Lazard Moves In With Steel Cartelization Plans

The story emerging from behind the flood of calls for protectionism that have surrounded the crisis situation in the steel industry is that the Lazard Freres investment bank and related international financier interests are attempting to steer U.S., Western European, and Japanese steelmakers into supporting a program for world steel industry cartelization.

STEEL

Giovanni Agnelli, head of the Lazard-interlocked Fiat auto company, told the annual meeting of the International Iron and Steel Institute (IISI) in Rome on Oct. 11 that the problem facing the world steel industry is vast overcapacity. The solution, he said, is a major restructuring of the industry, including the establishment of international agreements enforcing production cutbacks and governing trade.

"The Davignon plan can be a concrete example of how it is possible to supersede national interests and politics," said Agnelli, according to a report in the Italian daily, *Corriere della Sera*, Oct. 12. The Davignon plan is the European-wide steel rationalization program whose aim is to set production and price levels and to phase out "excess" steel capacity. Agnelli concludes: "The alternative is between the collapse of the management of the economy and the seeking of rationalization."

Agnelli's cartelization sentiments are being echoed on this side of the Atlantic. In an interview with *Executive Intelligence Review* on Oct. 12, Nathaniel Samuels, the director of the board of advisors of Kuhn Loeb, the leading investment bank, gave his support for what he termed Agnelli's "world cartelization" plan. In the pages of the *New York Times* Oct. 3, Samuels expressed his own view that the industry of the advanced sector must be put through a severe "adjustment process."

Speaking at the Conference Board meeting in New York Oct. 11, "free trade" champion Robert Strauss, the President's Special Trade Negotiator, announced his commitment to rationalization of the U.S. steel industry. "The laws of natural selection — the survival of the fittest — are at work," Strauss commented, after pointing to "overproduction" as the fundamental problem facing the steel industry. "But we need not let them run unfettered. We can and should help to ease any adjustment process is taking place." Strauss's office in Washington has previously indicated that it is studying measures such as changes in the antitrust laws and government intervention to facilitate the process of industry consolidation.

The Protectionist Ploy

The threat of protectionism is the key ploy being used to manipulate European, Japanese, and U.S. steelmakers into accepting their cartelization program. According to participants at the four-hour White House meeting on steel Oct. 13, President Carter pledged that his Administration would aggressively enforce existing laws to protect the domestic steel industry from "dumping" by foreign producers. His comments were bolstered by Treasury Secretary Werner M. Blumenthal, who said that his department is now working to expedite the processing of dumping complaints that have been filed by the industry.

Following the U.S. Treasury's preliminary finding Oct. 4 that Japanese producers are selling carbon steel plate at 32 percent below their cost of production, the Japanese Ministry of Trade and Industry (MITI) announced that Japanese steelmakers would voluntarily cut their production and exports to the U.S. A spokesman at the Japanese Embassy in Washington revealed last week that 26 out of Japan's 59 steel blast furnaces are shut down as a result of the downturn in world steel demand and recent voluntary export restraint. A report from the IISI meeting indicates that in the first eight months of 1977 world steel production (excluding the East bloc) was down 2.4 percent from 1976; in August production was down 7.2 percent from 1976.

At the IISI meeting Jacques Ferry, head of Eurofer, the Association of European Steel Fabricators, made an offer similar to the Japanese. He said Eurofer would restrain exports to the U.S. if the U.S. steel companies drop their dumping charges. British-linked zero-growther Viscount Davignon, the Common Market commissioner for steel and author of the rationalization plan which bears his name, said later that Ferry's proposal for voluntary restraint would not work. Davignon called on the world's steel-making nations to negotiate bilateral "orderly market agreements."

Kuhn Loeb's Samuels Elaborates

Kuhn Loeb's Nathaniel Samuels talked about his proposal for world cartelization of steel and other basic industry (first aired in the Oct. 3 New York Times) in an interview on Oct. 12. Among the highlights:

Q: Is anyone thinking of adopting the strategy you proposed in the *New York Times* article for dealing with the present crisis in the world steel industry?

A: The Europeans have just indicated their interest in restraining their exports of steel to the U.S. Jacques Ferry is proposing voluntary restraint by the European steel companies and we may see an "orderly marketing agreement" for steel — a government-to-government agreement...

