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German industry looks to makework plans as export markets collapse

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As West Germany's industry is being demolished, Europe's Social Democratic policy makers are coming forward with proposals, nominally attacks on the clearly disastrous effects of monetarist economics, which have the intention of eliminating all national sovereignty in determining economic policy. With ministerial meetings of the European Community (EC) and General Agreement on Trade and Tariffs (GATT) ending in total impasse in the face of collapsing world trade and debt crises, the Social Democrats are calling for a "new Marshall Plan" for both Europe and the developing sector.

This policy, like its predecessor (see *EIR*, Sept. 14), is not intended to rebuild industry. Rather than creating markets for advanced sector industrial products by solving the Third World debt crisis, just as post-war Europe could have been made a market for high-technology American exports, a renewed Marshall Plan, as one source stated, will create "a very gradual improvement in the economy—that way we will be able to develop new societal forms. One year of slow reemployment will solidify our program."

The success of the EC in facilitating trade, originally due to economic agreements between the governments of Charles de Gaulle of France and Konrad Adenauer of West Germany, is cynically being cited as a model for coherent economic planning in Europe. But such economic planning will be geared to phasing out, rather than protecting, industry.

In a classic "left-versus-right" gang-countergang operation, Europe's Social Democrats are proposing that they can carry out the transition to a post-industrial society more effectively and smoothly than the monetarists, such as Britain's Margaret Thatcher, have thus far been able to do. Their bid to the real policy makers, the ancient European financial oligarchy, for power to go ahead with the proposed renewed Marshall Plan is based on one factor: the ability to draw the European labor movement in behind the policy.

The card the Social Democrats have to play is a return to Keynesian government spending to create "interregional" policy-works programs.

Despite disclaimers such as "workers are not really so worried about layoffs any more since there are so many," they recognize the need to co-opt highly organized European labor in any plan to eliminate the sovereignty of national governments in economic policy-making.

The European Trade Union Council is currently planning an organizing drive throughout the winter and spring to convince the governments that "workers will now play a crucial role in Europoean economic policy making, unlike the 1970s when governments spurned them by using monetarism as a tool." The new tool to manage the drastically reduced European economy will be "very strong labor-market management" modeled on the Swedish system (see article, page 13).

The immediate policy to maintain any production is universal short time. "Thirty-five hours is our first target, but of course we are really talking about 30 hours or less. IG Metal is the union we work most closely with and they will propose work-time reduction. Conservative governments will agree because there is no other solution."

The collapse of world trade in 1982 is forcing the shutdown of export-dependent West German industry. The cooption of labor is essential to "managing" this industrial collapse and preventing the resurgence of any nation's commitment to an industrial recovery policy. This process is already underway in Germany, and the Social Democratic union controllers are proposing that they can spread it throughout Europe, "even without major changes of governments."

Cartelization of German industry

West Germany, the industrial leader of Europe, will clearly be the prime target for these labor-management controls. Since the Kohl government came to power in September, the decision has been made to cartelize industry, shutting down major portions of productive capacity and strictly limiting remaining production levels.

The one means to surviving the crisis brought on by export collapse, is financial diversification. With no moves being made to deal with the debt crisis and re-open developing sector markets, any firm which is able, is pulling together a "war chest" of liquid assets to meet coming domestic and international bankruptcies. Cutting all expenditures—main-

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tenance of plant and equipment and labor—is the only means many firms have left to create this liquidity.

Two of the worst-hit sectors have been steel and machinery. A poll carried out by the business daily *Handelsblatt* in mid-December reports that the large German steel companies now have 70 percent of their workforces on short time—which means only 30 to 40 percent of regular production for that group—in contrast to previous official statistics of just over 50 percent. Most companies are now predicting that this situation will continue into 1983—a prediction which does not even take into account that the collapse will escalate.

Steel managers base their estimates on production of 35-36 million tons in 1983, which is the overall figure for this year. But current production rates are a miserable 28 million tons per annum. *Handelsblatt* states that current steel production capacity is too high by 25 to 30 percent.

