Opera Mundi EUROPE

A WEEKLY REPORT ON THE ECONOMY OF THE COMMON MARKET

LT AS JB NT EL 138 D

CONTENTS

THE WEEK IN THE COMMUNITY
October 6 - October 12, 1969

October 16, 1969 — No 534

Opera Mundi EUROPE

A WEEKLY REPORT ON THE ECONOMY OF THE COMMON MARKET

© PUBLISHED AND PRINTED BY
EUROPEAN INTELLIGENCE LIMITED
EUROPA HOUSE, ROYAL TUNBRIDGE WELLS, KENT, ENGLAND
TELEPHONE: TUNBRIDGE WELLS (0892) 25202-2
TELEX: 95114

By arrangement with OPERA MUNDI, PARIS

EUROPEAN INTELLIGENCE

Editor: C. Bearne
News Editor: H. H. Hudson
Managing Director: V. H. P. Lynham, DSO, OBE

OPERA MUNDI EUROPE: 100 Avenue Raymond Poincare - Paris 16e
Telephone: KLE 54-12 34-21 -CCP Paris 3235-50

SWITZERLAND: 54 Rue Vermont, Geneva. Telephone: 33 7693

ITALY: 72 Corso di Porta Romana, Milan. Telephone: 540. 301-540. 309

BENELUX: 4 Boulevard Anspach, Brussels. Telephone: 18-01-93

SUBSCRIPTION RATES

U.K. Eire and Sterling area £75 one year, £40 six months.
U.S.A and Canada $250 one year, $135 six months, including airmail.
Other countries at local equivalent U.K. rates.

TRIAL SUBSCRIPTION

£25 or $85 six months

THE WEEK IN THE COMMUNITY

October 6 - October 16, 1969

ENLARGEMENT

Rey Does His Thing

The EEC Commission having published its updated report on the enlargement of the Community (see No 533, p.19), it last week produced an important annex to this document in which it broaches in more detail some of the most delicate questions raised by Britain's candidature. His Executive having heated the iron for the Council debate this Friday and Saturday by the timing, coincidental or otherwise, of this report, M. Rey has struck it resoundingly in the past few days with his comments on the state of the Community, the prospects for Britain and the components we may expect to be thrust into the package deal that seems certain to be forged by the end of this year. Never before, and M. Rey is not given to mincing his words, has the Commission President thumped the tub quite to histrionically on the fraught question of overall Community progress.

The Commission's stand is far more clear now than it was two years ago: enlargement is not a matter that has to be weighed against the strength of the Community any more - it is seen as part of the quest to increase that strength. This must be the basic certitude behind M. Rey's comments at his press conference on October 14: he seemed to have no qualms about asserting that negotiations for British entry would be under way by next spring, and that there was no danger of any opposition or veto this time. What was perhaps surprising, however, were M. Rey's remarks about the compromise that is undoubtedly being concocted in government offices around the Community. It seems almost certain that the balance of interests between the Six will see this through the Council, but whereas it would have been quite reasonable to suppose that a "tit-for-tat" deal - promises for French farming weighed against a go-ahead for entry negotiations - would be more than enough to keep the ministers working at full pitch, M. Rey now intimates that everything is going to be brought into the deal. Prayers for the stamina of the Council might well be in order if, in addition to these two mighty problems, it finds itself involved in coming to terms, all in the same overall compromise, with the common commercial policy, the redemption of Euratom (see this issue), and monetary harmonisation. With only two-and-a-half months to elapse before the end of the transitional period, these matters are every bit as critical as the enlargement question, but there is something truly daunting about the idea of forcing them all together through the same ministerial mincing machine.

Turning to the enlargment report, the main significance of the annex now published is its provision of at least some guiding figures relating to the admission of new member states. In particular, it offers us its estimate of the increase in the cost of living for Britain, and its calculation of the total cost of the C.A.P. in an enlarged EEC. As to the first, it takes a middle-of-the-road line, and plumps for an added burden to the British cost-of-living index of about 3.5%, taken on over the course of a transitional period, in addition to any "natural" cost of living rise that might occur during that time (the most extreme estimate of the British rise in C.O.L. during the past five years is of about $4\frac{1}{2}$% per annum). Moreover, it contends that, while many staple food items would go up in price in Britain during entry, others would in fact remain stable (notably drinking milk, fruit, vegetables, mutton and lamb), and one or two, eggs and potatoes for instance, might actually become cheaper.

There still remains what in Britain is the chopping-block of the whole issue - the actual "bill" for EEC membership as such, and like all more temperate bodies concerned with this issue, the Commission leaves well alone here: indeed, there are too many variables involved to make any real assessment - it all depends on what happens in negotiations. However, what the Commission does do is give its estimates of the future cost of the farm policy itself. It suggests that if the Six go on along present lines, they will, by 1973, be spending some $3,285 million a year on agriculture, or if there were then ten member states, some $3,750 million. This compares with the $2,200 million or so that will be spent this year. Should the Council decide to press ahead with restructuring, broadly along the lines proposed by Mansholt, then if there were still six member states, the cost by 1973 could be expected to rise to around $3,600 million, or in an enlarged Community to about $4,200 million. With restructuring, of course, the upwards trend would eventually, it is hoped, be completely reversed, as agriculture became something more akin to a "paying proposition" to the economy at large. What these comparative figures mean for the EEC in fact is that with six member states the annual rise in the cost of the agricultural policy, including restructuring would be around $400 million, and with ten members about $600 million. Just how much of the $4,200 million would have to come out of British pockets, as far as the Commission is concerned, is strictly a matter for the negotiators, although it does of course stress that "there should be no dogmatism" over the C.A.P., and that the candidates should not be expected to "swallow" the policy in its present form (indeed, none would). For Britain, a ceiling to farm fund contributions should be fixed, as it was for Germany. The latter now pays 31.2% of the contributions to FEOGA, compared with the 28% laid down in the Rome Treaty. France pays 32%, compared with 28%: the change was made two years ago to alleviate the burden on Italy. The actual sums disbursed are of course different, as they vary according to each member's levy contributions, resulting from food imports outside the common external tariff barrier (hence the loaded question of Commonwealth imports).

Other topics cited in the annex are Britain's nuclear know-how, and differences in industrial and trading policy (such sectors as textiles might be affected by discrepancies in the latter field). The nuclear question is prey for the anti-market element in Britain, who immediately siezed upon this point to proclaim that revelation of British nuclear secrets was yet another forfeit for membership. What the annex in fact says is that a fair exchange of know-how would be in order: indeed, for efficient running of Euratom, always supposing that that organisation survives its present trauma, such exchanges would be absolutely essential. If the common commercial policy is in fact wrought in the coming compromise deal, then the tailoring of British policy to this will of course be duly included in the agenda for the entry negotiators, and will be phased in as part of the transition process.

ECONOMY

Paris Wants Quick Mark Decision

The decision by Bonn to suspend the 4% border taxes imposed last November, which was announced last Wednesday, pending a future decision as to the new value of the DM was not altogether unexpected, even though it represented a last fling by the outgoing Christian Democrat members of the German cabinet, who led by Chancellor Kiesinger and Finance Minister Franz-Josef Strauss outvoted their former Social Democrat cabinet partners. Herr Strauss maintained that with the floating rate for the DM hovering around the 6.5% - 7% level, it meant German firms were facing the equivalent of a 10% revaluation. In fact the suspension of the border taxes lasts only until December 1, although by then a new rate for the mark should have been fixed. There remains the matter of the size of the revaluation. Previously around 6.5% had been favoured with a maximum of 8%, but if this was now adopted, it would do little more than put matters back where they stood previously, thus giving little advantage to foreign exporters. A 10% revaluation would provide a 6% benefit which given economic trends inside Germany might be sufficient to stimulate imports.

A special meeting of the EEC Monetary Committee was held last Saturday, to authorise the suspension of the border taxes. The Committee is to meet representatives of the new German government - in which the Finance Minister will probably be Herr Alex Moller of the SPD - on October 25, and this has led observers to suggest that the new rate will be fixed in time for the opening of the markets on Monday October 27. The suggestion that the new rate will not be fixed until the end of November is discounted in most quarters, for if that were true, the new coalition government would be faced with considerable pressure to remedy the situation. It is however possible that the new rate will operate with a wider margin (e.g. 1%) compared with the previous figure of 0.75%.

The threat of the mark floating after the end of October or permanently as suggested by the "four wise men", as well as an "inadequate revaluation" must be causing concern in Paris, where the franc is continuing to undergo a difficult period. Since most governments tend to err on the side of caution, too small a revaluation cannot be ruled out, and at the beginning of this week the Bundesbank, whose president Dr. Karl Blessing is a staunch supporter of fixed rates, suggested that the new government might choose too small an increase. The franc, which has been under pressure since before the German elections, took a further blow last week when it was announced that the trade deficit for September was F 1,570 million - a cover rate of 80.2%, compared with 86.3% in September 1968, and 78.8% in August of this year (French statistics assume that exports balance imports when the cover rate is 93%). A further devaluation of the franc is always a possibility, and a lot depends on the size of the German revaluation. Such a move by France would however have serious consequences for the EEC, as well as bringing down other currencies in its wake.

* * *

FINANCE

Hougardy Calls For Fixed Rates

During the recent joint session of the European Parliament and the Consultative Assembly of the Council of Europe, M. Hougardy, a Belgian Senator, presented a report on European monetary cooperation. The evident need for much greater cooperation in this direction gave an added interest to his report, even if recent events had overtaken this to some extent.

The monetary crises of 1968 and 1969, and the resulting national measures would not overcome the fundamental problems thus raised. He pointed out that on the basis of the latest official figures, EEC member countries accounted for 44% of their external trade with other Community countries. This figure was much higher in the case of the Belgium-Luxembourg Economic Union (imports 56% - exports 63%) and the Netherlands (55% for both imports and exports). It was thus clear that if the Community was unable to come up with effective solutions in both the monetary and economic spheres, the consequences for the Six could be extremely serious. The flight of capital from one country to another, along with an interest rate war, would not resolve the problem. The Community had to revive confidence, both at home and elsewhere in the world, that the necessary economic and monetary solutions would be found and made to work.

Turning to the question of fixed parity rates v. floating rates, M. Hougardy has no doubt that the former (as used by the BLEU) were the only effective answer if the Community was to progress. The use of fixed rates, or at least rates operating within very close margins, was essential for trade, if this was not to be continually threatened by uncertainty and monetary speculation. "Studies should be made as to how fluctuations in the exchange rates of member countries, as well as those of third countries can be overcome. Fixed exchange rates would enable progress to be made towards the creation of a common currency between member states".

The Senator concluded by calling on the Six to agree to the collection of relevant data, needed to establish short- and medium-term programmes. This did not mean collating great quantities of information, but providing sufficient data for an effective comparison to be made of the various national budgets. These should then be examined carefully with the aim of harmonising the structure of revenue and expenditure, so as to avoid excessive differences between national policies.

* * *

AGRICULTURE

Threat to Common Meat Market?

Since the foundation of the European Economic Community trade has increased steadily betweem member states. In recent years the meat trade in particular has expanded across national frontiers, and not entirely because increasingly specialised production is held to make the most of varying regional potentialities. The biggest incentives have come from regional variations in consumer preference and from the markedly disparate requirements of the processing industry. This increasing activity manages not only to offer the consumer better and better supplies but also to have quite a favourable effect on farm returns, for the Community's agriculture as a whole if not always for the individual farmer. So it would be as regrettable for the producers as for anyone else if the rapid trend towards an integrated market were to be put into reverse by differences in economic monetary policy.

Between 1965/66 and 1968/69 the member states' exports of fresh, chilled and frozen beef and veal rose by 111% and pigmeat exports by 97%. At least 90% of these exports - often more - went to other EEC countries. Over the same period imports grew far more slowly, by only 7% for beef and veal and by rather more than 42% for pigmeat. The proportion of beef and veal imported from outside the Community fell from roughly three quarters in 1965/66 to about half in 1968/69, while pigmeat dropped from over 50 to just 40%.

The Dutch have been especially successful in making the most of the opportunities offered by the common market for animal products to increase their sales to the rest of the Six. Over the four year period their pigmeat export rose by 65, 900 metric tons and beef and veal by about 29, 900, making a total of 95, 800 tons. In 1968/69 the French increased their export of beef and veal by 83, 700 tons but their pigmeat export was rather smaller than at the start of the period. The Belgians increased all their meat exports, beef and veal by as much as 83, 700, and even West Germany - not hitherto regarded as much of an agricultural exporter - sold 39, 100 tons more beef, veal and pigmeat abroad.

