

Etienne Davignon was a cothinker and intimate associate of Monnet and others who put together the ECSC, and his steel plan is in effect an ECSC for depression conditions. In October 1977 Giovanni Agnelli of Fiat, a fellow zero-growth ideologue and "supranationalist," heaped praise on Davignon's steel plan as a model for the rest of the world economy: "The Davignon plan is a concrete example of how it is possible to supersede national interests and politics," Agnelli told the annual meeting of the International Iron and Steel Institute in Rome that year.

### What it calls for

The actual measures that were adopted by the EEC Commission in late 1977 included an average price hike on steel products of 15 percent and a toughening of the surveillance mechanisms. The minimum prices that were established for steel reinforcing bars were directed against smaller, but more efficient producers, such as the Bresciani electric furnace producers of Northern Italy, and Willy Korf's direct-reduction ironmaking plants in West Germany.

The pricing efforts were coupled with efforts to lure Spain, a non-EEC country, into the "anticrisis" plan, and the setting of quotas for imports from Japan and other countries. Imports into the EEC in 1978 were about 1 million tons under 1977's 10 million metric tons, with the reduction coming chiefly in Japanese and Com-econ imports. Spain, with its ambitious national steel program, continues to be a thorn in the side of the "anticrisis" planners.

In a recent interview with the *Executive Intelligence Review*, one Japanese steel executive commented that the drop in Japanese imports was actually due to the fact that the market price for steel in Europe last year was too low to permit even the highly cost efficient Japanese producers to sell in the European market at a profit. "I do not think that market prices are the same as Davignon prices," he noted. Other sources confirm that Japanese producers did not even meet the quotas for 1978 arranged between Japan's Ministry of Industry and Trade and the EEC Commission because of the soft prices in Europe; Japan's steelmakers were setting their sights on the more profitable markets of the Middle East and Southeast Asia.

As a result of depressed global demand for steel and measures taken against Japanese steel exports by Europe and the U.S., the Japanese steel industry is operating at only 70 percent capacity. Last fall Nippon Steel, the world's largest steel company, released plans to reduce its steelmaking capacity by 25 percent and its workforce by 7000 jobs. An industry official confided recently that much of the steel industry's spending on research and development is going to discovering ways of making Japan's giant blast furnaces less efficient, so as to lower output while avoiding costly shutdowns.

### Not popular

Significant price discounting in the EEC steel market, in spite of Davignon's efforts to fix minimum prices, points up the fact that the EEC's national governments have not exactly been eager to carry out a plan which means, undeniably, massive unemployment in their steel sector. It also underlines the point that the only type of steel "anticrisis" plan that can work is one whose first task is to actively create new markets and demand for European and world steel.

The underlying premise of Davignon and his cothinkers like Barre in France is that European steel is a dying industry — the labor costs are too high, the capacity is antiquated, the industry can't compete with Japan and the modern developing sector steel producers. On the other hand, the route that France followed up to the present, of subsidizing inefficient capacity when it should have been phased out in favor of new integrated plants, merely set it up for the current crisis.

The Davignon plan's only "success" has been to fuel petty rivalries among different EEC nations' steelmakers and preempt discussion of a reasonable, market-creating approach to the steel crisis.

As a result of Davignon and related national sector "restructuring" plans, over 50,000 jobs have already been lost in the EEC steel sector as a whole since 1974. The nation by nation breakdown is the following:

**France:** As late as 1976 there were still some 156,000 production and supervisory workers employed in the French steel industry. The goal of Barre's restructuring

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## French foes of the EMS

A significant step in the organizing for global steel rationalization took place at the annual conference of the Steel Communities Coalition in Cleveland in late February. Present at the conference were two officials of the French government who put themselves forward as spokesmen for France and Europe on the question of the future of the world steel industry. Michel Barba, a government officer of the French national steel concern Usinov, and Christian Stoffaes, director of economic studies for the French Department of Industry, warned the United States to abandon investment in new or improved steel capacity and to allow the "free market" to force plant closings and tens of thousands of layoffs.

