European Capitalists Look Toward East For Survival as Production Plummets

by Dave Goldman

NEW YORK, May 3 (IPS) — The nightmare of vanishing industrial orders, shrinking exports, and imminent financial ruin — and now of thermonuclear confrontation in which Europe would be the first battleground — underlies the growing opposition to Rockefeller and the sinking dollar empire among Western European industrialists and their halting steps towards expanded East-West trade.

The entire capitalist world economy is staggering under the enormous debt requirements of the U.S. dollar. What remained of British and Italian industry after the Rockefeller oil hoax has been ravaged to maintain the debt payments on a combined $18 billion in external debts. The suicidal cutbacks of imports by these countries and the rest of the liquidity-strapped dollar empire have had the most pronounced repercussions in the trade-oriented West German and French economies. Dwindling export orders, plunging sales and profits, on top of mounting debts, are forcing the closing down of the vital heart of European industrial capacity.

Rockefeller offers European capitalists no way out of this economic trummerfeld. At an earlier stage of this depression collapse, Rockefeller was inviting the bigger European capitalists to share the loot from slave-labor "development" projects. Now that option has collapsed. While 25 billion francs worth of deals with oil-exporting nations were under discussion in France last year, only 11 billion francs worth of actual orders materialized. The deals were for operating plants — plants constructed by French firms and manned by French workers. However, there were political obstacles to relocating French workers to Iran and other concentration camp sites. Pro-development Iraq was the one country that went through with its promised deals. The other solution to the depression that Rockefeller is offering — military production — is even less viable from the standpoint of European industrialists. Europe would be wiped off the face of the earth as an immedieate consequence.

No More Miracles

West German industrialists know that they are now feeling merely the first shockwaves of the worldwide depression. Germany's first quarter trade figures dispel any lingering fantasies about economic recovery, despite the German Social Democrats' election slogan, "The Upswing is Here!" The volume of German exports contracted by 10 per cent from the first quarter of 1974, reflecting the severe cutbacks in production throughout the dollar sector. Exports of Germany's key foreign currency earners — auto, mechanical engineering, and the chemical industry — declined or stagnated. Foreign car sales were 43 per cent lower than the first quarter of 1974. Volkswagen, symbol of the German economic miracle, blamed its sharp losses in 1974 on declining exports mainly to the U.S., where sales were off by 30 per cent. Based on first quarter results, mechanical machine producers, whose export sales increased by 24 per cent in value during 1974, expect the volume of their export business to stagnate in 1975. The total output of the leading chemical producer, Basf AG, which exports over half of its production, fell 12 per cent below its 1974 volume because of dwindling export demand. None of these export businesses expect their orders to zoom up in the forseeable future; from the standpoint of reality, the predictions of the economic research institutes in Bonn that 1975 would be a record year for German exports, are ridiculous.

The contraction in the auto and machinery industries, on top of the continued slump in construction, has already had devastating effects on the West German steel industry. In February the volume of domestic steel orders was 41.3 per cent below February 1974; export orders had plunged by 60 per cent. Domestic and foreign orders continued to slump in March and will continue to do so at an accelerating pace as industrial production in West Germany and its trade partners is shut down by the weight of dollar debts.

The general collapse of steel orders has provoked a trade war between European, Japanese, and American producers. At the beginning of April world steel prices had plummeted 41 — 53 per cent below their 1974 levels. The costs of steel producers are going up as a result of operating at low capacity. Steel giants like Thyssen are operating in the red.

Under these conditions it is no wonder that German industrialists are looking East — for trade deals to revive their order-starved industry. The building pressure of economic chaos is impelling even the Schmidt occupation government in the direction of East-West trade.

The Only Way to Go

Because of Gaullist tradition, active pressure from the French Communist Party, and the even bleaker prospects for the French economy, France has been pursuing East-West trade deals more actively than West Germany. During the Chirac visit to Moscow in late March, 13 billion francs worth of deals were agreed on and now 7 billion francs more are pending. Almost overnight France became third among the Soviet Union's trading partners. The major heavy industry firms involved, Pechiney, St. Gobain, and Creusot-Loire, are suffering the same fate as their German counterparts. Recently a consortium of mostly French banks extended a $250 million Eurocredit to the Soviets.

The East Bloc, in fact, is the only area to which French exports are increasing. In January French exports to the East Bloc represented 5.4 per cent of its total exports, up from 4.6 per cent in 1974. In February they probably reached 6 per cent. Exports to France's leading Western trading partners have been running 12 per cent to 20 per cent below 1974.

France depends on agriculture, semi-products (including industrial chemicals, ammonia plants, and plastics), auto, and steel for a positive balance. This January France exported 250,000 tons of cereal compared with 750,000 tons in December and a 1 million ton monthly average in 1974. In 1974 agricultural exports increased to Italy and Great Britain; now they are plummeting as consumption in those countries is destroyed.

In the export-oriented chemical industry plants are operating at 60 per cent capacity; production has collapsed by between 30 per cent and 40 per cent from last summer. In the machine tool industry, which exports 42 per cent of its total sales, orders are down over 40 per cent from last year, particularly from the U.S. market. Steel production was off 17.7 per cent on a March to March basis; for the first quarter of the year production was off 14.6 per cent. However, the worst is ahead. Through April the French steel industry was producing on the basis of orders made through December. After December there were no more orders.

While auto and truck sales are down sharply on the French market, increases in exports through February have kept the industry from totally collapsing.

The response on the part of European industrialists to the violent collapse of European industrial capacity is a clear indication that the only thing standing in the way of expanded East-West trade and the International Development Bank and the revitalization of European industry — is Rockefeller and his political henchmen. Kick the drunk out!