The *Handelsblatt* poll shows an emergency situation for the steel industry. Thyssen, which has led the other steel producers in diversifying out of production, with the long-term policy of dominating a cartelized, severely reduced steel sector, has 29,000 out of 51,000 workers on short time as of December. One Thyssen manager called the situation the "worst phase of declining orders in the steel industry in the post-war period."

Krupp Steel recently laid off 3,600 workers at its Rheinhausen plant, to "avoid endangering the entire firm." Department heads and middle-level management are on short time, in addition to most of the firm's workers. Three other large-size producers, Hoesch in Dortmund, Salzgitter and Klöckner, are all on 56 to 70 percent short work.

Machinery

The German machinery sector remains the largest employer in the economy, with 1.064 million workers. Overall reduction of the workforce has been only 2.5 percent in 1982, but short work has increased over the same period by some 120 percent, from 75,000 in 1981 to 123,000 at the end of 1982.

The only factor which maintained employment even at these levels was an overall real increase in orders by 4.5 percent over the past year. But the September-October downturn means that machinery will follow the steel sector in a precipitous collapse of production, currently with a four-month lag time. Incoming orders for October 1982 are 26 percent below those of October 1981 on a price-adjusted basis.

To meet this decline in production, a self-cannibalizing process is under way in the machinery sector. The firms themselves are already projecting overall investments in this area to have dropped by a rate of 5.5 percent by the end of the second quarter, and, through the September-October period, to an annual rate of decline of 8 percent.

Bankruptcies of machinery and machine-tool producers are widespread; those avoiding bankruptcy are doing so only by the drastic means taken by Gildmeister AG of Bielefeld, the largest single machine-tool producer in West Germany. Gildmeister, with a current workforce of 2,800 workers, will be down to 2,200 workers by the end of 1983, by its own projections. The firm recently announced a "cooperative" agreement with another firm, Pittler, which will lay off 50 percent of its own workforce beyond the 25 percent laid off in 1982. Gildmeister will now proceed to buy the 24 percent of Pittler currently held by the Dresdner and Deutsche banks.

The entire West German machinery sector is 60 percent export-dependent, with the more important high-quality machine-tool sectors up to 75 percent dependent on exports. This situation has intensified since the mid-1960s, when the sector exported only 45 to 50 percent of its production. The oil crisis forced the jump in exports throughout the 1970s, yet failure to develop long-term industrial markets in particularly the OPEC nations created the current disaster. When Economic Cooperation Minister Jürgen Warnke announced Dec. 2 that West Germany would no longer aid developing nations with "disproportionately high military budgets" and that "there will no longer be steel works built, no more prestige projects" in the developing sector, he was merely announcing Germany would follow the Third World into debt-created industrial collapse.

As for the rest of German industry, in the automobile sector, 97,000 workers are currently on short time, which is 7 percent higher than the figure for September, and a five-fold increase over the first two quarters of 1982.

Production actually increased by 7 percent over 1981 in the first 10 months of 1982, but 58 percent of the 3.45 million units produced were exported. This means a 14 percent increase in export-dependency for the sector.

The bottom fell out in October. Production fell by 3.7 percent and exports fell from previous rates of expansion to just 1 percent. For passenger cars, production declined by 18 percent in October, and exports fell by 16 percent. Yet the 175,700 units exported is still close to 60 percent of total production, setting up the passenger car industry for even more precipitous declines as world trade shrinks further.

In the chemical and refinery industries, the precipitous October decline meant serious financial losses. BASF refinery operations lost some $120 million in the third quarter alone. Refinery production is dropping by 10 to 15 percent and 50 to 60 percent of employees are on short work.

German chemical production dropped to 8 percent below that of September 1981. Hoechst profits fell by 24 percent in the first three quarters of the year, and the firm is now operating at 63 percent capacity.

The other high-technology sectors, electronics and aerospace, are being dismantled. Following the August bankruptcy of AEG-Telefunken, that firm is in the process of losing a full 50 percent of its workforce. AEG was one of Germany's 10 largest companies. Aributt has cut its estimate of airplane sales for 1983 down by 50 percent. As follow-up sales fail to materialize, R&D teams are already slated for layoffs.