



**Role of the Chinese Steel Industry in the
Economic Development of China and
Australia's Contribution to the Industry
as a Supplier of Raw Materials**

By

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Declaration

I declare that this thesis is my own account of my research and contains as its main content work that has not previously been submitted for a degree at any tertiary education institution.

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Abstract

The objective of this thesis is to examine the extent to which the iron and steel industry in China has been a major contributor to the recent economic development and growth of the Chinese economy and whether this will continue. Key elements of China's economic development model – THE CHINESE MODEL - based on the steel industry are presented and demonstrate the impact of China taking “great leaps forward” in its steel production capacity to become the world's leading steel producer and one of the fastest growing economies. This bold step was undertaken at times when the global steel industry was burdened with overcapacity and economic pressures. At the same time, this thesis examines the role played by the Australian iron ore industry in supporting the Chinese steel industry through its iron ore trade with China and how this role will evolve.

The development of the iron and steel industry in China reflects not just the role played in the overall expansion of the Chinese economy through technical input-output relationships, but it also reflects control and historical characteristics taken from China's social and political context. Starting from the views of Sun Yat Sen, and flowing through Mao Zedong, and then into later leaders, the steel industry was always intended to be the basis for the modernisation of the Chinese economy. The Great Leap Forward of the 1950s was an ill-founded reflection of that fundamental view, but the failure in that case did not cause a shift away from that basic perspective. Instead a more comprehensive perspective was provided and this came to the fore at the start of the reform process in the early 1980s.

The role of the steel industry in the recent modernisation of China is traced using the policy foundations and directions that were adopted combined with empirical data on the investment and growth in the industry, as well as the role of the output of the steel industry in the expansion of other industries in China. To the extent that conditions in China may be replicated in other countries, the Chinese experience using the iron and steel industry as the key element in the industrialisation of that economy will have important lessons.

At the same time, this thesis demonstrates weaknesses in a development model that has the iron and steel industry as the leading sector. One major weakness is the reliance on imported raw materials and at this point the Chinese experience with Australia as a source of raw materials becomes relevant. Australia's role as a reliable supplier and partner for the steel industry enabled the steel industry to expand in a low risk environment with respect to the price and availability of raw materials.

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