Hoesch factory council chairman discusses investment, U.S. rates, and the Third World

Like its American counterpart, the West German steel industry finds itself in a bitter crisis because of the price decline over the past year inflicted by British dumping, and the collapse in demand caused by high interest rates. The way out, as seen by the German companies, the labor unions, and Chancellor Schmidt himself, is to improve competitiveness through modernization and expanded investment. Japan's highly productive steel industry is universally viewed as the model in this regard.

In order to find out how a trade-unionist and factory-council chairman in the Ruhr industrial center assesses the situation in the steel sector, we interviewed Kurt Schrade, a member of the supervisory board and chairman of the factory council at the Westfalen works of the Dutch-German Estel-Hoesch concern. He is also a long-time member of the Social Democratic Party and the IG Metall metalworkers' union, the country's largest, and thus typifies the skilled-labor stratum in West Germany, Chancellor Schmidt's political base. He was one of the key figures on the employees' side during the fight to maintain Dortmund as a steel-producing center. Together with the mayor of Dortmund and the local IG Metall chairman, he organized a mass demonstration on Nov. 29, 1980, in which more than 70,000 steelworkers and their families mobilized in favor of building a new, modern steelworks.

Kurt Schrade and his co-workers have persistently fought for improvements and modernization of work methods in steel production. Chancellor Schmidt once told a public SPD meeting in the Ruhr: "If people like Kurt Schrade were sitting in this parliament, I would have no more problems in Bonn."

EIR correspondents Ortrun and Hartmut Cramer interviewed Mr. Schrade on Oct. 19 in Dortmund. The first part of the interview follows. Emphasis is in the original.

Cramers: Herr Schrade, things have been very turbulent here at Hoesch since November 1980. You and your colleagues have worked energetically to maintain Dortmund as a steel-producing center, and for the construction of a technologically modern oxygen installation, and you have had partial success in pushing through your demands. How do you assess the current situation of the firm?

Schrade: We still consider Dortmund to be a necessary and proper location for steel output, as we told the company's supervisory board at that time. Our further processing operations include high-quality products such as sheet metal, packing material, tinning and galvanizing coatings, and we are in a first-class position on the markets with these products. With the oxygen installation, we would consolidate this product group. Therefore, as the board of directors has said, the steelworks needs to be in front of the rolling mill of the Westfalen foundry, so that a third of the production can be processed while it is hot, right off the bat.

Taking energy costs into account, that's an extremely important factor. A new, modern oxygen process with direct reduction is the key to Dortmund's future as a steel center.

Cramers: The chairman here in Dortmund, Dr. Rohwedder, said at the beginning of the steel crisis that Hoesch would be able to overcome its problems if management were allowed a half-year breathing space to pull out of the red. Now a whole year has gone by, without any improvement, and everyone is screaming about high interest rates.

Schrade: Dr. Rohwedder has said that if we are given enough time, we will take care of these problems. That is something I would really like to emphasize, because the cost-reduction program put into effect in the steelworks since 1979 has in fact already had visible, positive effects, despite high losses—that seems to be contradictory, but it's not. The important thing is that we are unable to finance the *investment* part of the program internally, since we haven't gotten ourselves out of the red. After shutting down several rolling mills, now we are still in the position of having to build the heat-treatment facility [*Durchlaufglühe*] in the cold rolling mill at the Westfalen works. This part of the project has to be seen through, taken off our hands, if you will, by the taxpayers. That is the focal point, the fulcrum of restructuring production.

Now you will ask me what that has to do with the high interest-rate policy? I can tell you—precisely for that reason, management was absolutely in no position to muster resources at 10, 12, 15 and 20 percent rates; it was absolutely out of the question. In my view, and my colleagues' attitude is the same, the interest-rate policy is probably the *basic* cause of the economic calamities that are in the meantime spreading around the whole world.

Cramers: Chancellor Schmidt has personally advocated a positive solution for the steel crisis here in Dortmund, and a few months ago he proposed an international "interest-rate disarmament conference."

Schrade: The Chancellor personally came out with support for us, that is true. We are counting on that basic pledge that Dortmund's steel production cannot be allowed to go kaput. But in his talks with us, the Chancellor has also said, very accurately, that this high interest-rate policy is hurting every one of us. Therefore you cannot separate the steel industry from the economy as a whole. Our situation in the steel industry directly depends on either private investment or the state budget, and as long as high interest rates are sucking up capital, no company can or will invest, and we cannot get ourselves out of the crisis here.

What are the possibilities of an "interest-rate disarmament conference"? Insofar as the factory councils are organized into IG Metall and into the DGB [the national labor federation], have tremendous weight, and the DGB supports the Chancellor's efforts. What is also needed is a certain pressure of public opinion. Therefore we support the Chancellor on every point, because we know that if the interest-rate policy is not reversed on the international level, that is to say *worldwide,* if another policy is not put into effect *worldwide* an individual country like the Federal Republic has no way at all of imposing a low-interest policy in isolation. We are already suffering from capital flight, and that means, plain and simple, that anyone who has the money sends it across the border, and without lifting a finger, "puts it to work" in America or some other country with high rates; and it does not get invested here.

We constantly come back to the same thing, fundamentally: under this kind of policy, we can expect the end of any expansive economic measures; retrogression becomes automatic, it hits every sector, whether private or public. If something is not done to rectify it throughout the West, and get us out from under this high-interest policy, there will be no economic development, no prosperity, nothing but chaos. Industrial nations that have managed to develop themselves can be turned back into primitive agricultural countries under this kind of financial policy. Any ordinary citizen can figure out for himself what will be left after a few more years of this regime—not to speak of the coming generations; but policy for the coming generations must be put under way now.

Cramers: In a few days the North-South summit meeting starts in Cancún, and the question of technology transfer will be taken up. Do you see a possibility of solving the industrialized countries' economic problems by intensifying relations with the underdeveloped nations, and promoting capital-intensive exports there?

Schrade: We know that especially in the West, markets are saturated. I cannot estimate just how the developing countries should be helped, but I know one thing for sure: not a single deutschemark ought to be spent on fancy resorts or super-deluxe cars. But when it comes to the question of development, in, for example, Africa—where people are going hungry, in fact are starving to death—we have to provide financing, in a targeted way. They have resources; they need resources to be produced, processed, they need an industry to be developed. I can understand why a developing country would refuse to simply bundle off their ore, coal, or oil to the industrialized countries, when the real value of those resources is their potential help to locate their own industry in their own countries. This is the way policy has to go.

Cramers: It is widely claimed that locating steel production in the underdeveloped sector would endanger and even destroy jobs in the industrialized sector.

Schrade: Take a historical point of view, and look at the way the steel industry grew here in Europe. It was based on coal and ore mining, and we have to register the fact that—with the exception of Sweden or the Soviet Union, that is quite a different story—the raw materials for, let's say, steel were not available. And, more immediately, about certain developing countries producing their own steel today, I am talking about mass production of steel, not about a certain basic steel production that every industrialized country needs; the Federal Republic also needs such a supply, that's completely obvious. It is also obvious, however, that in a country like Venezuela, which is sitting on top of oil deposits and giant raw-materials assets, steel-producing facilities have to be built, which necessarily means that manufactured products will enter the market, and become competitive with us.

I am already convinced that we have to restructure our economy, our industry, and concentrate on the things we can best accomplish on a large scale, high-level "knowhow," as they call it. We have to collaborate in initiating this process. There is only one thing we cannot collaborate in rectifying: the fact that we totally depend on imports of basic goods. Of course, for many years these so-called developing countries have been subjected to the same conditions—they have to import every screw or nail they need.