The EEC's net meat import has been falling since 1965/66 as a result of increased internal production, a much livelier demand on the international meat market from countries outside the Community, and (for beef only and to a limited extent) the existence of import levies on deliveries from third countries. In some member states demand was also weakened temporarily by a general slackness in the economic sector. But the trend has not been constant. Thus the Community's net import of pigmeat was nearly back to the 1966/67 level again last year after a big drop in 1967/68, while third countries were making a much smaller contribution to the Common Market's beef supply. Italian imports fell sharply in the face of an impressive increase in home production and the greater protection against imports provided by the introduction of the common beef market.

*

Application of Special West German Taxes

The taxes which West Germany has been authorised to impose on a limited range of foodstuffs as a result of her decision to float the mark, following a special meeting of the Council of Ministers and the Commission's previous decision to overrule such taxes, are now under the control of the Commission. This has announced that the taxes will be applied in the following manner.

1) A compensatory amount of a maximum of five per cent is applied to products "for which an intervention or purchase price is payable in the German Federal Republic in application of the common marketing organisational rules, as well as products relevant to these rules or subject to a specific rule under Article 235 of the Treaty, and the price of which is dependent on the former". For other products, the maximum compensation is equal to the incidence in the price of the transformed product of the application of the compensation in the price of the basic product.

2) If the gap between the official parity of the Deutschemark and the average dollar-Deutschemark exchange rate in the course of one week is below 4% or above 6%, the Commission can modify the rate of the compensatory amount from 5%.

3) The Commission will not fix a compensatory amount for products for which the incidence of the application of these amounts on the average price of the product is small (less than $3\frac{1}{2}$%).

4) The importation of the products concerned may be subject to a deposit to ensure the payment of the compensatory amounts, in such manner as to ensure the necessary transition from the system at present in force, in the Federal Republic and the enforcement of the Commission's decision of October 8.

5) Contrary to the initial decision of the German authorities the 5% rate is applied, under the present decision, to the intervention price and not ad valorem.

*

Surplus Milk for Developing Countries

The director general of the U.N. Food & Agriculture Organisation, Mr. Addeke H. Boerma, at a recent meeting of the FAO's committee on Community problems put forward a plan which is aimed at stimulating milk production and consumption in developing countries, as well as providing an outlet for milk surpluses, especially those in the EEC.

The long-term aim of this plan is to make the developing countries self-sufficient in milk products, but in the meanwhile the gap between production and consumption could be filled by milk products from surplus countries along with financial and technical aid.

"The objectives of such aid could include the expansion and modernisation of domestic milk production, the setting up or enlargement of milk processing plants, and the extension and improvement of commercial marketing and of special welfare schemes. Milk production is one of the most efficient means of converting feed into high-quality protein and high priority attaches to speeding up the development of local dairy industries in developing countries and raising their consumption of milk products".

Studies by the FAO indicated that many developing countries would not be able to produce sufficient milk to meet their growing domestic demand for many years to come, let alone provide supplies for welfare distribution on any substantial scale. Furthermore, world dairy markets were currently over-burdened with huge stocks of butter and skim milk powder, held mainly by EEC countries. These surpluses could be used constructively as a resource for dairy development in deficit developing countries. Even though most of these surpluses were held in Europe, their disposal and utilisation was a matter of general concern since they tended to depress the world market.

Their use and development aid should not of course be allowed to delay the adjustment of national policies that lead to the accumulation of unsaleable stocks," Mr. Boerma told the committee. "Nor should it be allowed to interfere with the evolution of commercial sales of milk products to the aid countries. On the contary, it is possible that such use in a multilateral framework could in time promote commercial sales".

* * *

FISCAL HARMONISATION

Parliament Backs TVA Delay

During its meeting last week in Strasbourg, the European Parliament approved the Commission's report, which proposed that the date for the introduction of the TVA into Belgium and Italy should be postponed from the original date of January 1, 1970 set by the EEC Council of Ministers in April 1967. Instead the report proposed that Belgium should apply the TVA system as from January 1, 1971, and that it should come into effect on July 1, 1972. It remains to be seen whether this date will be accepted by Rome, which in its original request for postponement said that it intended to introduce the TVA on January 1, 1972, along with a whole series of wide-ranging reforms to the Italian tax system. Furthermore under the report adopted by the Parliament, Italy will have to apply the TVA down to the retail level, a move to which it is also opposed.

The Parliament also adopted a resolution calling on the Commission to submit to the Council as soon as possible "concrete proposals to coordinate progressively the economic policies of member states, so that the European Monetary Union can come into force on January 1, 1975".

Earlier in the debate, M. Raymond Barre, Vice-President of the Commission and author of the Barre Plan, made it clear that in his opinion the Commission had been wise to refrain from public statements during the past few months, with regard to changes in the exchange rates of member states. This careful approach by the Commission, which would only act in accordance with its powers and right of initiative established by the Rome Treaty, was moreover well justified by the latest developments on the Community's monetary scene, the consequences of which still had to be fully assessed.

* * *

CARTELS

"Aniline Trust": Geigy and Sandoz Appeal

Geigy and Sandoz, two of the three Swiss groups who were recently fined $ 50,000 by the EEC Commission for violating the Common Market anti-trust regulations (see Nos 501, 505, 514), have announced that they are to appeal to the Community Court of Justice in Luxembourg. Both groups were fined along with eight other firms under Article 85 of the Rome Treaty, and they are basing their appeal not only on the grounds that the Commission lacks jurisdiction, but upon factual errors also. The third Swiss group, Ciba, has stated that it does not intend to appeal to the Court of Justice, although it has indicated it will have "recourse to legal procedure" if the Commission attempts to enforce its decision.

The other firms fined for violating the anti-trust rules were Francolor, the subsidiary of Ugine-Kuhlmann; Bayer; B.A.S.F.; Hoechst; Cassella, the joint subsidiary of B.A.S.F. and Hoechst; ACNA, the subsidiary of Montedison. The other group fined was I.C.I., and it is expected to wait and see what attitude is taken by the Court of Justice over these appeals,before making any further moves.

* * *

E.C.S.C.

Slightly Less Intoxicated Steel Market

The Commission has just published the figures produced by its expert group, in consultation with industrial and governmental representatives, concerning the prospects for the ECSC steel market during the last quarter of this year. These were used as the basis for the Consultative Committee's September 26 meeting on the state of the commoh steel market. It would appear, from the group's calculations, that the pathological trend of the market in recent months, with demand inflating out of all real proportion to actual needs, because of the rising prices bogey, has now begun to moderate, at least to the extent that real consumption at steel processing plants is now catching up on apparent consumption. The boom continues, and will probably do so well into next year, but those involved are no longer caught helplessly in its slipstream, they have some sort of say in what it going on.

Real consumption during the last three months of 1968 came to about 9.7%, compared with the last quarter of 1967, and the rate looks like being much the same again this time - a good 9.0%, say the experts. This in turn will mean a rise in real consumption in gross terms to 23 million metric tons, as against 21.1 million last year. During this same period, it is estimated that the production index of the steel-using industries will go up by 10.5%. It follows, with ECSC domestic demand eclipsing that of third countries, this pruning the export activities of the Six and pushing up imports also, that crude steel production in the last quarter of 1969 will come to around 27.55 million tons, compared with 25.2 million last year.

There seems little doubt, therefore, that the Commission's forecast last December (see No 492) that crude steel production in the Community would top the 100 million ton mark will be more than realised. Gross production last year came to 98.6 million tons, and at the present rate of expansion the final output figure is likely to be nearer to the 110 million ton mark than to the 100.3 million tons estimated nine months ago. The role of external trade in the marketing pattern has of course been subject to various strong pressures in the past two years: the French support measures in 1968 after the May-June crisis, and the present aftermath of French devaluation and the floating of the Deutschemark. However, although these factors weigh upon the pattern of trade as such, they do little to alter the basic fact of the boom in Community steel, and the only imponderable is the turn that the production trend may now take. After the first six months of this year, the increase in production over the equivalent period of 1968 was 12.5% (see No 522), while with a larger than usual drop from June to July the overall comparison of the seven-month period for the two years in question came to only 11.5% (see No 526). Nevertheless, the same comparison for the six- and seven-month periods of 1967 and 1968 yielded improvements of only 9.6% and 8.5%. The full effects of the holiday period came to bear of course in August, when production dropped again, but even after this, the "running comparison" with 1968 still came to an 11% improvement. The estimates seem to promise something in the region of 10% for the rise in volume of production for the last three months of this year, against the last quarter of 1968, and so, with

54 million tons already chalked up for the first half of 1969, an estimate of closer to 110 million for the year seems fairly realistic.

Turning to individual member states, the Commission's experts reckon that in West Germany real consumption of steel will rise by some 9.8% in the last quarter of this year, to 10.05 million tons of crude steel. In Belgium and Luxembourg, the increase will be of the order of 9.5%, to give 1.15 million tons' consumption. For France, the anticipated increase is 7.5%, giving 5.75 million tons' real consumption, while for Italy and the Netherlands, the estimates are 9.5% and 4.95 million tons, and 10% and 1.1 million tons respectively.

It is, however, the question of reconciling real with apparent demand and attuning production accordingly that still dominates the market, for until there is some sort of equilibrium in this regard, prices will continue to be edged upwards. The situation is easily expressed: for the 12.5% rise in output achieved in the first six months of this year (see above), there was in fact a rise in real consumption of only 12%, yet the increase in demand, in the volume of orders received came to a stunning 28%, no less: such a fact bore witness to a market on the verge of panic (see No 529). The effect has of course been to delay delivery dates, apart from stimulating rising prices. Prices in August in fact were hovering rather above even those that applied during the overheated period of 1960-61, the only exception being France, where the effect of devaluation was to make her prices, expressed in dollars, sound rather lower. Indeed, the president of the French Steelmakers' Association M. Jacques Ferry, has only recently been complaining of the descrepant pattern of prices for steel in the Community, which he claims are, in France, 9-10% lower than in Germany, 18-20% lower than in Italy, and 25-30% lower than the tariffs applying in Belgium. At a conference two weeks ago, he hinted that France is about to announce a rise in steel prices of around 5-6%. And so the process goes on.

Those products for which the increases in price have been greatest are concrete reinforcing rounds, which have soared from $78 past year to about $160 per ton at the present time. For medium and heavy sheet, increases have ranged between 20% and 65%. Other items affected, to a slightly lesser extent, are wide flats, merchant bars and sections, and also narrow strip. The trend has yet to be curbed for these products.

Again, we have the problem of those products which are still in short supply, and for which the Commission has been constrained to bring in emergency measures (see No 531). The worst-hit sector is semi-finished products: coils and hot-rolled heavy plate in particular, stocks of which, comparing the first six months of this year with the first six of 1968, rose by only 3% for the former, and not at all for plate. The seriousness of this fact is immediately apparent when we point out that deliveries of these two items to national consumers in the reference period rose by 33.2% and 34.2% respectively. Intra-Community trade in all rolled steel products has grown by just 11.2%, whereas deliveries of the same from national producers to home users have gone up in the Six separately by 32.2%. Internal demand is therefore taking precedence, and this is not what should happen in any viable common market. The pressure is now on the Commission to make its supply measures really effective, failing which, claim the producers, they could find themselves priced right out of the market.

*

Commission Plans for Coke Aid

The Commission has just approved and submitted to the Council a draft decision concerning member states' support systems for coking coal and furnace coal used in the steel works of the Community. The new decision (which should be implemented under Article 95 of the Paris Treaty, and which therefore demands the unanimous confirmation of the Council) is needed to fill the gap after the expiry of decision 1/67 of the former High Authority, i.e. after December 31 next. The proposed regulation would allow Community coal mines to sell their coking coal and steel-making furnace coke by aligning their prices on those obtaining for coals imported from the USA, even when the latter are not in fact competing directly. By way of offsetting the cost of alignment, member states on whose territory the coal mines in question are situated will be authorised to advance two types of subsidy: 1) production aid amounting to $1.5 per ton, and 2) an aid for transport in the case of deliveries to consumer outlets some distance removed from the coalfield. The latter will amount to $1 per ton during the first year and will decrease each year by 20 cents so as to be phased out entirely by the end of the fifth year affected by the decision.

