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## Interview

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# Kurt Schrade on Japan and Volcker

*In Part One of this interview, Kurt Schrade, chairman of the factory council at the Estel-Hoesch steel plant in the Ruhr city of Dortmund, West Germany, discussed the need for a direct-reduction facility there, the destructive international consequences of high U.S. interest rates, and the complementary relationship that could emerge between an industrializing Third World and a West Germany entering the high-technology frontiers. Mr. Schrade is a member of the Helmut Schmidt wing of the Social Democratic Party, and a member of the IG Metall metalworkers' federation. A year ago he played a leading role in organizing a Dortmund demonstration of 70,000 in favor of modernizing the steelworks. What follows is the second and final portion of the interview, which was conducted by EIR correspondents Ortrun and Hartmut Cramer in Dortmund on Oct. 19. Emphasis is in the original.*

**Schrade:** [As Third World countries develop,] we ourselves will still need to retain a certain raw-materials industry, however, and it must be clearly recognized that we'll be unable to keep it at its present scope, because it will continue to become cheaper to produce steel—and eventually, of necessity, to produce manufactured products—on the spot, where ore and oil are immediately available. We have to recognize this transformation. That does not mean that West Germany and other European countries have to become agricultural outposts. I know that we have a great head start in the field of technology, and at any moment we can put it to use: all that is required is the will to do it. I think this would be the most natural thing in the world.

**Cramers:** In the recent period, the Japanese have been exporting high-quality goods at relatively low prices, because they have kept automating their production processes, and at the same time, they have provided their

big trading companies with extensive export credits at favored interest rates. In the American economy, where the modernization of the steel and auto sectors has been neglected, the demand has increased for restricting Japanese imports because of the crisis. Do you think such moves are justified?

**Schrade:** This is the question that is not only facing West Germany—after thinking it over, I believe that above all, it faces the U.S.A. I have never been able to understand why it is that the Americans, who have flown the banner of the free market, have for years been all worked up about the trigger prices, and why it's squirreled itself behind the "anti-dumping clauses." I can understand how the Japanese can promote their products more cheaply in other countries under the principle of free trade. West Germany—and this is really our problem—can't slam the door on Japan; we could do it, of course, but if we act that way toward the Japanese, we would have to do the same with every other country, shut off the market, not import any longer, or import less.

At the moment, the Japanese have acted toward us such that, as far as the steel sector goes, they have made a pact with the Brussels Commission [of the European Community] to limit their exports, and discount their prices at a pre-arranged level, I believe only 5 percent, under the market price. Japanese exports aren't the problem of the European steel industry at this point; basically, the Japanese have pulled back. We know that they are operating at only 60 percent of capacity, and yet—that's how things are in Japan—they are still very productive at the low level, which has to do with their mode of production. It is a totally unsatisfactory fact that German industry cannot move into the Japanese market, because of the barriers thrown up from Japanese side. Whether this situation will persist is another question. Certainly the Japanese are making trouble for entire sectors of industry, but, for *ordnungspolitischen* reasons [reasons of well-regulated foreign policy] as we say here, it is not possible to slam the door on them.

German companies have to ask themselves the following question: what function did they, or even the Americans, have after the Second World War? They reached the highest level of technology and research here, and they were in the position the Japanese have now vis-à-vis certain products. Today the Japanese have taken this role away from the West Germans, and, in my view, even from the Americans, on a world scale. This puts into question the abilities of our managers and businessmen. I have always said that there are so many young meatballs running around here, earning a God-awful fortune, who basically don't know how to do their job at all. To that extent, the Japanese ability to react to markets and react to situations is no excuse for the incompetence of Western European managers and Western managers overall.

**Cramers:** In recent months there have been intensive negotiations over the natural gas pipeline deal between the Soviet Union and several Western European countries, and there has been sharp public discussion in Europe and the United States about it. The economic advantages of the deal are obvious. What in your opinion, is the political significance of the deal, and of the whole question of East-West trade?