As for the adjustment process, the trade impact always brings about adjustments. The question is whether the adjustment is disorderly or orderly, and what the price is.

What was only implied in my article was my view that we ought to accelerate this adjustment process. Give the industry a temporary respite from imports and tie it to a definite program of adjustment, including measures to improve productivity, phasing out of obsolete capacity.

Present adjustment assistance (special benefits received by workers who are layed off as a result of imports — ed.) is too narrow a concept. We need a more elaborate approach.

This can take place in many ways. Under GATT, in return for trade agreements, governments would have to make commitments to make domestic adjustments — to take steps to deal with the effects on labor, to help less efficient industries get capital, to acquire the assets of companies that go out of business. In return for the negotiation of OMAs, industries will have to take steps or face the music — get out.

Q: Does any one in the Administration support this approach?
A: The debate is still going on. The Administration is very divided. People in government have never been willing to face up to the need for the adjustment process...Strauss has a pretty realistic feel for the situation in steel. But there's no real unanimity on how to deal with the problems. Commerce, Labor, the State Department, they all have vested interests.

Q: Where will job opportunities open up for the displaced labor?
A: That's a very tough question. It's very difficult to retrain and move workers — they like to stay where they are. We will have to have a community redevelopment effort where big plants are closing. In the past we've never brought whole communiites into the adjustment process...I don't agree completely with Felix Rohatyn's approach. His proposals involve too much direct government intervention. What we need is government backing for private sector involvement in industrial redevelopment. Actually I think Rohatyn would agree with that. With something like redoing slum housing, of course, you need more government intervention.

Q: What is your view of the proposal Mr. Agnelli of Fiat made before the International Institute of Iron and Steel meeting in Rome for restructuring the entire world steel industry?
A: Agnelli is expressing the European view. The question is how far do they want to go. Do we want world cartelization or not? One can go too far in this direction. But undoubtedly one of the big problems of the industrialized countries — one we need much more consultation on — is the vast overcapacity. There's no real coordination of industrial strategy now. We can have a planned economy — this is what Agnelli is talking about — or total chaos.

London Seeks European Control Through EEC

One of the ironies of the City of London monetarists' plans for the economic subjugation of Europe is the current situation in the European Economic Community (EEC). On one hand, the London monetarists and their Lazard Freres allies would like to transform the EEC into a supranational institution for their hyperinflation

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and austerity policies — one modeled on the Holy Alliance of Europe set up by the Rothschild family in the 18th century. On the other hand, they have to sufficiently weaken that economic bloc to prevent the EEC from becoming the antimonetarist vehicle of the ever-stronger alliance of progrowth forces now centered in France and West Germany.

This situation is what is behind the call for a "European economic and monetary union" made on Oct. 7 in Brussels by European Commission President and former Fabian Society Chairman Roy Jenkins. In the long run, Jenkins's plan for a "Europa," a currency to replace all existing European currencies, aims at looting the world through paper-claims accumulated in London investment houses. In the short-term, it is a device to keep France and West Germany from moving into gold as a basis of trading. On Sept. 24, the Lazard-owned London *Economist* made no secret of the belief that, if the Jenkins proposals were accepted, "national governments will no longer be inhibited from reflating by worries that their exchange rates would tumble." This line was parroted nearly word-for-word by EEC Commissioner for Budget and Financial Control (sic) Christopher Tugendhat on Oct. 7 in London. Tugendhat worked for the Lazard-owned *Financial Times* from 1960-1970, and represented the City of London in Parliament from 1970-1974.

New Marshall Plan

The goal of Jenkins's plan is to establish a reflationary "Marshall Plan" for Europe which will recycle funds away from West German and French industrial sectors and the European Common Agricultural Policy (CAP) into labor-intensive agricultural projects in the Mediterranean region. The attack on CAP — a price-guarantee system for EEC-produced agricultural goods — is a direct challenge to Franco-West German cooperation, because of West Germany's commitment to industrialize France through modernization of the latter's agricultural sector.

Institutionally, Jenkins's policy calls for inclusion of Spain, Greece and Turkey in the EEC on the basis of a