As far as transport aid affecting intra-Community trade is concerned, there will be set up a special fund accepting contributions from member states and administered by the Council. Member states will contribute in proportion to the tonnages received, but the total burden to them will not be allowed to exceed 0.2% of G.N.P. The last clause was inserted by way of ensuring that Luxembourg, a major coke consumer but relying heavily upon its steel industry, should not be unduly affected by the new aid system. Contributions in excess of this ceiling will be supported by all of the Six according to a contributions breakdown based on their volume of crude steel production.

* * *

EURATOM

Only One Door Left Open

It now looks as though a political arrangement can be the only salvation for Euratom. The Council's Atomic Questions Group has concluded its work on the five-year research and investment programme, and as was expected (see No 533) presented the Committee of Permanent Representatives with a report that, if it were adopted in its present form by the Council, would mean nothing less than the complete dismemberment of Euratom and its Joint Research Centre. What has happened is that the six delegations, at government expert level, were only able to agree unanimously on a very few of the actions proposed by the Commission - so few that they would have required the employment of only some 400 of the 2,400 workers retained by Euratom. Moreover at Ispra, where a technical workforce of 1,200 is at present deployed, the "deal" just forged would have provided work for a mere 43 researchers.

After this the chairman of the Committee of Permanent Representatives had little choice but to discount the findings of the experts' group, and he announced that the president of the Council (M. de Block) will, between October 18 and 21, tour the six capitals and appeal to the political conscience of the governments. Should this fail to achieve the necessary results, the next step would be to take the question of future Euratom activities before the Foreign Ministers Council, or even to table it at the summit meeting in The Hague in November.

Of course, everyone realises how far-fetched it would be to expect the Six to adopt all the Commission's proposals, and despite the Executive's repeated insistence that all the activities suggested should be carried in the form of joint programmes, there can be no question that other forms of cooperation will have to be found. The most likely recourse is "special programmes", which would replace the present "cooperative programmes" and would, like these, be financed only by those member states who wished to take part. This does not alter the fact that the "joint programme" side of the future pluri-annual programme should form a major part of the whole (a good half, as in this year's programme), otherwise the whole programme would cease to have any Community significance.

It cannot be denied that the attitude of the French delegation is the main source of difficulty, but in all fairness the Dutch contingent is still refusing to associate itself with various courses of action where unanimous agreement is deemed not only possible but essential. This goes for non-nuclear activities (nuisances, data-processing, and the Community Reference Bureau - see No 533), seen by the Commission as an important element in the much-needed reorientation of Euratom. Most member states find it extremely disappointing that, at a time when such promise is held out by the work of the Aigrain Group for launching European scientific and technological cooperation on a major scale, the first and as yet only Community research organism should be so jeopardised. This is a question not only of the scope but indeed the very existence of the Joint Research Centre, for there is little chance of such an institute carrying out viable and effective work unless it operates on a reasonably large scale.

* * *

ENERGY

Oil Industry Trends - 1968

A survey (oil statistics 1968 - supply and disposal) by the OECD states that after a sharp increase during the Middle East crisis of 1967, deliveries of crude oil from the Western hemisphere member countries - Canada and the United States - to the OECD European area dropped below their pre-crisis level. The Libyan share in overall crude oil supply continues to grow rapidly. In 1968 Libya alone furnished more than 24% of total crude imports into the European area and American imports from Libya more than doubled compared to the 1967 level. In contrast, an important drop (71%) occurred in West African exports to the European area, due to the Nigerian conflict.

The survey, giving figures on the production, supply and disposal of crude oil, natural gas and finished products, confirms the sustained growth of the oil industry in member countries.

Other main points from the survey of the statistics include:

1) Total consumption of finished products by member countries (1,273 million metric tons) increased by 8.8% (against 5.9% in 1967). Still important differences remain however between the growth rates in the three OECD areas: the Western hemisphere 5.6%, the European area 10.6% and Japan 13.3%;

2) The refinery intake of crude oil amounted to 1,804 million metric tons and exceeded the 1967 one by 10.3%;

3) Total natural gas supply of the European area increased by 57%, mainly through the development of Dutch gas production which amounted to almost three times the 1967 level.

*

Soviet Gas Exports to the EEC

During the last couple of years Soviet export representatives have begun talks with a number of Western countries including Austria, Sweden, Finland, West Germany and France, as to the possibility of selling natural gas to these countries.

Latest available figures indicate that the Soviet Union has reserves of natural gas totalling 70 trillion cubic metres. During 1968 it produced 170,000 million cubic metres of natural gas, of which 1,720.1 million cubic metres were exported to other countries in the Comecon bloc and Western Europe. The main importer of Soviet gas within Comecon is Czechoslovakia, which last year took some 500 million cubic metres.

The first deliveries of Soviet gas to Austria began in September 1968 following the successful conclusion of negotiations earlier in the summer. In the four month period to December 31, 1969, Austria received 180 million cubic metres of natural gas through the "Dolina" pipeline, which terminates at Baumgorlen after crossing Transcarpathia and Czechoslovakia.

At present the Soviet Union is concentrating its export efforts in Western Europe on West Germany and France. The Soviet Government has proposed that the existing network of pipelines crossing Eastern Europe should be spliced into the West German network. Under draft proposals drawn up by Ruhrgas AG (in which Shell and Esso each have a 25% stake) and the Soviet, Naphta-Export, Soviet natural gas would be exported to West Germany through Czechoslovakia and across the frontier at Marktredwitz. Deliveries would start in 1972 or at the latest in 1973 and during the first twelve months the West German concern would import between 1.5 million and 2.5 million cubic metres of natural gas. This should increase annually by 500 million cubic metres up to 1977-78 to reach a maximum of 5,000 million cubic metres. The delivery price for the Soviet gas is at present the main factor impeding the conclusion of an agreement, as if this gas is imported - and used outside Bavaria - it will have to be processed so that it can be used in conjunction with Dutch natural gas. The German interests involved would like to see the Russians pay the processing costs involved.

The outcome of the negotiations for the export of Soviet gas to Germany are being closely followed in Italy, whose State group E.N.I. has already held similar talks. Apart from the price factor these fell through because of pressure from other EEC countries over the strategic risks involved by importing Soviet gas, added to the fact that some influential EEC quarters felt that Dutch natural gas should be given preference as a Community product. Although the negotiations between Italy and the Soviet Union fell through when natural gas was discovered under the Adriatic, if Germany starts to import Soviet gas on reasonable terms, E.N.I. might re-open negotiations again.

During the past fortnight the possibility of Soviet deliveries of natural gas to France has once again been in the news with the visit of the French Foreign Minister M. Schumann to Moscow. At present the main sources of French natural gas are the deposits at Lacq (43%), Groningen (47%) and Algeria (10%), and natural gas accounts for 6% of all French energy requirements. Although France has signed a 20-year agreement with Netherlands for 140,000 million cubic metres of gas, the French Government is intent on diversifying its sources.

It has been suggested that French imports of natural gas could be linked with similar agreements with the Soviet Union by West Germany and Italy, thus reducing expenditure on the network of pipelines which would be required. The Soviet deals with Germany and France are to some extent dependent on both countries being willing to supply steel conduit needed for the construction of gas pipelines in the Soviet Union as well as for increasing the diameter of pipelines across Eastern Europe.

* * *

TRANSPORT

Working Conditions for Truck Drivers

On October 1, the first Community regulations governing working conditions for truck drivers and applicable to intra-Community traffic came into force. As from October 1970 these regulations will also apply within each member state. The regulations in question were adopted by the Council in March of this year and deal with the number of hours at the wheel, minimum age, number of men in each crew and rest periods, and apply both to freight and passenger traffic. One of the main features introduced by the Community regulations is that the maximum amount of time allowed at the wheel for drivers of lorry and trailor or tractor and trailor loads is fixed at 48 hours a week or 92 hours a fortnight. As from October 1971 this will also apply to other lorries, where the limit at present is a maximum of 50 hours a week.

Although there has been strong opposition from road haulage associations to the regulations on the grounds of cost, the EEC Council of Ministers backed by both the Commission and the European Parliament decided that these regulations were necessary and could not wait for progress in other sectors of the common transport policy. One of the undoubted reasons for this development was the number of fatal accidents which have taken place, because of drivers' spending too long at the wheel.

The Commission also proposed recently that the Council should agree to the use of a compulsory tachometer to control working hours and ensure sufficient rest periods for drivers. If this is introduced it will replace the log book now in use.

* * *

TECHNOLOGY

U.S. Stake in European Electronics

According to a study carried out by the Bureau d'Informations and Previsions Economiques in Paris for the EEC Commission, one-sixth of European electronics output is accounted for by the subsidiaries of American firms. This study shows that 100 American firms have interests in 196 European electronic concerns. In some cases these are under the outright control of the parent company, as with I.B.M., which has subsidiaries under its own name in France, the Netherlands, Italy and Germany. Honeywell has a large number of European subsidiaries in which it has a 99.9% interest. Another leading American group, I.T.T., has shareholdings of between 40-100% in 17 European companies, while General Electric has interests of between 40-105% in 11 EEC countries. On the other hand, Fairchild Camera & Instruments has no more than 33% in Fairchild France, in S.G.S. Fairchild in West Germany and S.G.S. Fairchild in Italy.

The report which makes clear the enormous growth potential of the electronics market, also suggests that the Governments of the Six and the Commission should try and work out an agreement in cooperation with the American Government, which would enable European firms to profit more from the European electronics market. This type of agreement does not necessarily exclude cooperation between American and European concerns, but it would require much greater cooperation over the production of electronics equipment between the different Governments of the Six.

Turnover in electronic industries ($ million)

Country	1960	1961	1962	1963	1964
France	716	873	1,035	1,217	1,411
West Germany	1,290	1,384	1,321	1,407	1,596
Belgium - Luxembourg	94	117	124	167	205
Netherlands	275	295	320	333	366
Italy	299	253	296	310	310
EEC total	2,604	2,922	3,096	3,434	3,888
U.S.A.	13,098	14,914	16,617	18,053	18,756

* * *

BRITAIN & EUROPE

With the party conference season in Britain now over, it is clear that all three parties are still committed to negotiations for entry into the Community. Although the anti-marketeers deployed considerable efforts, they were unable to alter the principle that negotiations should be started, but were able to influence the debates, in that qualifications of varying importance were accepted. Nevertheless it seems quite certain that if the Six are willing to start constructive negotiations and show themselves reasonable over the main problems involved, then Britain stands a good chance of joining the EEC. Furthermore there are reasons for believing that Mr. Heath's statement in the U.S. quarterly, Foreign Affairs, are well-founded. After pointing out the danger of a third attempt to join the EEC failing, he wrote "But once there is a prospect of practical and acceptable answers being found to the real problems, which now bar the way, then I believe that public interest would quickly revive and the strength of the underlying argument in favour of European unity would prevail".

A groundswell of optimism seems to be blowing up over the possibility of the enlargement of the Community, despite the difficulties with which this is faced. The new SPD-FPD government in Bonn is likely to be slightly more vigorous in its pursuit of enlargement than the Grand Coalition under Chancellor Kiesinger, apart from the SPD's sense of affinity with the Labour Party. The Community's agricultural policy is faced with mounting surpluses, while the price structure has been so altered during the past few weeks that it is difficult to talk about common prices. The urgently required reform of the CAP, along with that of the present pricing system, is now increasingly linked with the enlargement question, and the chances of an agreement to suit all the main protagonists seems quite possible.

