

Future casting. Three scenarios for the steel area of Taranto (Italy)

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The area of Taranto

ILVA: The largest steel plant in Europe



A Chronology of Events

Years 60

Years 70

Years 80

Years 90

Years 2000

Years 2012

Years 2013

Years 2015

- Start and expansion of Italsider - the IV integrated steel works
- Plant doubling
- Steel crisis and attempts to save State industry
- Decision to privatise, selloff to the Riva group
- Reorganization of the Taranto steel works
- Magistrates' decision to halt the plant production
- Government's intervention: AIA, Commissioner
- What future for the OIA of Taranto?



What now ? And why is Taranto at this stage?

- ▶ Economic and market conditions (overcapacity worldwide, Italian exports reduction (especially for flat products in the continental market, prevalence of SMEs enterprises, Riva: the only big steel group)
- ▶ Absence of an industrial, sectoral, policy
- ▶ The privatisation process = the privatisation of rules

The privatisation process

- ▶ Modification of the accumulation model

(costs competition: less investments in R&D, intensification (more quantity, less quality in a more competitive context); Re-organization of logistics and clients services);

- ▶ Flexibilisation and individualisation of employment conditions: (less hierarchical levels) and Workforce recomposition: (older workers redundancy, young people recruitment, fixed-term contracts, TU marginalisation)

The privatistic regulation

- ▶ Profit maximization in a short term perspective carried out in harsh contrast with other objectives, i.e. citizens' health, the quality of production and of work, etc.)
- ▶ Such an accumulation model required a model of social regulation completely subordinated to it (uneven relationships between the economic actor and socio-institutional ones);

THAT IS

- ▶ Breach of the compromise between economic development and social cohesion; dis-embeddeness
- ▶ Disruptive effects for society, environment, and the economy itself



Defensive reactions

- ▶ Environmental movements
- ▶ Judiciary order
- ▶ Regional law on dioxine

What future for the Taranto steel works?

Three scenarios:

- ▶ Technological and product upgrading
- ▶ Diversification
- ▶ De-industrialisation

Technological and product upgrading: The unfeasible scenario

- ▶ **By recognising the supremacy of technology, the future of the OIA of Taranto could still be connected to the steel industry.**
- ▶ technical investments to reduce heavy pollution (already requested by AIA: i.e. filters for the plant blast furnaces, covering of mineral parks)
- ▶ major technological intervention: replacement of mineral ore with shale gas as raw material
- ▶ market repositioning : small batches and product diversification

The unfeasible scenario: why not?

- ▶ **paradoxically enough for the technological creed, the non-alterability of the ILVA model would prevail.**
- ▶ Compliance to environmental prescriptions requires an enormous amount of investments;
- ▶ Scepticism on the hypothesis of using shale gas as raw material:
'such a hypothesis is costly and without future on the steel market' (Federacciai);
- ▶ Widespread conviction that there exists a dimensional question:

'technically ILVA cannot be downsized without incurring in major economic and financial problems. At this stage, and after so many years, it's impossible to solve its basic technical problems' (a former technical director of the plant)

'unfortunately, ILVA can exist only if it's big and polluting (a qualified observer stresses what he calls the ILVA paradox)

Diversification of the area's economy: The desirable scenario

- ▶ By recognising the supremacy of politics, such scenario would imply that the decline of the steel industry is seen as an opportunity to radically modify the area's development path and to interrupt its heavy path-dependence
- ▶ Rather than plant-centric solutions, integrated ones; Taranto could:
 - (a) play a strategic role in the international container transport sector by becoming an important logistics hub
 - (b) rely on the touristic industry thanks to its past as the most important city of the *Magna Graecia* and to Puglia's increased reputation as a touristic destination.

The desirable scenario: why not?

- ▶ The Taranto institutional context should have: a) the capacity to trigger inter-scalar relationships to define new economic strategies b) to attract adequate resources;
- ▶ BUT, the vast majority of local institutional and economic actors openly declare their incapacity to manage the crisis and especially to offer solutions (evidence of political and cultural lock-ins);
- ▶ Within regional economic development programmes, privileging industrial districts and innovation, Taranto and its steel industry play no role;
- ▶ At national scale, recognition of the strategic nature of the sector, but no industrial policy for it

A slow deindustrialisation process: The likely scenario

- ▶ **By acknowledging the primacy of the market, this scenario suggests that the future of Taranto, as a steel locality, is only possible if it is inserted in global production flows. The only plausible option is a business one**
- ▶ attraction of inward investments as a key mechanism to regain economic efficiency and to be more environmentally sustainable, therefore
sale of the plant: two Indian buyers (Arcelor-Mittal-Marcegaglia or JSW Steel;
- ▶ the market solution will require the creation of a bad company that takes on board ILVA's debts and environmental reclaim (socialisation of costs)

The likely scenario

- ▶ As part of a multinational group, exposition to exogenous decisions and business strategies, i.e. Florange in France;
- ▶ Arcelor-Mittal vice president, Maurange, admitted (2013): *'there is no future for European steel producers concentrated in the low added value segments of the market'*;
- ▶ therefore, start of a period of incertitude that, given the structural conditions of the steel market, would probably lead to the area's de-industrialisation.
- ▶ Such a process is envisaged to be much more dramatic in the absence of any credible economic alternative for Taranto.

Conclusions

- ▶ Current times represent a *critical juncture* for Taranto's history;
- ▶ With or without ILVA? Or which ILVA? In any case, it is apparent that the absence of shared rules makes capitalist accumulation socially and environmentally unsustainable;
- ▶ Taranto exemplifies a 'tragic choice': choice among different, but equally fundamental values (i.e. work-health) which, as such, don't admit any compromise