

to an estimated 642 million net tons. Crude-steel production fell 11 million tons to 121 million tons in the United States, six million tons to 114 million tons in the ECSC countries (with West Germany experiencing the greatest decline), 5.3 million tons to 97.6 million tons in Japan, and 4.6 million tons to 26.6 million tons in Britain. The U.S.S.R. gained first position among world steel-producers in 1971, when it produced an estimated 133 million net tons of steel, up about 5.3 million tons from 1970. Minor losses were recorded by Canada (12.2 million net tons compared to 12.3 million in 1970) and by India, Finland and Sweden; minor gains were made by Spain, Brazil, South Africa, Austria and most East European countries.

The World iron-and steel-industry demonstrated again in 1971, as it has done so many times since the end of the Second World War, its inability to match supply with demand, to the detriment of the world iron-ore industry. While world iron-ore consumption, at an estimated 708 million tons, was down some 17 million tons from 1970 to parallel the decline in world steel production, a non-concomitant fall in shipments from 741 million tons to 733 million tons resulted in a buildup of inventories at incoming ports and world steel plants. Added to the 17 million tons estimated to have been overbooked in 1970, total stocks may have been 42 million tons at year-end, almost all imports and all in Japan, Western Europe and the United States. World iron-ore production of 762 million tons, compared with 751 million tons in 1970, also indicates a buildup in inventory of some 30 million tons at mines and shipping ports at the end of 1971.

The oversupply situation had its beginning late in 1969, when, at the time of traditional renegotiation of iron-ore contracts by Western Europe, Swedish iron mines were closed by a labour strike. This aggravated an already tightened supply situation brought on by peak European steel production and decreased supplies from Canada. The strike helped to strengthen the bargaining position of most world suppliers to Europe, who obtained price increases for 1970 delivery ranging from 10 per cent to 15 per cent. Contracts that were signed for longer terms, of two years and more, to assure supply at prices no greater than what was newly agreed on, resulted in over-commitment towards the end of 1970 and especially in 1971.

The oversupply situation in Japan began to develop about mid-1970, when crude-steel production began to decline as a basic reflection of a similar and more pronounced decline in domestic steel demand. The policy of obtaining future supplies by means of long-term contracts works to Japan's advantage in expansionary times, since it assures adequate supply and low guaranteed prices, and it certainly works to the advantage of suppliers who have a guaranteed market and can raise capital for expansion based on these contracts. Not only did Japan not achieve its anticipated high growth-rate in 1971 but its steel production was down some five million tons from the previous year and this aggravated the excess iron-ore stock situation that began to develop in mid-1970. Furthermore, it has now become abundantly clear that Japan will not be able to meet its production goal for 1972 and absorb the whole volume of iron ore contracted even if it took into consideration a full exercise of its option for a 10 percent decrease of