"I have no quarrel with the Common Market. None at all. I just do not want anything to do with it. There is a growing number of people who agree with me. I used to be in a minority, but now I am in a majority." These words by Mr. Emmanuel Shinwell, the Labour MP for Easington and an opponent of EEC entry,indicate the feeling which those opposed to entry have been expressing. He was speaking during the debate on the Labour Party's composite motion, which was so worded that both pro- and anti-marketeers were able to support it, thus saving the government from an awkward split in the party, and Mr. George Brown played a large part in ensuring this. The resolution was moved by Mr. Jack Jones, general secretary of the TGWU. This called on the government in any negotiations for membership to insist on adequate safeguards for Britain's balance of payments, cost of living, national health and social security systems, as well as for the power of independent decision in economic planning and foreign policy. Mr. Jones, who said the conference was not to declare for or against the EEC, maintained that there were essential interests, essential freedoms and essential independence. He said that doubts over joining had increased during the past four years, and felt that Britain's EFTA and Commonwealth links as well as our role in the East "would be greatly limited by having to work within the framework of the Common Market." Mr. Jones stressed the economic dangers, the impact on prices and the threat to jobs and warned that if "we are forced into the EEC on terms which mean major increases in the cost of living, I would expect the unions to fight for and win wage increases to offset the price of going in ... we mean business on that." There is also the need for Britain to have the right to plan its own economy, while entry would have the immediate effect of creating a massive burden on the balance of payments, a burden which had doubled from £ 500 million four years ago to over £ 1,000 million today. While Mr. Jones welcomed Mr. Wilson's statement that estimates of the cost involved in entry were being revised, and would then be published, he also repeated the Prime Minister's statement that if necessary "we could stand on our own feet." Another speaker called on the government to withdraw from any negotiations with the Common Market as this had an in-built emphasis against Socialist principles. In his view the Community seemed to be orientated towards the setting-up of an all-white European nuclear state.

Mr. Stanley Henig, a supporter of entry claimed that if Britain joined the Common Market there would be an increase in the standards of living and pointed out that workers in the Community had better pensions, social security arrangements and paid holidays. Representatives of both farmworkers and seamen were opposed to entry, unless adequate safeguards were provided.

Mr. Brown said that they were not faced with the need to make a historic decision. The application to join was in: "we are waiting to see whether our Continental colleagues will agree that negotiations shall begin. When negotiations take place we can see what the score is ".. and afterwards "we can take that historic decision," although he added "some of us will be willing to pay a bigger price than some others in order to create a unified Europe." Britain was not trying to join the Community through unconditional entry, nor was there any question of an "undercover deal". He throught that the economic case was marginally in favour of going in, but the real issue was the political one. "I do believe that a greater degree of Western European unity will enable us to be a much more effective force in the world."

After the Conservative conference's debate on joining the EEC, a vote was held at the insistence of Sir Derek Walker-Smith, a leading anti-marketeer and supporter of the NAFTA principle, despite a show of hands giving a large measure of support to the motion. The vote confirmed the original decision with 1,452 in favour and 475 against. The motion was moved by Mr. Eldon Griffiths and stated that the conference "convinced of the influence for the good that Britain can exert in world affairs, believes that joining the EEC would make a major contribution to the security and prosperity of Britain, and so enable it to discharge more effectively its responsibilities for the maintenance of peace and for the improvement of conditions in the developing countries." Mr. Griffiths said that "if the great move towards unity faltered" the nations of Europe would be left so weak and divided they could not withstand the military pressure of Russia or the economic and financial expansion of the United States." Nevertheless "safeguards are essential and what better time to go after them than when the Common Market agricultural policy is in such difficulties it needs complete revisions.. if the price is too high we stay out."

Opposing the motion, Sir Derek Walker-Smith said the situation was different from 1962. "We used to be told that the economic advantage of entry was such that we put up with the political detriment. Now we are told that the political advantage is such that we must put up with the economic detriment." Furthermore there would be increases in the cost of living of perhaps three shillings in the pound on food, and this would be felt in every household, while Britain's sovereignty, institutions and way of life would also be affected. Mr. Duncan Sandys, normally on the right of the Conservative Party, but a convinced pro-European, said that taken as a whole Britain's cost of living was likely to be increased by joining the Community, and denied that the basic arguments in favour of entry had altered. "The fact is that only in partnership with Europe can Britain develop to the full, her immense industrial and scientific resources. Only in partnership with Europe can we hope to compete on level terms with the colossal combines of the US."

The debate was wound up by Sir Alec Douglas-Home who made it clear that the final decision on entry once negotiations were over would have to be taken by Parliament, but to the question of whether we should start negotiations if we had the opportunity to do so, he could only answer with an unequivocal "Yes". He accepted that it was the medium- and long-term opportunities which would bring benefits to Britain, whereas most of the immediate effects would be adverse ones. With regard to agriculture, Sir Alec said that a compromise over British contributions would have to be worked out, while there was the strongest case for a long transitional period. Taking the question of joining the Community as a whole, "I conclude that the price of entry could be too high, but it could also be very much worthwhile. The commonsense of the matter is to enter into negotiations and find out."

VIEWPOINT

International Payments Union at the Crossroads*

by S. Scheps

Vice-President of the International Credit Bank, Geneva

The well-known French currency expert and liberal national economist Jacques Rueff, of the Academie Francaise, published two articles in the "Frankurter Allgemeine Zeitung" in June. The first is entitled "The vices of the world exchange system" and the second "Test-tube money or Gold? - suggestions for the reform of the international exchange system." The same articles appeared simultaneously in "Le Monde" with the title "What ought to happen is happening" and the subtitles: a)The final convulsions; b) Special drawing rights; c) Gold.

Rueff refers to the younger Keynes and quotes him as saying on April 20, 1922:'If the gold standard could be reintroduced into Europe this would provide an impetus which could not be achieved by any other means." Rueff goes on: "Today only sentimental and irrational arguments stand in the way of the solution that Keynes wanted". But after 1922 Keynes himself went through a stage of very considerable development: he had a lasting influence on the study of monetary policy and above all on international monetary policy. And in 1944 at Bretton Woods it was Keynes who finally broke with the gold myth. He would have preferred to dismiss gold entirely from the exchange system, but "human superstition" is an obstacle to this; he writes: "It is advisable to retain a provision for gold ... no scheme which did not make such a provision would have the smallest chance of acceptance ... in short there is no option". Gold therefore retained a restricted role in the Bretton Woods system of gold-based currencies.

It is true that the gold standard performed outstanding services for the international economy during the Pax Britannica in 1815 to 1914 (Congress of Vienna to the outbreak of the first world war). The automatic process by which each currency held its proper place in the time scale was an expression of liberalism with its motto "Laisser faire - laisser passer" which in turn expressed the "homo economicus" of classical nationalist economies. Since that time there have been fundamental changes in values and dimensions in every field of human life and activity. Although the parting may be an occasion for nostalgia, "yesterday's world", its taboos and its conventions, have gone for ever.

Yet another great French national economist, Charles Rist, was still contesting in 1939 that there was any sense in seeking a general conception of money. The

* An article from the book "The Dethronement of Gold - Towards a New Image of Currencies" by Dr. S. Scheps, Vice-Chairman of the International Credit Bank, Geneva, to be published shortly in London by the Wentworth Book Company Ltd.

desire to treat gold money and paper money on the basis of parity, even as an exercise in logic, appeared to him as evidence of the chaotic state of the monetary system.

New ideas have appeared in modern monetary theory and practice; in today's economies payment is effected by the transfer of claims on a bank (giro transfers).

Investigations of the problems of inflation and deflation no longer start from the promise of the expansion or contraction of the volume of money, but from the decisions of buyers and sellers. The central point in both theory and practice is no longer the "general price level" but the level of the national product and of employment. These new economic conceptions have called into being a new type of social structure in the payments union.

The Bretton Woods system was based on two principles; a) free exchange of goods on a multilateral basis b) no unconditional return to fixed exchange rates between member countries.

Changes of parities were to be made "from time to time" as so-called fundamental disequilibrium in balances of payments emerged. The initiative for making these changes should not lie with the Fund nor should the latter have any power to intervene in national economic policies. If exchange rates were to be kept unchanged in a world of full employment it was clear that these imbalances could only be corrected by: a) a suitable increase in cost and price levels in the surplus country and b) government intervention in the free flow of goods and capital between the countries. Therefore the only remaining method of correcting the imbalance which would reflect the market was an alteration in exchange rates and the fathers of Bretton Woods gave their full blessing to this procedure.

Rueff holds Bretton Woods responsible for the distrust of certain currencies which has now arisen (Bretton Woods Conference of 1944 - IMF Statutes of 1947); in our opinion this is unfair.

Bretton Woods and the IMF brought a new element into world politics by committing governments to common aims, to mutual consideration in national monetary policies and to respect of specific rules of procedure. Very considerable sums of money and foreign currencies were also contributed to the IMF, on which members of good standing could draw to bridge temporary balance of payments difficulties. In this dual role as the guardian of the code of behaviour enshrined in its statutes and as the source of balance of payments credits, the IMF has become one of the most important elements in the international payments system.

The IMF commits its members to the basic principle of convertibility, that is, exchange of national for foreign currencies at any time. Equally important is the parity rule by which exchange rates must be held, with a very small tollerance, at a level consistent with the relationships between gold parities of the currencies concerned. Changes of parity are permitted, as has already been mentioned, but should only be used to correct improper situations and then only with the consent of the Fund.

The parity system linke national systems one with another and gives an identity of destiny to national economies

In spite of all the weaknesses and crises the Bretton Woods system has been of great value to society. It encouraged the economic growth of nations after the last war and made possible a phenomenal recovery in the industrial countries. It is not the fault of the system that growth in the developing countries has been disappointing.

Criticism of the present system started some years ago and rests mainly on three points:

a) the lack of a sufficiently strict balance of payments discipline

b) its weakness in the face of speculative attack

c) the central banks volume of liquidity.

a) The frequency of currency crises of recent years can be attributed to long-term balance of payments deficits rather than to weaknesses in the sytem.

In a lecture given in Zurich in November 1968 (N.Z.Z. of November 18, 1968) Robert V. Roosa, who was, from 1961 to 1969 instrumental in extending international monetary cooperation while working with the American Treasury, noted the more favourable deficit results for the year in the American balance of payments. The large flow of foreign capital into the USA and the restrictions in the capital export sectors had achieved this result. This did not, however, stem the flow of deficit dollars into the official currency reserves of the surplus countries.

The sharp increase in overseas investment and the shift in the production of goods to foreign countries were important sources of dollars for the Eurodollar market.

Rapid elimination of disequilibrium in balances of payments is also necessary for the maintenance of parities. This is simply adjusting internal purchasing power to external. Fixed exchange rates facilitate the flow of capital from capital surplus to capital deficit countries and work towards world economic integration. This implies a lasting confrontation of the magic triangle (price stability, parity stability and full employment).

b) In 1967 and 1968 (devaluation of the pound sterling in November 1967, the gold crisis of 1968 and the November crisis of 1968 revolving around the French franc and the pound) sparked off immense waves of speculation and for the first time in our generation cracks began to appear in the structure of exchange rates based on the convertibility of dollars into gold. Only the determination not to allow monetary gold reserves to fall any further after the disastrous losses, international monetary cooperation and aid to the hard-pressed currencies were able to contain the speculation and to stimulate the decision to preserve international monetary structure from further fissures.

c) "Trade with liquidity" has its cause in the deficit on the American external trading account. The enormous American stake in the financing of economic expansion in Europe - within fifteen years the third largest industrial power in the world, after the USA and the USSR, will not be Europe, but American industry in Europe - Le Defi Americain (Jacques Servan Schreiber) - is the cause of the scarcity of liquidity in America and surplus liquidity in Europe.

Those who do not like this prospect - as has rightly been said by Claudio Segre - want to give the European money market control over American investment. This mobility of liquidity has already played a part in the structural changes in European industry and will do so to an even greater extent in the future.

The concept of international liquidity is complex and is not only a notional dimension. If international liquidity is defined as the sum of all the available national currency reserves then it becomes clear how closely it is related to balance of payments equilibrium.

It is sometimes forgotten, however, that international trade is financed through private national liquidity, that is bank and commercial credit in the individual countries and not through gold, currency reserves and IMF drawings.

In any case the growth of world trade in 1968 was unusually large compared with other recent years. World exports in 1968 were valued at more than 200 milliard dollars for the first time. This is more than twice the figure of ten years ago. The increase in world exports in 1968 was 12 per cent.

The payments union is now at the crossroads. What are the main outlines of the new monetary system?

1) The old gold standard is dead. The gold-based currencies have withstood all the convulsions and have made a massive contribution to national and international prosperity and the fabric of international trade in the spirit of Bretton Woods.

Gold still holds first place among the reserve media of monetary authorities. When the creation of reserves through the issue of S.D.R.s begins, the share of gold in total currency reserves will shrink rapidly (according to a rough calculation it will be no more than one third of total reserves by 1980). Since March 16, 1968 the sale of monetary gold on the free market has been forbidden. This is seen in many circles as the demonetisation of gold.

