
German Steel Industry

Hoesch: 'Japan is our growth model'

by Hartmut Cramer from Dortmund

The world economic crisis has hit the Ruhr steel city of Dortmund hard. The European Community's Davignon plan, named for EC Steel Commissioner Count Etienne Davignon, has imposed a shutdown of "excess" production capacity and exports throughout Europe. The Plan separated specialty steel production from that of carbon-steel, and cut carbon-steel production 18 percent in 1980 and an additional 25 percent in 1981. In Dortmund, crude steel production fell from 10 million tons in 1979 to 4 million tons in 1981.

The industrial collapse of Dortmund began in 1978 when almost 40,000 workers were laid off after steel plant and coal mine closings. Subsequently, Socialist International leader Willy Brandt commissioned several studies that called for replacing Dortmund's heavy industry and creating "more manageable" handicraft industries for the "overly skilled workforce." A May 1980 report by the German Marshall Fund suggested that Dortmund become a model of "planned economic transition." The German-Dutch firm Estel-Hoesch, formed in a 1972 merger, lacking the specialty steel capacity that has sustained other German steelmakers, was particularly vulnerable to the planned collapse. 23,000 workers are employed by the firm, and every third job in the area is directly or indirectly dependent on the steel industry.

In November 1980, the firm announced that it could no longer carry out its 1979 agreement with the trade unions to build a new oxygen-process mill to compensate for the layoffs of 4,200 workers due to the closing of obsolete facilities. On Nov. 29, 70,000 workers, their families, and local businessmen staged a mass demonstration to demand the building of the plant. The Mayor of Dortmund at the time compared the mobilization of the city to what occurred in post-World War II Germany, when entire families lay down on their machines to prevent the British occupying forces from dismantling the steel industry.

A unique collaboration among the unions, management representatives, political parties, and the city council gave rise to a series of "Hoesch conferences" during 1981, aimed at ensuring the construction of the new steel capacity. The state administration in Düsseldorf and the

national government in Bonn committed themselves to supplying half of the necessary DM 550 million credit for the new plant. And a policy for infrastructure development was put together at the same time. Dortmund is not located on the Rhine, and its only means of industrial transportation is the 19th-century Dortmund-Ems canal. The entire lock and sluice system of the canal will have to be modernized for the transportation needs of the 1990s.

On Dec. 14, 1980, the Dortmund city council passed a resolution calling not only for the new steel plant and canal, but also for building a nuclear power plant to support economic development of the area.

It is no secret that Chancellor Helmut Schmidt, whose strongest political base is in the industrial Ruhr, intervened personally to effect a constructive solution for the Dortmund situation. The local politicians of Schmidt's SPD were engaged in intensive behind-the-scenes discussions on the necessity of introducing a gold-based economic system, and industrial development of the Third World, as the only means of ultimately stabilizing the economic situation for the export-dependent Ruhr.

On March 21, *EIR* correspondent Hartmut Cramer interviewed the technical director of the Estel metallurgical plant in Dortmund, Dr. Consemüller. His report follows.

Hoesch management is sensible enough to identify the current world economic situation as responsible for the problems in the steel industry. In 1974, the absolute boom year for the steel sector, extremely optimistic forecasts were made for the future, which went out the window a year later because of the economic "disaster." For seven years, the Hoesch firm has suffered losses from its steel operations because of the depressed international economy and the resulting anti-competitive subsidies and dumping practices of various nationalized steel producers. For seven years, these losses had to be covered by profits in the "healthy" divisions of the company, the milled steel products, which made modernization and new investment impossible. At the same time, the firm was confronted with the fact that England, France, and Belgium were keeping their steel plants, which are obsolete compared with Germany's, above water by means of increased subsidies, to make them "competitive," at least as far as prices were concerned. In this situation, when expansion was out of the question, the company's management had to choose between concentrating on steel production in Dortmund and modernizing it, or pulling out altogether.

"We have decided to maintain and modernize the steel industry in Dortmund," said Dr. Consemüller, explaining with the help of a map the scope of the problem and the solutions found. Hoesch was formed in the 1960s from three steel companies scattered throughout Dortmund; then the decision was made to

build one modern continuous casting plant and one equally modern oxygen steel plant. "By concentrating the entire production in this one location, we can achieve an optimal result with relatively less effort."

