German steel boss calls for “German raw materials corporation”

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Ekkehard Schulz, the outgoing chairman of the steel group ThyssenKrupp, has called for the setting up of a “German raw materials corporation” to counteract skyrocketing prices and the growing shortage of raw materials on the world market.

Schulz, who is moving to join the supervisory board of the ThyssenKrupp Group at the start of 2011, presented his proposal at a meeting of the steel industry giant in mid-November 2010.

The aim of the “German raw materials corporation” is to support the German steel industry in the global procurement of raw materials, particularly iron ore and coal. The umbrella company is to be involved in mining projects or the auction of mining rights. At the same time, it would be open to other industries that need products such as aluminium, copper, lead or zinc.

ThyssenKrupp Steel, the largest German steel group, has been heavily affected by the soaring prices of the mineral ores needed for steel production. The three major international ore suppliers, Vale, Rio Tinto and BHP, have enforced a change in the pricing system for iron ore. Since the spring of 2010, the former practice of annual bargaining over prices has been replaced by quarterly price negotiations. This has resulted in price increases of up to 90 percent, reducing the profit margins of steel producers and complicating their bookkeeping.

The other big German steel producers have reacted with reservation to the proposal made by Schulz. A spokesman for Arcelor Mittal, the world’s largest steel company, said it would examine the proposal, but controls “its own raw materials division, which is relatively strong.” Another problem arising from the merger of the purchase of raw materials is that competing companies would have access to the books of their competitors in order to provide calculations for purchases.

The establishment of a “German raw materials corporation” would also raise anti-monopoly problems. The possibility of realising the project is currently being discussed at a political level by the German government and the Federal Association of German Industry.

Federal Minister of Economics and Technology Rainer Brüderle (Free Democratic Party) supported the initiative for a “German raw materials corporation”, but rejected a minority share-holding by the government, as suggested by Ekkehard Schulz. The state can only help with guarantees and warranties.

“The procurement of raw materials is the industry’s responsibility. A partially government-owned raw materials company does not fit into our economic system”, Brüderle said, referring to the state-owned enterprises (VEB) of the former GDR.

In an interview with the *manager-magazin,* Schulz referred to the current situation in the commodity markets: “The mining giants dictate to us their prices, the Chinese are buying up the entire world, and speculators can be found everywhere in the commodity markets—in my opinion the term threatening underestimates the situation.”

Later in the interview, Schulz demanded a pan-European strategy for raw materials and argued that the EU had failed to challenge the “raw material imperialism of the Chinese” and establish the necessary political relations with Africa. “We are simply leaving the field to the Chinese”, he complained, and asked, “Why should Africa be left to the Chinese?”

Schulz’s belligerent choice of words reveals the geopolitical implications of his proposal. The formation of cartels and monopolies, aimed at both the procurement of raw materials and the domination of

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markets, was a key feature of the imperialist stage of capitalism, which in 1914 and 1939 resulted in two world wars.

In his analysis *Imperialism, the Highest Stage of Capitalism*, Vladimir I. Lenin wrote: "[M]onopolies have stimulated the seizure of the most important sources of raw materials, especially for the basic and most highly cartelised industries in capitalist society: the coal and iron industries. The monopoly of the most important sources of raw materials has enormously increased the power of big capital, and has sharpened the antagonism between cartelised and non-cartelised industry."

Lenin then noted the link to the outbreak of war in 1914, which "was imperialist (that is, an annexationist, predatory, war of plunder) on the part of both sides; it was a war for the division of the world, for the partition and repartition of colonies and spheres of influence of finance capital, etc."

Schulz's proposal tends in the same direction. When a government-supported German or European raw material monopoly seeks to "ban the Chinese from Africa" (in Schulz's jargon), it will have no choice but to use military means. Schulz is openly calling for an imperialist policy, which is quite prepared to resort to military measures against China or other countries in order to secure resources and spheres of influence.

Lenin had also referred in his book to the connection between imperialism and opportunism. Monopoly profits for the capitalists of individual countries at that time enabled them to buy off and win over to the side of the bourgeoisie the bureaucratic leaderships of the trade unions and workers' parties.

Entirely in line with this analysis, it comes as no shock to learn that today's trade union representatives line up enthusiastically behind Schulz's proposal. While the federal government and other companies are hesitant about supporting a "German raw materials corporation", no such reservations are shared by the ThyssenKrupp works council and the engineering union IG Metall.

The chairman of the ThyssenKrupp Steel works council, William Segerath, praised Schulz's initiative at a congress of 350 councils held in November in Duisburg. According to Segerath, a raw material corporation with the involvement of the federal government and all German steel producers was the right way to respond to the threat of speculation in commodity prices.

Back in March 2010, the central works council of ThyssenKrupp Steel and IG Metall had put forward three demands as part of their so-called Duisburg Appeal: "Stop the speculators", "Fair competitive rules and a consistent approach towards commodity cartels" and "Securing the future of industrial Europe and maintaining our jobs".

The appeal was addressed to Chancellor Angela Merkel and European Commission President Jose Manuel Barroso and was supported by a so-called European day of action in April of this year. To underline its support for this policy, IG Metall transported more than 6,000 steelworkers to rallies held in both Duisburg and Brussels.

The appeal noted that in the course of the recent global economic crisis, more than 50,000 jobs had been wiped out in the steel industry across Europe: "With instruments such as short-time working in Germany, the works councils, employers, unions and political circles have ensured that the majority of jobs could be secured in the steel industry. The potential resulting from cost-cutting programmes and downsizing has been completely exhausted, especially after the recent restructuring in the steel industry."

Amongst the first signatories of the "Duisburg Appeal" were Berthold Huber, the chairman of IG Metall, and Sigmar Gabriel, the chair of the Social Democratic Party. This line-up recalls the previous calamitous collaboration of the SPD and trade unions, which in 1914 had sought to pit workers in one country against their class brothers in other European nations, thereby initiating the first world war of the twentieth century.

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