2) The abolition of sales of monetary gold to the private buyer and the cessation of purchases of non-monetary gold from private suppliers has made the gold market and the surrency system independent of one another. For official transactions the official gold price of $35 per fine ounce is used as the sole basis of calculation.

3) Even if gold should cease to play a part in the currency system it would still be possible for it to function as a means of fixing exchange rate parities.

4) An international money, that is, a money generally accepted throughout the world as a means of payment, does not exist and in the international financial world the dollar has come to be a sort of international currency. The 30 million dollars of short term international currency obligations held by the US economy are not of an order to be considered dangerous when set against the size of the dollar investment in the reconstruction and development of the world economy. The dollar remains a leading currency (Schweitzer, 7.3.68).

The special drawing rights will be something of the same sort, as in the old days of the European Payments Union, an instrument solely intended for official use in international payments transactions.

The new type of reserve will have nothing whatever to do with the "normal drawing rights" or currency credits from the IMF.

The new reserve medium will be equivalent to gold reserves through the gold guarantee. Will the creation of 17.5 milliard dollars worth of new liquidity over five years have a deleterious effect on balance of payments discipline? In the first instance this will depend on the degree of confidence which is placed in the new reserves and secondly, and by far the most important, whether the new reserve medium is used prudently. Dr. Otmar Emminger rightly says that this development "leads from national reserve currencies to reserves in a form in which no single country is the debtor or the creditor, but in which the international currency community decides on the volume of reserves to be created and assumes responsibility for guaranteeing them."

Without going into the details of the discussion over raising the price of gold it can be said that the special drawing rights do not represent any very considerable sum compared to doubling the price of gold or to the American balance of payments deficit. In the USA for instance the increase in liquidity as a result of the paper gold will be under 10% of the present balance of payments deficit.

It is true that "what is particularly striking is the absence of any objective criteria for the annual issue of drawing rights." (Rueff). Rueff prophesies "massive waves of inflation" in the creditor countries as well as in the rest of the world as a result of the special drawing rights and compares this "flutter" with "the gamble with general credit agreements, swaps, Roosa-bonds and the increase of quotas with the IMF". Rueff sees only one solution - a return to the gold standard for the international monetary system which has almost become a competitive business.

What doubling the price of gold would mean has been forcibly expressed by Fritz Divok in his excellent book "Gold, Dollars and our Money":

"The opponents of "paper gold" (this is aimed mainly at Rueff) who generally consider themselves honourable defenders of currency stability, find little to object to in the proposed doubling of the price of gold, though this would mean that 40 milliard dollars worth of monetary gold and 20 milliards of hoarded gold would be newly created and would have to be pumped into international monetary circulation; yet they are frightened about one milliard of "paper gold" a year..." (In fact it would now amount to 3.5 milliards a year).

"Test-tube money or gold" asks Rueff dramatically and sticks firmly to the outdated gold standard. Events have overtaken him.

We are now in a new era of the history of currency. Gold is now and will be in the future merely an element of currency reserves. Gold has already been largely demonetised. It is for this reason that the Rio conception of "money from the test-tube" marks a significant date, admittedly with the reservation that the USA, the largest economic power and responsible for the greater dollar zone, controls and supervises the new reserve mechanism and that all other countries do their best to support it.

While these words were being written (at the end of July 1969) the news arrived that the members of the IMF had approved the creation of special drawing rights. The relevant alteration to the statutes has been ratified by 69 nations, 80.9% of the total votes, and thus has acquired the force of law.

The compromise solution which has been worked out - accepted in principle by the Group of Ten which holds the majority voice in the IMF - will be confirmed at the September meeting of the IMF in Washington.

This compromise solution foresees the issue of special drawing rights over three years to an amount of 9.5 milliard dollars - 3.5 milliard in the first year and 3 milliard in each of the succeeding two years. The first issue will be made on the basis of existing IMF quotas. For the first year's issue the following provisional allotments have been given: USA $700 million; Great Britain $350 million; Germany $175 million; France $150 million; Japan $110 million.

The difference between the special drawing rights and the normal IMF quotas (which are to be raised by 6 to 7 milliard dollars) consists in the fact that the former are issued automatically, while the normal quota is under the control of the IMF.

The effectiveness of the special drawing rights depends on unity of opinion on the global and structural lack of liquidity, better equilibrium in the balance of payments in the industrial countries and better functioning of the adjustment process.

The revision of the Fund's statutes affects its normal transactions. Changes in parities or increases in quotas now only require an 85% majority and in these circumstances the EEC has a veto.

The USA has a great responsibility towards the rest of the world. The currency of the largest economic unit - the dollar - is in fact an international standard and therefore a common denominator for all nations. For this reason America cannot afford to alter the exchange rate vis-a-vis other currencies. We entirely share the opinion of Miroslaw A. Kritz, vice-president of the First National City Bank of New York: "With the fluctuation in terms of other currencies, the dollar would cease to be the intervention and reserve currency. Letting the dollar float in exchange markets would be a much greater evil than raising the official price of gold".

The world expects the United States, pioneers in all economic and scientific fields, conquerors of the moon, to hold its inflation and therewith its balance of payments deficit under the strictest possible control.

The international currency community has shown its vitality in spite of all the crises through new forms of international payment transactions. The swap transactions are not and never were a "gamble" (Rueff) but a creative act and as Krasnicka, one of the leading economists of the Federal Reserve Bank, rightly says: "It may well be that the arrangements will represent a nucleus of the monetary order of the future, once the role of gold is gradually downgraded."

The international currency community has also created new and imaginative forms on the money and capital markets. This is the imposing Eurodollar market. Official or unofficial the market is still imposing by reason of the 20/30 milliard dollars on the money market - admittedly a not invulnerable position - and of an expansionist trend on the European issue market which has after six years of existence reached a culminating point in 1968 (3,250 million dollars).

Keynes would not be dissatisfied with the demonetising of gold foretold by him and now partly accomplished. Jacques Rueff's reference to the John Maynard Keynes of 1922 and not to Lord Keynes of 1944 is misleading and incorrect. Lord Keynes described gold as a "barbarous relic". Without going quite so far, we can say that in the new era of reserves it can be a convenient instrument alongside other elements.

"Gold is no true substitute for productivity and economic discipline" as is quite correctly stated in th July 1969 issue of the bulletin put out by the New York brokers, Burnham and Company.

We should in fact take care not to confuse economic realities with monetary myths.. Stocks of gold were not able to prevent the collapse of the Spanish empire and France's gold reserves did not relieve the pressure on the French franc.

The only economic factor that counts is a country's potential, its competitive power and its ability to create real surpluses. Money is what it does!

EUROFLASH - HEADLINES

CONTENTS

ADVERTISING

** The French advertising group DELPIRE SA, Paris, has signed an agreement with its Swiss counterpart ADVICO AG, Gockhausen-Zurich (see No 399), which will lead to the establishment of a joint European network in the marketing media and sales promotion sectors. This move involves an exchange of minority shareholdings and will include the Swiss group's subsidiaries in Paris, Wiesbaden, Hamburg and Milan, as well as Delpire-Advico companies in Madrid and Brussels. Advico (110 employees) had a 1968 turnover of Sf 32 million, while Delpire had a turnover of F 32 million with 75 employees.

** The New York agency DOYLE DANE BERNBACH INC (see No 514) has now formally established a French subsidiary called DOYLE DANE BERNBACH Sarl (capital F 500,000) managed by M. Bernard.

The "D.D.B. INTERNATIONAL" division of the New York group already has European subsidiaries in Düsseldorf and London, and it intends to establish another in Italy in the near future. Since 1968 it has been linked with the Paris group Agence Havas SA - through its subsidiary Cie Univas SA (see No 513) - which has signed new agreements with the London agencies S.H. Benson Ltd and its New York associate Needham, Harper and Steers (see this issue).

** LE GROUPE SA (capital F 100,000) has just been formed in Paris with the backing of an international group of advertising and marketing specialists. The new company will operate in the sales promotion, merchandising and packaging sectors under the presidency of M. Jacques Willaumez, the former manager of WILLAUMEZ BENSON NEEDHAM Sarl (formerly Smith Warden-Willaumez Sarl) in which he was linked with the London agency Benson Needham (Europe) Ltd (see No 451) before this became Benson Needham (France) Sarl.

The new company intends to form subsidiaries under its own name in Amsterdam (in association with JULES FARBER NV), in London (with RITCHIE DICKSON ASSOCIATES LTD), in Madrid (with M. Alain Thomine Desmazure) covering Spain and Portugal, in Beirut (with ECLAIR KALAN) which will operate throughout the Middle East with the exception of Israel, through the existing network of the Lebanese company, as well as in Düsseldorf, Milan and Hong Kong, where negotiations are about to be finalised. All these companies will be 51% controlled by a Luxembourg holding company now being formed, LE GROUPE SA, with the remainder held by the local agencies in question. In the United States, it will be represented by AUTHENTI COLOR INC, New York (colour photos - president Mr. J. Flanagan).

BUILDING & CIVIL ENGINEERING

** The Belgian concern ETS. E. J. VAN DE VEN SA, Schaerbeek, Brussels (pre-cut wood for the building and furniture sectors) has formed a subsidiary called WOCO SA, Schaerbeek, in which it has as token shareholders two other subsidiaries

COTRAMA SA and SOLIMO SA. The new concern will manufacture and sell building materials.

Van de Ven, which installs kitchens, is also the Belgian representative for the stainless steel sinks and wash basins made by the British firm Adamsez Ltd, Newcastle-upon-Tyne, Northumberland.

** SANIGROS Sarl, Sarreguemines, Moselle (manager Herr Friedrich Wirth, Kirkel, Sarre) has just been formed with a capital of F 30,000 to sell sanitary ware and heating equipment. Herr Wirth is the managing partner of the German firm operating in the same sector, LUDWIG BECKER NACHF. KG, Neunkirchen.

** The London property group LONDON CITY & WESTCLIFF'S PROPERTIES LTD has extended its interests to France by taking a 50% interest in the construction of eight blocks of ten flats each near Malmaison, Yvelines. The total cost of this operation has been estimated at F 9 million and the group has formed a subsidiary to oversee the operation, called LONDON CITY-WESTCLIFF (FRANCE) LTD, London.

At the same time the group has formed another subsidiary, LONDON CITY & WESTCLIFF (OVERSEAS) LTD, which will be in charge of developing its foreign schemes.

CHEMICALS

** UNION CARBIDE EUROPE SA, Geneva, which coordinates the European interests of the New York chemical and electro-chemical group UNION CARBONE CORP (see No 500), has closed down its Brussels branch (see No 440) There remains a subsidiary in Antwerp, Union Carbide Belgium SA, whose capital was recently raised to Bf 4,075 million.

** DOW CHEMICAL GmbH, Frankfurt subsidiary of the Midland, Michigan DOW CHEMICAL CO (see No 533) has formed a chemicals and plastics sales subsidiary in Düsseldorf with Herr Hans Jürgen Giffhorn as director. The group has also decided, between now and 1972 to raise total production of polystyrene in its four European factories (Terneuzen, Netherlands; Barry, Glamorgan; Labrion, Greece, and Leghorn, Italy) from 170,000 t.p.a. to 300.000 t.p.a. by doubling their collective capacity. It further plans the construction in Europe of a naphtha-cracking plant of equivalent capability (400,000 t.p.a.) to that which is about to come into production at Terneuzen.

** Through its subsidiary ARMOUR INDUSTRIAL CHEMICAL CO, Chicago, the American group ARMOUR & CO (see No 502) has acquired the 45% shareholding of the Boeri family in the Milan-based ITALCOLLOID SpA (factory at Arese - industrial chemical products - see No 391), of which it now has outright control.

Armour specialises in food, chemical and engineering products - through Baldwin-Lima-Hamilton Corp, Philadelphia - over which it gained control in 1965 (see No 496) as well as electro-technical goods (Transitel International Corp, Paranus, New Jersey). In June 1969, Armour itself became a 75% interest of the New York group, General Horst Corp, which has recently sold this stake at a cost of $ 113 million to the Greyhound Corp, Chicago group (see No 519). This latter already had a 33% stake in Armour.