Barba sharply criticized the French government's past investment in the French steel industry: "We enjoyed the gimmicks of industrialization with the enthusiasm of great youth," Barba said, "despite our 2,000 year history and our population's top-heavy age pyramid. We did it by committing the fatal sin — by

program for steel is to shrink employment to 107,000 by the late 1980s — a clean sweep of one-third of France's steel workers. The strikes that are now convulsing France's steel regions were triggered last December when Barre called for the elimination of up to 30,000 jobs by 1982-83, mostly in the Lorraine region, on top of the 20,000 jobs already cut.

Last autumn the Barre regime stepped in and "bailed out" two of France's leading, financially troubled steel concerns, Usinor and Sacilor-Sollac, converting their debt into a government equity stake in the firms. Barre then sprang the restructuring plan on the industry.

According to a French official source critical of the Barre plan, the plan will shut down not just the oldest Lorraine mills as has been widely publicized, but modern capacity installed in the 1960s as well. As late as 1975 it was still French government policy to foster the expansion of overall French steel capacity at sites such as the massive integrated steel complex planned for Fos sur mer.

**West Germany:** West German steel producers have been outspoken critics of the Davignon plan since its inception in 1977 — but from a largely negative "free enterprise" standpoint. The West German steel firms are currently fighting for a strong code for restricting state aid to steel companies. This reaction is warranted insofar as British Steel, for example, has taken advantage of subsidies to maintain antiquated steel capacity, but it hardly represents a positive alternative to the Davignon plan. West German firms such as Krupp have recently

grudgingly endorsed the Davignon plan for the short-sighted reason that it has limited imports.

The defensive behavior of the West German steel-makers is explained in part by the fact that West Germany's capital goods-oriented steel industry has been among the hardest hit in Europe over the last several years. One of West Germany's major markets, shipbuilding, is now operating at one-quarter capacity; in January 1979, 55 million dead weight tons were under construction compared with 225 million in the peak year of 1974. Today West German steel production is still at a level 25 percent below the 1974 peak.

The West German steel industry's other problem is heavy infiltration of British "free enterprise" ideology. A recent study by Wolfgang H. Philipp, former executive board member of Thyssen AG, predicted that European steel capacity will drop 10 percent by 1985. According to Philipp, the aim of EEC steelmakers is now merely to produce enough steel to keep their steel operations going, while ploughing back income into non-steel businesses: diversification.

West Germany steel participates in the Denelux steel cartel with Belgium and Luxembourg. This cartel within the Davignon cartel was set up prior to the 1975 crisis and includes price and market specialization arrangements.

**Belgium and Luxembourg:** In December, the Belgian government announced that it will assume an equity stake in about six of the country's largest steel companies. Job losses could be more than 12,000 out of

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permitting our private companies to have access to almost unlimited funds." Barba's responsibilities at Usinor are to direct the reconversion of steel jobs into other sectors of the economy.

Stoffaes, another outspoken opponent of French dirigist policies, told his audience of industry, union, and community leaders from the U.S. steel belts: "You can derive interesting conclusions from the experience of 30 years of government intervention in the steel sector in France. The situation is worse than in the U.S. — and we can incriminate government intervention."

Both in their public speeches and in corridor conversations, Barba and Stoffaes emphasized an overriding point: steelmaking in the advanced sector is in a state of irreversible decline. The market for steel is shrinking and will continue to do so, they claimed, and steelmaking capacity must adapt to this "reality."

The policy perspective put forward by Barba and Stoffaes at the SCC meeting willfully undermines the

thrust of the organizing efforts of French President Giscard d'Estaing and West German Chancellor Helmut Schmidt for a global industrial development program based upon the European Monetary System and European Monetary Fund. As Giscard's subsequent negotiations with Mexican President Lopez Portillo demonstrated, the intent of the French president and his cothinkers in the EMS is to actively create new markets and demand for steel and advanced sector capital goods in the developing countries.

It is clear that the dirigist policies attacked by Barba and Stoffaes are precisely what will be urgently required — on an expanded scale — to gear up and modernize advanced sector steel capacity to meet this global demand. And it is equally clear that a rationalization program of the type proposed by Messrs. Barba and Stoffaes, whose objective is the drastic reduction of overall steel capacity in the advanced sector, will abort the possibility of EMS/EMF development programs.