Iron and Steel Institute, \textit{Steel Statistical Yearbook} 2005-2010.
With hindsight, Tata’s timing for the take-over was most unfortunate. Although the steel production of the company at large was gradually rising, Tata Steel lost its position to Asian and especially Chinese enterprises. (see Graph 7)

In 2011, Arcelor Mittal was still the largest steel producer by far, but no fewer than ten Asian companies ranked immediately below this multinational, now based in Luxembourg. Tata Steel was
'the best of the rest' and with its production of almost 24 million tons was producing more steel than other Western rivals such as American United States Steel occupying the 13th place and German company Thyssen Krupp at the 16th place. The steel market recovered slowly. Although global production increased and international trade was expanding, demand on the European markets was improving only gradually. Especially the construction and mechanical engineering industries were in trouble for long years. While steel production in the Western part of the world stagnated and even decreased, South East Asian and especially Chinese steel production however soared ever higher. The steel industry in the emerging markets expanded and was dumping its steel on the European market, seemingly unwilling to tackle its overcapacity. Most Western steel producers had no choice but to limit themselves to very cautious investments and even cut down production. The globalisation process in less than two decades had dramatically changed the outlook of the world steel industry.

5. To conclude

The ambition of economic autarky that gave birth to Hoogovens in 1918 stood in sharp contrast to the global economic interdependence that was characteristic of the early 21st century. The company that was founded to strengthen the independence of the Dutch metal industry had become part of a globally operating steel group directed from India. In this paper we tried to analyse how this has happened and how waves of globalisation and de-globalisation sealed the fate of this company.

At the end of the 19th century a rapid exchange of people, money, goods and ideas in the Western world, also called the first globalization wave, had developed. This early globalisation phase foundered in geopolitical competition, imperialist territorial aspirations, and nationalist confrontations that culminated in WWI. Against this background, Hoogovens was meant to make the Dutch economy more self-sufficient. As it turned out, it was never able to protect Dutch industry from economic nationalism abroad. Rather the opposite, because the brand-new company was forced to start off as a ‘smaller project’, producing only pig iron, it bore the full brunt of the economic headwinds during the 1920 and 1930s.

Due to a lack of raw materials Hoogovens was also forced to operate on an international. The company had to buy coal and ores on the world market and being the sole Dutch steel company it also had to look abroad for technical assistance. It continued to strive for cooperation with foreign partners, suppliers and customers so as to be able to market technologically advanced items. After the Second World War the company made a radical strategic turn. Instead of aiming to be a supplier

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of national industry, it decided to become a strongly focussed producer of a single type product that was internationally marketed. Hoogovens profited from the expansion of international trade which was stimulated by the ECSC in Europe and by rounds of liberalisation made possible by GATT.

Because the company expected steel demand to grow continuously, Hoogovens in the 1960s looked for cooperation. In this way it hoped to gain the efficiencies of scale necessary to survive in the rising competition on the international steel market. The cross border merger with Hoesch, actually a take-over of this German company, was unique in steel industry and far ahead of its time. The cooperation however was ill-fated and proved to be too far in advance. Economic downturn during the 1970s and first half of 1980s had a strong negative impact on steel demand. At the same time steel production in third countries continued to expand and as a result European producers, especially the outdated sites, had to cut down capacity. The massive redundancies caused a ‘nationalistic’ reaction in Europe (government support) and US (tariffs) which could be seen as the signs of a new period of de-globalisation.

Since the 1990s the steel market has changed profoundly. New producers in emerging economies entered the market and within a few decades managed to secure a substantial share in a playing field that was anything but level. European steel industry, meanwhile, failed to produce an adequate response. This, together with increasing globalization, led to rising tensions. Western steel industry reacted to the threats on the steel market by resorting to collaboration. Mergers, take-overs and alliances were its recipe to counter the crises - caused by a virtually intrinsic overcapacity - so as to be able to carve out a market share, raise profit margins, and reconstruct poorly performing departments. A strategic game of chess enfolded in which steel companies moved together or were taken, like pieces on a board.

Hoogovens’ management at the end of the 20th century became convinced the company was too small to survive in this competitive race and decided to enter a cooperation with British Steel. Since this 1999 merger it was again part of a multinational enterprise, but now in a secondary position in Corus. The process of globalisation forced the steel industry into further integration and in 2007 Corus was taken over by Tata Steel. As a result the Dutch company that was founded as a supplier of the national industry, turned out to be part of a globally operating company headquartered in India. The steel company in IJmuiden, that celebrated its centennial in 2018, became a mere pawn in a game of chess rather than a player on the steel market. Strategies were no longer decided in IJmuiden and, as a mere cog in an international wheel, its room to manoeuvre was shrinking. As a result of the globalisation process the rules of the game had changed fundamentally.