** The French chemical group PIERREFITTE - STE GENERALE D'ENGRAIS & DE PRODUITS CHIMIQUES SA, Paris (see No 531), which is affiliated to the CIE FINANCIERE DE PARIS & DES PAYS-BAS SA (see No 533) both directly and through the OMNIUM DE PARTICIPATIONS FINANCIERES & INDUSTRIELLES SA is to receive additional assets, and when these have been assimilated it will absorb PRODUITS CHIMIQUES D'AUBY SA, change its own name to PIERREFITTE-AUBY SA with its capital increased to F 168 million.

It will receive 1) from Omnium de Participations Financieres & Industrielles a portfolio valued at F 22.4 million giving it control of LABORATOIRES LABAZ SA, Paris (see No 497); 2) from STE REICHHOLD BECKACITE SA, Bezons, Val d'Oise - in which it is a 45.5% shareholder - assets valued at F 9.1 million (gross); 3) from STE DE PRODUITS CHIMIQUES D'AUBY SA, Neuilly-sur-Seine, Hauts-de-Seine the remainder of its assets after this has made over assets valued at F 178.5 million to the CIE FRANCAISE DE L'AZOTE SA (a 65-35 subsidiary of Pierrefitte and C.F.R. - Cie Francaise de Raffinage SA - see No 516).

For its part, Francaise de l'Azote will also acquire from C.F.R. and its subsidiary LA MOTOLINE (through CAPIC - Cie Auxiliare de Placements Industriels & Commerciaux SA - see No 327) their respective shareholdings in the STE COMMERCIALE A. LEGAY SA, Paris and as a result will raise its own capital to F 190.0 million.

CONSUMER GOODS

** The Dutch toymakers, NEMRO NV, has formed NEMRO BELGIE Pvba in Lichtaart with Bf 250,000 capital to act as its sales agency in Belgium. Control of the new firm is in the hands of two directors of the parent company, MM. Joseph C. Ch. Boelhouwer and Gerrit Huisjes, both of Amstelveen.

** RADIOMOBILE LTD, London, subsidiary of the London SMITHS INDUSTRIES LTD group (branches in Düsseldorf, Paris etc) has acquired a manufacturing licence from the Rome radio equipment concern FARET - FABRICA APPARECCHI RADIO & TELEVISIONE SpA ("Voxson", "Sonar" and "Junion" trademarks - see No 423) covering its car stereo sets, which will be sold in Britain under Radiomobile's own trademark.

Faret is headed by Sig Arnaldo Piccini, and specialises in domestic electronic equipment, in particular TV, stereophonic equipment and car radios. Since 1967 it has had a subsidiary in Paris, Voxson France SA.

** The recent financial, technical and sales agreement made between the German toy manufacturer SCHILDKROEDT AG, Mannheim (see No 492) and the French toy company POUPEES BELLA, Perpignan (headed by M. Sovi Pi) has resulted in the latter concern forming BELLA SA (capital F 100,000) on its own premises. This will eventually take over the French company's manufacturing assets, and the German company will then become the majority partner. The Mannheim firm already has a French subsidiary, Tortue France SA (see No 448) and is itself an 80% interest of Bohlen Industrie GmbH, Gline-Hamburg (see No 524). During 1968 it had a turnover of Dm 150 million with some 3,000 employees. Bella, which has offices in Paris, Marseilles and Brussels, had a 1968 turnover of F 30 million

** MEUBELFABRIEK VAN PELT NV, Burcht, Antwerp (bedroom and dining-room furniture) has extended its interest to France by forming a sales subsidiary called MEUBLES VAN PELT SA (capital F 100,000). This is based in Halluin, Nord and the president is M. Karel Van Pelt.

COSMETICS

** Herr Heinz Schwarzkopf, who is a partner in the cosmetics and hair products concern HANS SCHWARZKOPF KG, Hamburg (see No 490) through SCHWARZKOPF VERWALTUNG GmbH, has acquired another firm in the same sector, JOH. ANDRE SEBALD GmbH, Hildesheim. As a result the latter's capital has been raised from Dm 500,000 to Dm 800,000 and its new owner has made over a shareholding in DR. EGON BIBER GmbH, Hildesheim, which distributes its products.

DATA PROCESSING

** The Swiss data processing services firm INOMARCO AG, Zug, has formed a subsidiary in Düsseldorf called INOMARCOS CONSULTANTS GmbH (capital Dm 20,000), whose manager is Herr Trilok H. Handa.

The founder was established in August 1968 and its capital has recently been raised from Sf 50,000 to Sf 400,000.

ELECTRICAL ENGINEERING

** The Swiss electrical engineering group LANDIS & GYR AG, Zug (see No 379), whose capital was raised in March 1969 to Sf 44.5 million, has rationalised its West German interests and thus strengthened the position of its Frankfurt subsidiary LANDIS & GYR GmbH (capital Dm 16m). This has 2,000 employees engaged in the manufacture of electricity meters, time switches, electrical switches, control and command systems. It has absorbed a subsidiary, KIREM - KERNSTRAHLUNGS- IMPULS- & REAKTORMESSTECHNIK GmbH, Frankfurt, which makes ray measuring and isotope handling equipment, as well as instruments used in the nuclear industry.

** FELTEN & GUILLEAUME CARLSWERKE AG, Cologne subsidiary of the ARBED SA group of Luxembourg (see No 533), has strengthened its trading position on its parent company's home market by taking over SOGEL - STE GENERALE POUR LA VENTE DE MATERIEL ELECTRIQUE SA, which has raised its capital to Lux f 13.5 million. This will now be run by Herr H. Münterfering, director of its new controlling company.

Felten & Guilleaume also controls the heavy electrical equipment servicing and repairs concerns ATELIERS ELECTRIQUES DE WALFERDANGE SA, Walferdingen, which it took over in 1965, while in Luxembourg city it holds a 30% interest in Fan. F. & G. Arbed National Standard Luxembourg SA (see No 286).

** The West German company W. HOLZER & CO KG, Meersburg (see No 472), which makes electrical and electronic equipment for domestic appliances, has extended its interests in Italy by backing the formation of an affiliate company called S.A.T.I. - STA APPLICAZIONI TECNICHE INDUSTRIALI SpA (capital Lire 1 m). This will be run by Herr Walter Holzer, but controlled by the Italian subsidiary HOLZER ITALIA SpA (see No 457).

** The West German EDELSTAHLWERKE BUDERUS AG, Wetzlar (see No 292), a subsidiary of the metallurgical concern BUDERUS'SCHE EISENWERKE, Wetzlar (part of the FRIEDRICH FLICK KG, Düsseldorf group - see No 531), has formed a sales subsidiary in the United States called BUDERUS STEEL CORP, South Hackensack, New Jersey. The founder makes electrodes and welding equipment, steels, sheet etc.

** M. Louis Dubois, who is director of the Geneva-based INFRANOR SA (patents, licence etc - capital Sf 1.5 m) is the manager along with Herr Arnfried Uhlig of the new West German company INFRANOR GmbH (capital Dm 20,000). This has been established in Viersen and will trade in electrical and electronic equipment, as well as licences.

The Geneva company is a member of the Friburg group SA De Participations Financieres Perrot, Duval & Cie, whose two main fields of activity are in the automobile sector (sales, repairs and garages) and lighting ("Infranor" headlights and lamps). There are two main North American subsidiaries: Infranor Canada Inc and Infranor of North America.

ELECTRONICS

** METALS RESEARCH GmbH, Frankfurt, has just been formed (capital Dm 20,000) with Mr. C. Beadle as manager to market in West Germany, Austria and Switzerland the scientific instruments made by the British company METAL RESEARCH LTD, Royston, Herts (see No 454).

This has 150 employees engaged in the manufacture of electronic image analysers, electronic shaping equipment for metallurgical specimens and laboratory ovens. There is a Paris subsidiary, Metals Research (France) Sarl (capital F 20,000) and another in the United States, Metal Research Instrument Corp.

ENGINEERING & METAL

** MASSEY FERGUSON SA, Le Plessis-Robinson, Hauts-de-Seine, the French subsidiary of the Canadian agricultural and civil engineering equipment group MASSEY FERGUSON LTD, Toronto, Ontario (see No 532), is to rationalise its interests and thus strengthen the position of its own subsidiary STE ARMORICAINE DE MOTO-CULTURE SAM - SA, Quimper, Sud-Finistere. This is a sales and repair concern with a capital of F 4.1 million and will take over its counterpart STE LANGUEDOCIENNE DE MOTOCULTURE - S.L.M. SA, Toulouse (assets valued at F 4.1 m gross - see No 499).

** Five companies affiliated directly or indirectly to the Belgian COFININDUS-BRUFINA group (see No 532) have backed the formation of a company trading in metal products, SIDERUR CONTINENTAL SA (capital Bf 200,000).

The founders are COCKERILL-OUGREE PROVIDENCE SA, Seraing (see No 497), SIDERUR-CONGO-STE COMMERCIALE DE SIDERURGIE AU CONGO Sarl, Kinshasa (47.98% controlled by the previous company - see No 363), FORGES DE THY-MARCINELLE & MONCEAU SA, Marcinelle (see No 499), MINIERE & METALLURGIQUE DE RODANGE SA, Rodange (see No 386), and LAMINOIRS D'ANVERS SA, Schoten-Anvers (42.7% controlled by the previous company - see No 355).

** Herr Emil Alfons Ungricht, who is the managing partner with a 45% stake in A. & E. UNGRICHT FABRIK FUER WALZENGRAVUREN KG, Mönchengladbach (printing cylinders for the textile, leather, rubber, metal and printing industries) has an 82% controlling interest in the new Brussels company UNGRICHT INTERNATIONAL SA (capital Bf 500,000). This will trade in the market machinery and equipment used in this sector.

The remaining shares in the German company are held by Herr Ungricht's family with a 5.5% stake controlled by Ungricht GmbH. The Mönchengladbach firm has a capital of Dm 800,000 and employs around 250 persons for an annual turnover of Dm 6 million. There is a sister company, Emil Ungricht Maschinenbau KG, Mönchengladbach.

** UNION CENTRALE DE PARTICIPATIONS METALLIQUES INDUSTRIELLES - UCPMI SA (see No 508) has made over its 7.42% stake in DE WENDEL SIDELOR SA, Hayange, Moselle, to the holding company SIDELOR MOSELLANE SA (see No 532), which now has an interest totalling 44.79%. As a result Sidelor Mosellane has raised its capital to F 316.2 million and UCPMI has now become a 16.2% shareholder. The latter is an affiliate of the Paris group Vallourec SA (21.5% - see No 523) and of the state group Regie Nationale des Usines Renault SA (32.1% - see No 533).

** ORENSTEIN & KOPPEL AG, Berlin and Dortmund (formerly ORENSTEIN-KOPPEL & LUEBECKER MASCHINENBAU AG - civil engineering, transport and materials-handling equipment, as well as diesel motors - see No 512), a 57.6% subsidiary of the steel group HOESCH AG, Dortmund (see No 532) and a 25% affiliate of the holding company AG FUR INDUSTRIE & VERKEHRSWESEN, Frankfurt (see No 512), has acquired the "civil engineering and materials-handling" interests of the ROTHE ERDE SCHMIEDAG AG, Hagen (factory at Hagen-Eckesey with 750 employees - formerly Schmiedag AG). The latter is the wholly-owned subsidiary of Hoesch and it acquired its existing name when it took over the lease of factories belonging to Eisenwerk Rothe Erde GmbH, Dortmund, Dörken AG, Gevelsberg, Westphalia and Hoesch Hammerwerk Ruegenberg GmbH, Olpe, Westphalia, following the re-organisation of its parent company's interests. The main shareholder in Hoesch with a 14.5% interest is the Dutch steel group Kon. Ned. Hoogovens & Staalfabrieken NV.

As a result of this move, Orenstein & Koppel, whose capital has recently been raised from Dm 26 to 31.25 million, will now employ around 8,000 persons and its annual turnover will be near the Dm 400 million mark.

** The West German group DEGUSSA - DEUTSCHE GOLD- & SILBER-SCHEIDEANSTALT VORM. ROESSLER AG, Frankfurt (precious and special metals, chemical products and related technical equipment and services - see No 533) has strengthened its Asian interests by establishing a sales and market research company in Hong Kong. This is called DEGUSSA FAR EAST SERVICE LTD. The group already has a 50% Tokyo affiliate, Nippon Aerosil Co Ltd, in association with the Japanese group Mitsubishi Heavy Industries Ltd. This manufactures and sells "Aerosil" metallic oxides.