**Schrade:** There has been a catastrophe in that relationship, I would use that term. The Federal Republic hasn't been destroyed, but the [1964-72] embargo on pipeline exports had a horrible effect on pipe production here in West Germany. You can re-read management's statements on the subject at the time. The fact that we couldn't deliver the pipeline, and it was sitting around here, because it couldn't be sold, that we could cope with. But the Soviets put through their investment plans, the British jumped in and the Swedes, too.

Therefore, it is absolutely out of the question that now the Americans will dictate to the Federal Republic that we give up the pipeline deal. I think that, in light of our experience, the Soviet Union is at least as reliable a business partner as all the other Western partners, in terms of fulfilling their commitments and deadlines, and I consider it legitimate for the West German industrial state to reach this deal with the Soviet Union, in order, as we put it, to have more than one leg to stand on. History and experience show that if a country is prevented from doing business with the Soviet Union, other countries take the opportunity. Nobody in West Germany, especially not the workers, complains any more about making sales to communist nations. One can forget that in West Germany; ideology has absolutely faded away—things were very different in the 1950s.

I think that in general, trade automatically creates a different political climate than this whole embargo policy did. We experienced that in the immediate postwar period. The embargo policy was not only directed against the U.S.S.R., but against all the Eastern European nations. We cannot, we must not repeat that, because in the final analysis we are immediately affected if the political climate is disrupted in such a way that one day, for reasons having to do with keeping the peace, we have increased problems—in any case, more problems than those who are far away from Europe. Therefore the pipeline deal ought to be wrapped up as fast as possible, because it means that jobs will be saved for thousands of people here over a period of *years*: this is no fly-by-night arrangement. I'll refer again to the pipe embargo; according to statements by our management, not only the fact that deliveries were halted that caused us such trouble, but also that the breach of contract with the Soviets inevitably had the effect of freezing follow-up deals, so West Germany was cut out of that business for years.

**Cramers:** In discussions of the question of war-avoidance, currently there are three tendencies. One is to hope that peace can be maintained through the strongest possible deterrence, that is, rearmament; others believe that their goal can be primarily reached through disarmament negotiations. And finally, a third group, to which Chancellor Schmidt belongs, takes the view that world peace can only be secured through economic development and *political* stabilization of crisis-points, while maintaining the balance of military power at the lowest possible level. Which do you consider to have the most potential for success?

**Schrade:** On this question I agree with Helmut Schmidt. It is an illusion to believe that one side can or will have a rapid arms buildup, and the other side will act as if it weren't affected. I believe that on both sides, West or East, we have to accustom ourselves to living with a daily military threat. The problem is: how do you define military balance? I once found a simple formula: if we already have to live with the thought every day of being wiped out, then it would actually be sufficient to have an arsenal that would destroy the target population *once*—a person dies only once—and not, the way it is in the world today, seven or eight times. I believe this is no longer a question of security; in my view, it only has to do with the fact that the lobby on both sides—on our side it is a certain economic lobby, perhaps also a political one; in the Soviet Union is certainly the military—is fueling this arms race. That arms race is using up the biggest portion of our national product without reproducing goods consumed. I have never seen one tank produce another tank; my only experience is that it is produced in order either to be worn out or thrown away, and replaced by a new one. There is one thing I do *not* agree with the Chancellor about, because I believe that our defense spending is simply too high. I also believe that a lot is wasted; take the case of the Tornados. Think of how many billions have been thrown into developing it. I am of the opinion that the job of our politicians to make sure that if money is poured into weaponry, that it isn't going into turkeys.

I certainly think that Chancellor Schmidt, as he himself has said, is conducting a peace policy—I want to fully emphasize that. But there is a difference of opinion about what is necessary for peace, and what is necessary for stabilizing the balance of forces. It's simply impossible not to have a considerable divergence of opinion if you consider that roughly one-sixth of the federal budget is spent on armaments, which in actuality is absolutely ineffectual as a full-employment policy.

**Cramers:** You are doubtless aware that in recent weeks strong opposition has come together in the United States against Paul Volcker's high interest-rate policy. Con-

gressmen have submitted bills, and union leaders, farmers, construction-industry spokesmen, auto real estate dealers, who are all being ruined by the rates, have held demonstrations—on the model of what you have done in Dortmund—and demanded preferential credit for maintaining and expanding production. What do you anticipate from these developments in the United States?