A second advantage the company saw was the quality and expertise of the workforce—a way of thinking typical of this region. "We have here a labor force that is highly qualified and knows how to work. Steel production is no easy job and therefore you need people you can rely on. The quality of the labor force and the know-how available here were decisive reasons for sticking with the Dortmund steel location."

Substantial progress toward the agreed-upon concept was made through the "Hoesch conferences" and numerous discussions involving all concerned parties. On March 14 it became known that, following discussions with Chancellor Schmidt, financial subsidies for construction of the continuous casting plant by Hoesch would immediately be available. As the Chancellor stressed, "A clear investment signal was given to the German steel industry."

Division of labor with Krupp

Not only Hoesch had suffered from the worldwide steel crisis. Similar deliberations on reorganization and modernization were underway for other steel firms, like Krupp in neighboring Bochum. The idea arose of coordinating the investments of the two companies and introducing a division of labor that would do away with the weaknesses of each and create a big, competitive steel company, provisionally called "Ruhrstahl." One steel company would exist in Dortmund and Bochum, shared 50-50 by Krupp GmbH and Hoesch AG; it would be the second largest in Germany with annual production of about 11 million tons.

In steel production Hoesch will concentrate on alloys and surface-treated sheet metals, since it is considered the world's best in this area, while Krupp will cover high-grade steel, in which it is particularly well qualified. "We have to each concentrate in those areas where we are absolute pros," explained Dr. Consemüller. They anticipate therefore that this cooperation and later fusion merger will also mean profitable orders for large construction projects.

The Japan model

When the subject of Japan came up, Dr. Consemüller revealed that the modern continuous casting plant which, for about the same costs, works much more efficiently than conventional methods, comes from Japan, and is built in Germany with Japanese licenses. Dr. Consemüller views the Japanese steel industry as a model. "The Japanese modernized and automated early on, and that is why they are now so good and cost-effective."

Dr. Consemüller does not give any credence to the argument that Japanese industry is so competitive because wages are low. "It is Japanese 'cooperation' which is so attractive. There is no antagonism between capital and labor there. Before a final decision is made in an important area, there are plenty of discussions from top to bottom and bottom to top throughout the enterprise, and every idea and suggestion has been scrutinized for its quality and viability. That is why Japanese industry is so competitively strong."

Dortmund, like Japan, has no intention of treating its steel industry like a "sunset industry." "We will not chop off the limb we are sitting on. Without a competitive steel industry, the whole milled steel products division is not viable," he says.

Perspectives for the future

Although confident about the possibilities for reorganization of the company and securing steel production along the lines already discussed, Hoesch remains cautious on the question of the potential of the world economy and the possibility of financing the clearly recognized worldwide demand for the goods produced here. Referring to the steel quotas imposed from Brussels, Hoesch people stress again and again that production should be modernized, but nonetheless contracted, and that the company has no influence on the restoration of world economic and financial stability.

Hoesch perceives clearly that a great chance for the future lies in exports and in the industrialization of the developing sector. They are delighted to be participating in the construction of a steel works in Nigeria and the training of the specialists and technicians who will operate the facility. They see no danger that the developing sector will become a rival in the production of carbon steel, since they know that their own technological lead in specialty steel and certain kinds of carbon steel, and particularly in plant construction, is big enough to allow them to march at the fore and draw the others behind. Cooperation with Krupp promises additional advantages in plant construction and exports, in which Krupp has a leading position internationally.

One gets the impression that the managers here are waiting for an opportunity, that they have equipped their enterprise with the latest facilities and thrown the switch to the future, in order to be out in front when the decisive moment comes.

Asked whether it is unique, in the midst of the current steel crisis, to be discussing in a rational and future-oriented way the reorganization of the steel industry, the saving of jobs, and to be introducing practical measures to implement these goals, the response is: "Whether what we are doing here in Dortmund now is unique or not, I don't know. But it is the only solution, that is for certain."