** The Paris company APPLICATIONS MECANIQUES & ROBINETTERIE INDUSTRIELLE - A.M.R.I. (butterfly shut-off valves used in the gas, liquid and vacuum industries) has linked 60-40 with Belgian interests represented by MM. Bernard Gerson and Benjamin Jakubowicz to form SA AMRI-BENELUX (capital Bf 1m). This will manufacture and sell similar equipment and its president, M. Georges Rivals, holds the same post in the French company.

The latter was represented until now in Belgium by Interindustrie SA, Brussels, and its West German agent is C.F. Nienstoedt, Bremen, and its Dutch agent Alink, Amsterdam. It has a stake in the Spanish concern AMVI - Applicaciones Mecanicas Valvulas Industriales SA, Madrid, and recently formed an Italian sales subsidiary AMRI - Applicazioni Mecchaniche Rubinetterie Industriali SpA (see No 510).

** The American ANSUL CO group, Marinette, Wisconsin, which already has a Belgian subsidiary ANSUL INTERNATIONAL SA, Uccle-Brussels (formerly Protection Generale Incendie SA - see No 253), has strengthened its Belgian interests by gaining control of the fire-fighting equipment concern TUREX SA, Brussels (production facilities at Grand-Bigard). This is headed by M. Tuerlinck and with 200 employees has an annual turnover of Bf 100 million, mainly from exports. The American group also has a Dutch subsidiary, Ansul International Nederland NV, which was formerly Minimax NV, before becoming P.G.I. - Algemene Brandbeveiliging Mij. NV in 1963.

** The Frankfurt VEREINIGTE DEUTSCHE METALLWERKE AG (see No 512) an 86.7% subsidiary of the German and Swiss group METALLGESELLSCHAFT AG (see No 525), has linked with the American WAH CHANG ALBANY CORP (a member of the TELEDYNE INC, Los Angeles group - see No 517) in the zirconium sales sector. A joint subsidiary called VDM - ZIRKONIUM GmbH has been formed in Düsseldorf and this will market the semi-manufactured and zirconium alloys made by the German concern, which will be supplied with raw materials by its American partner.

FINANCE

** The Strasbourg company STE GENERALE ALSACIENNE DE BANQUE SA (see No 532 - an affiliate of the Paris banking group STE GENERALE SA) has extended its West German network of offices under the ALLGEMEINE ELSAESSISCHE BANKGESELL-SCHAFT by opening a further office in Frankfurt. It is already represented in Cologne, Saarbrucken, Offenburg, Karlsruhe and Kehl.

** The Italian state banking concern MONTE DEI PASCHI DI SIENA, Sienna (see No 533) intends to extend its interests to Britain by opening an office in London. The Sienna bank controls Banca di Cavour SpA, Cavour and Turin (see No 384), as well as having interests in various Italian finance and investment companies, including Centrofinanziaria - Soc. Finanziaria Centro-Italia SpA, Perouse (see No 434) and Italfinanziaria Internazionale SpA, Rome (see No 486).

** The leading Spanish banking group BANCO ESPANOL DE CREDITO SA, Madrid (1968 balance sheet total Pts 285,000 m - see No 491) has opened an office in Frankfurt.

The Madrid group has a capital of Pts 4,800 million and 635 offices in Spain. It has 17 foreign branches in Paris, Brussels and London, as well as on the American continent.

** A cooperation agreement has been signed in West Germany between the Munich banking group BAYERISCHE HYPOTHEKEN- & WECHSELBANK and the insurance group AACHENER & MUENCHENER FEUER-VERSICHERUNGS-GES., Aachen (see No 533). Under this they will use their joint network to promote modern savings schemes and especially insurance-backed savings schemes.

The Munich group already cooperates closely with Bayerische Versicherungbank AG, Munich (see No 339), which is controlled (45% each) by two linked Munich insurance groups, Münchener Rückversicherungs Gesellschaft (see No 528) and Allianz Versicherungs AG. It has some 360 offices in Bavaria and is about to make into a branch the recently-acquired Bankhaus Stuber & Co KG, Stuttgart.

FOOD & DRINK

** The West German sparkling wines concern HENKELL & CO, Wiesbaden-Biebrich (see No 414) has diversified its interests by acquiring the rum concern ANDREAS C.M. HOLST KG, Flensburg, whose products it will now market throughout West Germany.

The Wiesbaden group is owned by the Henkell family and in conjunction with its subsidiary Nicolaus Rütgers GmbH has an annual production of over 25 million bottles of sparkling wines. Through its subsidiary Henkell-Import it also imports other alcoholic products, including those made by Picon S.A.P. SA des Anc. Ets. Amer Picon, Levallois-Perret, Hauts-de-Seine (aperitifs), Grand Marnier SA, Paris (liqueurs) and Jas. Hennessy & Co SA (cognac - see No 526), as well as "Black & White" whisky made by the Edinburgh group The Distillers Co Ltd (see No 478). In 1966 it acquired Freiherrlich Von Seldeneck'sche Brennerei GmbH, Gegenbach (eaux de vie) and also has a stake of more than 25% in the mineral waters concern Die Biauen Quellen Fritz Meyer & Co AG, Rhein, Rheinland, which itself has a wholly-owned subsidiary, Trinks GmbH, Goslar.

** The Belgian brewery group UNIBRA SA, which recently made its "chocolate, biscuits and confectionery" interests into a subsidiary called VICTORIA SA, Koekelberg-Brussels (see No 493), has now made this over to GENERAL BISCUIT CO SA, Herenthals.

The latter (capital Bf 525 m) had already acquired from Unibra its Dutch subsidiary Biscuit & Chocoladefabriek Victoria NV, Dordrecht (see No 392). During 1968 it had a consolidated turnover of Bf 2,800 million.

** The New York company NORTON SIMON INC, which was formed in July 1968 by the merger of HUNT FOODS & INDUSTRIES INC and its two affiliates McCall Corp (47%) and Canada Dry Corp, New York (see No 390), has carried out a move aimed at extending its West German interests by forming through its CANADA DRY division a non-alcoholic drinks subsidiary. Based in Essen, this is called CANADA DRY GETRAENKEINDUSTRIE RHEIN-RUHR GmbH (capital Dm 100,000).

The group already has a subsidiary Canada Dry GmbH, Offenbach (drink concentrates and bottling), which is managed by Mr. Robert H. Behrens, New York. It has also signed a large number of franchising agreements.

** The success in Italy of the "Prinz Bräu" beer made by the Italian subsidiaries PRINZ BRAEU FERENTINO SpA, Ferentino, Frosinone; PRINZ BRAEU CARISIO SpA, Carisio, Vercelei; PRINZ BRAEU CRESPELLANO SpA, Crespellano, and PRINZ BRAEU BARI SpA, Bitonto, of the Hamburg RUDOLF A. OETKER group (see No 531), has resulted in the formation of a West German company called PRINZ BRAEU GmbH, Friedberg. This has an initial capital of Dm 20,000 and with Herren Erich Weismann and Johannes Riecken as managers will brew and market beers, as well as forming the possible basis for launching a "national" beer on the German market. Another German brewery group,Funke,recently launched such a beer under the brand name "Stern-Pils".

The negotiations which began a couple of months ago in Austria (see No 528) between an affiliate of the Hamburg group Oesterreichische Brau AG, Linz, and Brauerei Schwechat AG, Vienna, along with its affiliate Brauerei Zipf AG Vorm. Wm. Schaupf, Zipf, have not yet come to fruition.

** The German biscuit group H. BAHLSENS KEKSFABRIK KG, Hanover (see No 452) has strengthened its Common Market interests by forming a Belgian subsidiary to make and sell biscuits, chocolates, cakes and other food products. The new company is called BAHLSEN NV, Berchem-Ste-Agathe (capital Bf 5 m) and the members of the board are MM. M. Kuhn, W. Maydorn and W. Heyes. 50% of the capital is controlled by the founder with the remainder held by two Swiss holding companies, INTERNURA FINANZ AG, Zug, and NURINTRA HOLDING AG, Zurich.

The group already has other Common Market subsidiary under its own name in Rueil-Malmaison, Hauts-de-Seine; Bologna; Amsterdam and Luxembourg. Apart from several West German subsidiaries and affiliate companies, it is linked 50-50 with W. & H. Liebelt, Hamburg, in Wilhelm Liebelt & Co KG, Hamburg.

** The Munich banking group BAYERISCHE HYPOTHEKEN- & WECHSELBANK (see No 518) has strengthened its interests in the brewery sector by taking a stake of more than 25% in the fourth largest German brewery group SCHULTHEISS-BRAUEREI AG, Berlin and Bochum (2.2m. hectolitres p.a. - see No 527), one of whose minority shareholders is the Luxembourg company Entreprises Quilmes SA.

Schultheiss ranks behind the Oetker group (6m. h.p.a.) and Dortmunder Union Brauerei AG (nearly 4m. h.p.a.) - with which it cooperates closely within Dortmunder Union-Schultheiss-Berlin Brauerei-Arbeitsgemeinschaft GmbH, Dortmund - and H.F. & Ph. H. Reemtsma GmbH & Co KG (3.2m hectolitres p.a.), which itself has a 20% stake in Dortmunder Union Brauerei. During the 1967-68 financial year Schultheiss (capital Dm 46.6m) had a turnover of Dm 237.21 million. Its main subsidiaries in the brewery sector are Aktienbrauerei Feldschlösschen, Minden (97.6%), Dortmunder Bergmann-Brauerei GmbH, Dortmund (82.5%), Löwenbrauerei-Böhmisches Brauhaus AG, Berlin (87.56%), Schlossquellbrauerei AG, Heidelberg (79.25%), Brauhaus Brückenau Ivo Jansen AG, Brückenau (65.29%) and Engelhardt-Brauerei AG, Berlin (52.75%). In the non-alcoholic drinks sector it controls Lichterfelder Getränke Herstellung & Vertrieb GmbH, Berlin (capital Dm 3m), which has a franchising agreement for the production of Coca Cola, and Getränke Herstellung & Vertrieb an der Grenzallee GmbH, Berlin.

The Munich bank already has various interests in the brewery sector amounting to an annual production of 2.5 million h.p.a., which include over 50% in Erste Kulmbacher Actien-Exportbier-Brauerei, Kulmbach (capital Dm 3.7m), Hofbräu AG Bamberg & Erlangen, Bamberg, Würzburger Bürgerbräu AG, Würzburg, and Exportbierbrauerei Franz Erich GmbH, Erlangen, shareholdings over 25% in Paulaner-Salvator-Thomasbräu AG, Munich (capital Dm 8.96m), with an annual capacity of 1 million h.p.a., Reichelbrau AG, Kulmbach, Grüner-Brau AG, Fürth, Bay, Bayerische Löwenbrauerei Franz Stockbauer AG, Passau, Löwenbräu München, Munich (held through Custodia Vermögensverwaltungs GmbH, Munich).

** GERVAIS DANONE AG, Munich, which is the Munich subsidiary of the French dairy group CIE GERVAIS-DANONE SA, Courbevoie, Hauts-de-Seine (see No 530) and was formed by the merger of CH. GERVAIS AG and DANONE JOGHURT PRODUKTE GmbH, has signed a cream cheese know-how agreement with the leading Israeli dairy company, NAHARIYA DAIRY STRAUSS LTD. The Munich company expects to have a turnover of Dm 160 million during 1969.

The French group has recently raised its capital to F 206.86 million following the absorption of Ets. Milliat Freres SA, Nanterre, Hauts-de-Seine, as ~~well as~~ the acquisition of some of the assets of its subsidiary Ste Lyonnaise des Pates Milliat Freres SA, Villeurbanne, Rhone - now re-named Milliat Freres SA, Nanterre - as well as the takeover of Ch. Gervais SA, Fromageries Ch. Gervais SA and Danone SA.

** The Hamburg subsidiary HAASE-BRAUEREI GmbH of the West German brewery group SCHULTHEISS-BRAUEREI AG, Berlin and Bochum (see this issue), which specialises in building breweries in developing countries, intends to establish a subsidiary in Swaziland called HIGHLAND BREWERY LTD (initial capital Rands 750,000). When this starts operations in 1970 it will also supply the Mozambique market.

** CONSERVAS BAQUERO DEUTSCHLAND GmbH, Frankfurt (initial capital Dm 20,000, immediately raised to Dm 160,000) has been formed to import and sell in West Germany canned fish under the "Pica-Pica" trade name made by the Spanish cannery CONSERVAS BAQUERO, Palmeira. The company has also moved its head office to Cologne and its managers are Herr W. Bartz, Senor Enrique Varela Baquero - head of the Spanish company, as well as Frau M. Wintermann.

** STE INDUSTRIELLE DE SUCRERIE SA, Paris, and STE AGRICOLE DE LA GUADELOUPE SA, Pointe-a-Pitre, Guadeloupe (see No 531) have now been formally established with a capital of F 100,000 each. They have received from their respective founders, STE INDUSTRIELLE & AGRICOLE DE POINTE-A-PITRE, Guadeloupe (66%) and CIE FRANCAISE DE SUCRERIE, Paris, a number of assets. In the case of Industrielle de Sucrerie these amount to F 49.5 million gross and as a result its capital has been raised to F 12 million, while for Agricole de la Guadeloupe the assets are valued at F 28.8 million gross and its capital has been raised to F 6 million.

** Herr Klaus Jacobs is the director of the newly-formed Swiss company JACOBS TRADING SA, Basle (capital Sf 1 m). With M. Thomas Bär, Zurich, as president, this will trade in coffee and tea products.

Herr Jacobs is the managing partner in the Bremen tea and coffee dealers Joh. Jacobs & Co, Kaffeegrossrösterei & Teeimport, Bremen (see No 503), which works in close cooperation with the dairy Douwe Egberts Koninklijke Tabaksfabriek & Koffie-branderijen-Theehandel NV, Utrecht.

MINING

** The Belgian group P.B.R. SA, Woluwe-St-Pierre (formerly Poudreries Reunies de Belgique SA - see No 516) has taken a 30% stake in Spain along with the Spanish company FINA IBERICA SA (60%) and Spanish interests (10%) to form INDUSTRIAS ARSENICAS REUNIDAS SA - IARSA (capital Pts 7 m). This will extract and process arsenic and related products and also reclaim mineral and mining waste.

Fina Iberica (capital Pts 10 m) was recently formed by the Brussels group Petrofina SA (see No 533).

** The ROYAL DUTCH-SHELL group (see No 533) intends to carry test-drilling in early 1970 for potassium, magnesium and other evaporite minerals in the northern part of the Netherlands. SHELL-DELFSTOFFEN NEDERLAND NV has been formed to carry out these operation, and it will use an improved solution mining technique to extract minerals at a depth of up to 3,000 metres. If these tests are successful the group will have to obtain production licences from the Dutch government, and production itself could start in 1973. The group already has drilling permission for certain areas of the Netherlands, but is now negotiating with the Bonn government for the right to carry out exploratory work near the Dutch-German frontier and the adjoining area of the North Sea.

A further recent move by Shell was the formation of a subsidiary operating in the nuclear energy sector, SHELL KERNENERGIE NV (capital Fl 4.5 m), The Hague. This is controlled by two subsidiaries, also based in The Hague, Shell Petroleum NV and Nederlandse International Industrie & Handel Mij. NV.

OIL, GAS & PETROCHEMICALS

** C.F.R. - CIE FRANCAISE DE RAFFINAGE SA, Paris (a member of the CIE FRANCAISE DES PETROLES SA group - see No 533) is to raise the authorised capital of its Milan subsidiary TOTAL ITALIANA SpA (see No 530) to Lire 23 million.

The French group's recent moves in Italy include the formation of a Milan affiliate Top Gas Auto SpA (directly controlled by Totalgas Italiana SpA - formerly Flamina SpA - see No 522), as well as the establishment of Motelsud SpA. The latter is run by M. H. de Truchis and is controlled by Total Italiana, as well as being affiliated to another Milan subsidiary of the group, I.C.I.P. - Industrie Chimiche Italiane del Petrolio SpA (see No 410).

** The West German group WINTERSHALL AG, Celle and Kassel (potash and petroleum products - see No 525) intends to build a 3.5 million t.p.a. refinery in Antwerp. When this comes on stream late in 1972 it will provide base materials (ethylene and aromatic products) for the Antwerp chemical complex of its parent company, B.A.S.F. - BADISCHE ANILIN- & SODAFABRIK AG, Ludwigshafen, through its subsidiary BASF Antwerpen NV. The latter is also considering the enlargement of its own facilities at a cost of Dm 800 million.

B.A.S.F. recently made a takeover bid for control of the American chemical group Wyandotte Chemicals Corp, Wyandotte, Michigan (see No 533), in which it already has a 14.3% interest, but which is at present controlled by the descendents of the founder, J.B. Ford.

PAPER & PACKAGING

** The Munich banking group BAYERISCHE HYPOTHEKEN- & WECHSEL-BANK (balance sheet total August 1969 of Dm 11,800 m - see this issue) is negotiating with the West German industrialist Herr Hermann D. Krages, the head of the Bremen concern KRAGES GmbH, for his majority shareholding in the paper and cellulose manufacturer ZELLSTOFFABRIK WALDHOF, Mannheim-Waldhof (see No 523), which has a capital of Dm 78 million. If the negotiations are successful it intends to merge this with another company in the same sector, Aschaffenburger Zellstoffwerke AG, Aschaffenburg (capital Dm 80 m - see No 527), which it controls with a 72% interest in conjunction with the Swedish group Svenska Cellulosa A/B, Sundswall (whose interest should be increased from the present 20% to 34% by late 1970), as well as with the Bavarian state concern Bayerische Landesanstalt für Aufbaufinanzierung, Munich.

When this move is carried out it will result in the second largest West German paper group with an annual turnover of around Dm 800 million, behind the Feldmühle AG, Düsseldorf group, whose capital has recently been raised to Dm 120 million (see No 529). The new group will account for around 60% of German cellulose production (430,000 t.p.a.) and around 8.5% of paper production (420,000 t.p.a.).

** STE NOUVELLE DES IMPRIMERIES PAUL DUPONT, Clichy, Hauts-de-Seine (capital F 5 m) has recently been formed by its president M. R. Bine to take over the assets of IMPRIMERIES PAUL DUPONT SA, Paris, and its subsidiaries LA PHOTOGRAVURE B.D.P. Sarl and PHOTOCOMPOSITION & GRAVURE P.C.G. Sarl. All three companies have been in the hands of the receiver since January 1968.

PRINTING & PUBLISHING

** The Paris company SA LES ACTUALITES FRANCAISES has decided to close down its Belgian subsidiary STE BELGE D'EDITIONS FILMEES SABEF SA, St-Josse-ten-Noode, and M.W. Willems has been put in charge of this operation.

Actualites Francaises is controlled by the French State, with 54% held directly and the remainder through U.G.C. Union Generale Cinematographique SA. It recently sold its newsreel interests to Ste Nouvelle Pathe-Cinema (see No 504).

SERVICES

** MANAGEMENT & TECHNOLOGICAL SERVICES INTERNATIONAL - MATSI SA, St-Josse-ten-Noode, Brussels (capital Bf 50,000 - second company with this name) has been formed on the premises of MANAGEMENT & TECHNOLOGICAL SERVICES INTERNATIONAL (INVESTMENTS) - MATSI INVESTMENTS Sprl (formerly Management & Technological Services International) in association with the New York company TECHNO-ECONOMIC RESOURCES INC and the London ECONOMIC & TECHNOLOGICAL STRATEGIES LTD.

All three founders are headed by Mr. James A. Core, who is on the board of the new company along with Mrs. Irma Core and Mr. William R. Jack.

** The Amsterdam NV RANDSTAD UITZENDBUREAU (temporary staff) has formed a similar Belgian subsidiary called RANDSTAD NV, Elsene-Brussels (capital Bf 1 m), which is headed by Mr. Frans Pierre Meunier, Halle.

The founder has offices in The Hague, Rotterdam and Leyden, and there is already an existing Belgian subsidiary, Interlabor NV, St-Josse-ten-Noode. It is also represented in Düsseldorf by Randstad Uitzenbureau GmbH (see No 462) and in London by Randstad Ltd.

TEXTILES

** The Dutch AKU NV, Arnhem group (see No 532), which is now merging with the KON. ZOUT-ORGANON NV, Arnhem group within the holding company AKZO NV, has made a takeover bid for the remaining 18% it needs to have outright direct and indirect control of the Austrian concern ERSTE OESTERREICHISCHE GLANZSTOFF-FABRIK AG, Vienna. This has a rayon yarn factory at St-Pölten and a capital of Sch 17 million.

The Dutch group recently raised its control of two West German subsidiaries Glanzstoff AG and J.P. Bemberg AG (both based in Wuppertal) to 96% and 98% respectively as the result of a similar bid.

** The Glasgow textile group JAMES TEMPLETON & CO LTD, Glasgow, has closed down its subsidiary THOMAS DYSON & SONS (BELGIUM) LTD, Dewsbury, Yorks. Mr. Maurice is responsible for closing the Dewsbury office and M. Robert Andre for closing the Brussels office.

** A new Paris company called URGE SA (capital F 30m) has been formed to combine the assets of its two founders in the textile furnishings sector (cottons, chintzes and velvets). The founders are COTONNIERE DE COMINES SA, Comines, Nord (gross assets F 14.32m) and STE LILLOISE D'INDUSTRIE COTONNIERE - S.L.I.C. SA, Werwick-Sud, Nord (gross assets F 18.35 m - see No 449), and it will also receive some of the assets (F 19.62m) of the latter's Paris subsidiary Ets Urge SA (capital F 2.4m).

In early 1968 Slic linked with another French company Linder Sarl, Violay, Loire, within a joint West German subsidiary Linder & Urge GmbH, Müllheim, Ruhr. Cotonniere de Comines has a number of foreign sales agents in Ghent, London etc.

** The London company WIGGLESWORTH & CO LTD has formed a Belgian subsidiary called WIGGLESWORTH & CO, BELGIUM NV, Courtrai (capital Bf 1m). This will process and trade in natural and synthetic fibres and cloths. The first members of the board are Messrs Carl N. Aschan, James H. Leslie and Andre Ch. Egger.

TOBACCO

** An agreement has been signed in Belgium between the Dutch company GEBR. VAN SCHUPPEN'S RITMEESTER SIGARENFABRIEKEN NV, Veenendaal (see No 497) and VAN DER ELST NV, Antwerp (formerly Usines van der Elst), a member of the Brussels group Tabacofina SA (see No 511), which will give the Dutch concern ownership of the cigar and cigarette factory at Rijkevorsel now owned by Van der Elst.

Van Schuppen is affiliated to the London group GALLAHER LTD, itself a member of the New York group American Brands Inc (formerly American Tobacco Co - see No 512). It will form a new subsidiary called Ritmeester Sigaren Belgie NV to run the factory it has acquired from the start of 1970. It already has a Belgian manufacturing subsidiary at Arendonk and four production facilities in the Netherlands at Veenendaal, Hoogeloon-Hapert, Didam and Kesteren.

TRANSPORT

** STE COMMERCIALE TRANSOCEANIQUE DES CONTENEURS SA, which was formed in Paris (see No 449) with the backing of the CIE DES MESSAGERIES MARITIMES SA group (see No 528), has been appointed the representative for the Northern half of France of the two British container groups OVERSEAS CONTAINERS LTD - OCL, and ASSOCIATED CONTAINER TRANSPORTATION (AUSTRALIA) ACT LTD. The latter operates a container shipping service between London, Antwerp, Rotterdam and Australia.

OCL was formed in 1965 and is the joint subsidiary of The Peninsular & Oriental Steam Navigation Co Ltd (see No 519), British & Commonwealth Shipping Co Ltd (see No 497) and Furness, Withy & Co Ltd, London (see No 474), as well as of Holt Maritime Enterprises Ltd, Liverpool. For its part ACT was formed in 1966 as a consortium backed by Ben Line Steamers Ltd (part of the Wm. Thomson & Co, Edinburgh group); Blue Star Lines Ltd, London; The Cunard Steam Ship Co Ltd, Liverpool (see No 518); Ellerman Lines Ltd, London; and Harrison Line Ltd (part of the Thos. & Jas. Harrison Ltd, London and Liverpool group).

** French interests represented by M. Alfred Amann, Balan, Ardennes, have backed the formation in Belgium of AGENCE EN DOUANE ALFRED AMANN SA, Bouillon-Beaubru (capital Bf 200,000). M. Amann is president of the new company.

INDEX TO MAIN COMPANIES NAMED