**Schrade:** I can understand my American colleagues, since I presume that the situation in America is even worse than in Western Europe, I can understand it if they are saying in a big way that this high-interest policy has to be ended as fast as possible. As workers, I think we are all of one mind with our counterparts wherever they may be, that unemployment cannot come down until interest rates come down. In the case of the Federal Republic, we currently have 1.3 million out of work. If we don't want to find ourselves stuck with 3 or 4 million unemployed by 1990, we have to have economic expansion.

In the case of population policy, we are not expanding at all; we are regressing. Fewer and fewer people are being born in West Germany; we are growing smaller, and unemployment is getting bigger and bigger. That is not only a question of diverting tax revenues into weaponry, that is undeniably the question of a handful of people being in a position to speculate, to drive up interest rates, and to block economic development. We haven't yet had any demonstrations here for lower interest rates, but I think the working people all over the country will make it very clear to the government that rates have to come down. In all the DGB unions and employees' association, this is being constantly discussed.

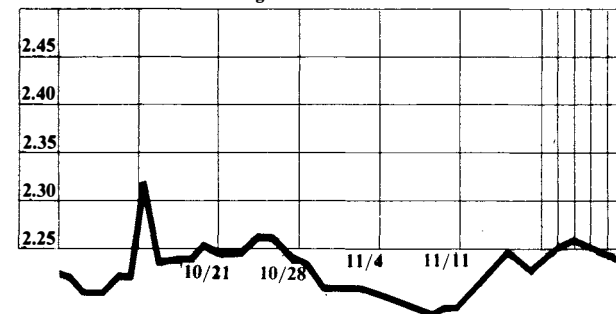
What hits very close to home, in addition to our jobs, is the housing issue. As you know, workers have quite a strong inclination, whenever it is possible, to build their own little homes; for years, even the workers in our plant have been unable to move ahead on a policy of one-family homes; it is almost impossible to build your own house, only a millionaire can do that here. The little guy who has saved and put his savings into a home-loan bank, then finds out that he cannot build if he has to pay 10 or 12 percent for a mortgage—he simply cannot afford to pay it. A lot of co-workers who even two or three years ago started to build have now had to get rid of their houses.

Therefore it is indisputable: the question of interest-rate policy has got to be clarified as fast as possible for reasons of employment policy. Ultimately, the result of that kind of policy of funneling capital where it gets the highest return, on the basis of speculation instead of investment, can only be total economic chaos. The workforce in every country cannot tolerate that over the long run, and I can imagine that in the future, we will have essentially far more massive political reverberations here, as well, on the issue of high interest rates.

## Currency Rates

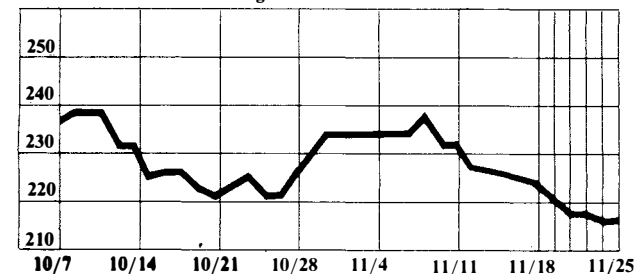
### The dollar in deutschemarks

New York late afternoon fixing



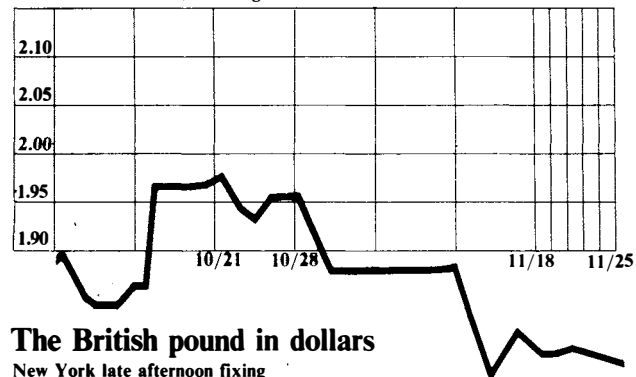
### The dollar in yen

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing

