



Common Market Reports

EUROMARKET NEWS

Issue No. 51

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Exceptional EEC growth in 1969

BRUSSELS -- 1969 was a record year for growth of production and employment in the Common Market, but inflation and disparities between Member States also increased, as reflected by the changed values of the franc and Dmark. Industrial output rose 12% compared with 8.7% in 1968, while consumer spending was up by an exceptional 11.5% in value and 7% in volume over the previous year. Imports continued to reflect the strong demand and rose by 17% in value, compared with an 11% rise in exports, turning the 1968 EEC trade surplus into a deficit. Movements of long-term capital also showed a considerable deficit over the year.

Rey's EEC forecast for 1980

PARIS -- EEC Commission President Jean Rey forecast in an interview here that by 1980, the EEC would have a common monetary unit and its own Parliament directly elected by the people of the Member States. The Common Market, which by then could be expected to include the four applicant nations, Britain, Ireland, Norway and Denmark, would be fulfilling the vision of its founders in creating a single political unit out of the nation-states of Europe. He said that despite the difficulties, there were "serious reasons for thinking" that the negotiations with the applicants, to start in mid-1970, would succeed.

Growth of French reserves

PARIS -- France paid off foreign debts of \$720 million and increased its reserves by a further \$470 million in the last four months of 1969, Finance Minister Valéry Giscard d'Estaing reported. He added that exports were now running only 3% below imports, compared to 14% last May, with the Government continuing to work actively to encourage a positive balance. Private savings were also increasing, and the rate of increase of prices was slowing down -- all signs that the Government's post-devaluation policy was working, he said.

Pound strong

LONDON -- A continued steady rise in sterling sent the pound to above its parity of \$2.40 on December 30 for the first time since April, 1968. A certain amount of the rise was due to year-end window-dressing of accounts by banks and large companies, and easing of the strain on the Eurodollar market, but the continued favorable British economic situation was reflected in the exchange rate over the past two months. The Bank of England took advantage of the strong rates to build up its dollar reserves.

Germany clears cyclamates

FRANKFURT -- The West German Ministry of Public Health, after a series of studies, has concluded that there is no reason to suspect that cyclamate artificial sweeteners can increase the risk of cancer in humans.

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Farm agreement in Italy

ROME -- Agreement has been reached, after several months of strikes, on a new contract for agricultural workers. Thus, two of the three major sectors in which labor strife has torn Italy through the "hot autumn" have been covered by new contracts. Industrial workers have generally reached agreements following the key metal workers' solution. The group still unsatisfied is important, however, as some 2.3 million State employees are still seeking higher wages and better conditions, particularly new career structures.

French steel price rise

PARIS -- Prices of French steel products rose on January 1 by between 4 and 11.5%, depending on the product, an average of 9% overall. The new rise reflects increasing prices in Europe and on the world market, but French steel remains the cheapest in Europe and well below world prices. Prior to the latest increase, French prices were between 30% and 60% lower than those in Belgium, 25% to 30% lower than in Germany, and 20% to 40% under Italian rates. French prices also rose last June, September, and October, but the total rise by the end of the year was only 8% above August, 1962, prices.

French rail charges up

PARIS -- France's state-owned railway network announced increases for January of 4.5% in passenger fares and 6.45% for freight, though reductions will be made for bulk shipments of 20 tons or more. The last rise in freight rates was an average 9.14% in December, 1968. Road and waterways freight charges are also to rise.

ICI bid for Viyella

LONDON -- The giant British chemicals and synthetic fibers producer Imperial Chemical Industries (ICI) has made a £ 47.5 million (\$114 million) bid for the textile firm Viyella, whose founder and chairman Joe Hyman was suddenly removed from all executive functions by the board last month. ICI proposes merging Viyella with its Carrington and Dewhurst subsidiary. Both companies are expecting substantially reduced profits for 1969, reflecting internal problems as well as the depressed state of the industry.

Viyella had no immediate comment to make on the bid. The Government will have a large say in the matter, however. Last June it put a freeze on mergers among the big five in the British textile industry, including Viyella and Carrington, to enforce a period of consolidation of previous takeovers, and is restudying the whole situation.

Kaiser in European aluminum venture

FRANKFURT -- Kaiser Aluminum and Chemical Corporation and West Germany's Preussag Aktiengesellschaft have announced development of their European cooperation to cover all aspects of the aluminum industry. They already had agreed to build a joint smelting plant at Voerde, near Duisberg in West Germany. A new company, Kaiser Preussag Aluminium, jointly owned, will be operating a fabricating plant in conjunction with the Voerde smelter, where expansion of the smelting capacity will be undertaken sooner than first planned. The smelter will start operations in early 1971 with an initial

capacity of 64,000 metric tons annually, to be increased to 130,000 tons before 1975. Total investment in the Voerde development will be around \$150 million, and Kaiser-Preussag will also take over existing Kaiser fabrication plants in Germany, Switzerland, Italy, and Belgium. Kaiser's British operations, including a 40% interest in a new smelter, will remain separate.

BASF expansion in US

FRANKFURT -- Badische Anilin und Sodafabrik (BASF), the West German chemical giant, plans to invest \$400 million in new plant in the United States through 1974. BASF has made an outlay of some \$300 million, including the purchase of Wyandotte Corporation, to the present time. The company has bought a site at Port Victoria, South Carolina, larger than its main European production center at Ludwigshafen, claimed to be the largest single chemical plant in the world. Port Victoria would include a steam cracking plant for the production of 400,000 tons of ethylene per year, and polystyrene and colorant production. BASF now holds 0.5% of the U.S. chemicals market, reckoned to be worth some \$50 billion per year, and hopes to increase the share to 1% by 1974.

Anglo-Nordic bank in Zurich

ZURICH -- Britain's Chartered Bank will be the senior partner (46-2/3%) in a Zurich-based bank, Anglo Nordic Bank, with Christiana Bank Og Kreditkasse of Oslo (25%) and Bankhaus Conrad Heinrich Donner of Hamburg (28-1/3%). The new bank will open in mid-1970 and start by concentrating on medium- and long-term financing for industry.

Impasse over BJN

LONDON-- The fight for the British paints company Berger, Jenson and Nicholson between Sherwin-Williams Co. and the combined West German Hoechst and Britain's Reed Group has reached a temporary stand-off. Sherwin-Williams has acquired the BJN interest of Celanese Corporation to make it the single largest shareholder in BJN, with some 31% of the 46 million shares and warrants. It has not, however, reacted to the Hoechst-Reed bid of one shilling (\$0.12) above its own offer. Hoechst is believed to have a total of 20% of the equity in its possession or pledged to its bid.

Unilever Caterpillar deal

LONDON -- The Anglo-Dutch Unilever organization has bought the Leverton Group, which holds the Caterpillar tractor franchise for a large area of England, for a reported £ 7 million (\$16.8 million). Unilever's African subsidiary, the United Africa Company, holds similar franchises in seven African nations and has been associated with Caterpillar for some 30 years.

Paribas buys into U.S. vending machine company

LUXEMBOURG -- Overseas International Corporation of Luxembourg, a subsidiary of the Swiss branch of the French Banque de Paris et des Pays-Bas, has bought a 50.4% holding in UMC Industries, a producer of automatic vending machines, from Liquidonics Industries of the United States. The price was \$57.8 million, which Liquidonics will use to clear short-term debts.

Anglo-French carbon deal

PARIS--The Morgan Crucible Company Ltd., a British pioneer in carbon fiber development, has received French permission to join Ugine Kuhlmann in the

capital of Carbone Lorraine. Under the three-way agreement, Carbone Lorraine and a Morgan subsidiary, Morganite Carbon Limited, are to coordinate worldwide production and sales of carbon and graphite products.

Brown Boveri - Borg Warner link

ZURICH -- A Mannheim, West Germany, subsidiary of the Swiss Brown Boveri engineering group is to establish joint companies in the industrial refrigeration field with the York Division of Chicago's Borg Warner Corp. Brown Boveri-York Produktions und Export GmbH will produce refrigeration and air-conditioning equipment to be sold throughout Europe by the York sales organization. Brown Boveri - York Kälte und Klimatechnik GmbH will handle West German sales. The two parent companies are studying possible future links between Brown Boveri and Borg Warner plants in Britain, France, Italy, and Spain.

Chicago bank for Paris

PARIS -- First National Bank of Chicago has received U.S. and French permission to open a full branch in Paris. No opening date has yet been announced here.

Ford plant for France?

PARIS -- Ford, conspicuously absent from the industrial scene in France, is now reported to be planning to start construction in 1970 of a major gear-box plant at Charleville-Mézières in northeastern France, with production to start 1972-3. Henry Ford II recently had talks with President Georges Pompidou.

Booz in France

PARIS -- The U.S. management consultants Booz, Allen and Hamilton have established a French company in Paris to offer a full range of consultancy services to French clients.

Burlington German purchase

FRANKFURT -- Burlington Industries is to buy more than 80% of the outstanding shares of Gladbacher AG of West Germany, a leading producer of worsted fabric.

Bourse report

LONDON -- Ignoring Wall St., market rose quietly but steadily through the 400 mark. Australian mining shares soared independently, with leader Poseidon touching £ 95 (\$233). PARIS -- Year-end sales brought generally quiet market down, except for steels, which rose on higher retail prices. FRANKFURT -- Unsettled, with very selective buying and selling throughout, sector leaders only being stronger. MILAN -- Holiday lack of interest saw most prices ease.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

Issue No. 52

LIBRARY

January 13, 1970

Entry prospects for Britain good: Jenkins

NEW YORK -- British Chancellor of the Exchequer, Mr. Roy Jenkins, said on NBC's "Meet the Press" that prospects "are good now" for Britain to become a member of the European Economic Community. Mr. Jenkins noted that Britain's improved economic situation means that economic difficulties can no longer be used as a basis for opposing Britain's entry into the Common Market.

British initiative for mergers with Europe

LONDON -- The British Government's Industrial Reorganisation Corporation (IRC), established with strong financing to encourage mergers in key sections of British industry, is exploring possible cross-Channel links with European industry. IRC executives have held talks with leading industrialists and bankers in Europe on possible rationalization or merger moves in a broad range of engineering fields, including switchgear, bearings, textile machinery, pumps, and construction equipment. The IRC argument is that fierce world competition calls for more cooperative ventures to streamline costs through such arrangements as joint sales agreements, rationalization of output, and increased production runs. No names of companies contacted in Europe have yet been released because of the early and delicate stage of the discussions.

ICI and Courtaulds talk merger, Monsanto watching

LONDON -- Britain's two giant chemicals and artificial fiber groups, Imperial Chemical Industries (ICI) and Courtaulds, are holding talks on Courtauld's initiative to discuss possible cooperation ranging from a "non-intervention pact" to a full merger. A merger would form a group at the top of the world league with capital of some \$4.8 billion. Other solutions would be the formation of a joint venture to produce artificial fibers, which would be the world's largest, or a simple agreement to keep out of each other's spheres of interest. ICI is reported to be willing to listen to Courtaulds' proposals but is not initially enthusiastic. And any tentative agreement would certainly come in for the closest scrutiny by the British Government and its Monopolies Commission. A Government committee is already studying the recent ICI bid to take over Viyella and merge it with its Carrington and Dewhurst subsidiary in downstream textile integration. ICI has said that the talks with Courtaulds will not affect its bid for Viyella.

The talks are being watched very closely by Monsanto, which has invested nearly \$100 million in Britain in direct competition with the two companies. It recently reorganized its British subsidiary and made changes in its world-wide marketing organization.

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French nickel price rise cut ...

PARIS -- France's Le Nickel, one of the world's major producers of the metal, announced that a 20% price rise imposed November 28 would be halved for French domestic consumers at the request of the Government. The full increase will continue in effect outside France. The domestic cut is part of Government efforts to fight inflation during the period of re-establishing the economy following last August's franc devaluation. Le Nickel said, however, that the extra 10% rise would probably be imposed domestically about April or May.

...but coal rises 14%, aluminum up too

PARIS -- French coal prices have been raised by an average of 14% to industrial users as of January 2, with the increase going as high as 22% for coke and coal for the steel industry. The prices are still considerably lower than those on world markets, and particularly among France's direct competitors in the EEC. Aluminum prices are also expected to be increased shortly by 4% to 5%, with a further rise around the end of the first quarter. The prevailing prices again are below the world levels.

Construction costs soar in West Germany

FRANKFURT -- Construction costs have risen by some 50% in West Germany in the past 18 months. The nation's largest building organization, Neue Heimat, has cancelled two projects in Mannheim because of cost rises varying between 23% and 47%, and local authorities report cost increases in road, school, and other building projects of as much as 70%. The surge comes from widespread increases in materials costs and a 15% hike in wages, which make up some 50% of the total cost of building projects.

New freight airline proposed

LUXEMBOURG -- Talks are in progress for the formation of a new European freight airline, based in Luxembourg, in which the United Fruit Company may have an interest. Other partners would be the Luxembourg airline Luxair, Loftleidir of Iceland, which uses Luxembourg as a major European terminal, and the Swedish Salen group.

Dutch consider shipbuilding merger

THE HAGUE -- Talks are expected to start soon to explore the possibility of merging all major Dutch shipbuilding yards. The move follows the Dutch Government subsidies to the Verolme group, which got into financial difficulties over the building of a series of supertankers. An official report -- still secret -- on the situation at Verolme was recently submitted to the Government. Other Dutch shipbuilders are reported to have pressed for equal treatment with Verolme through Government subsidies for their larger projects. The projected merger would group Verolme with the Rhine-Scheldt yards, Van der Giessende Noord, and the Holland and Amsterdam Dockyard Co.

BOAC and Air France across Siberia

LONDON -- Formal agreements have now been signed to allow BOAC and Air France to fly the Moscow-Tokyo route over Siberia. The Soviet airline Aeroflot obtained traffic privileges from France and Britain into Western Hemisphere points in return. Now other European airlines, including SAS

and KLM, are reported to be actively negotiating for rights on the Siberian route, which cuts several hours off the current fastest Europe to Japan route over the North Pole.

Westinghouse Belgian deal clinched

BRUSSELS -- The French setback to the European plans of Westinghouse Electric Corporation, when the Government turned down its bid for Jeumont-Schneider, has not changed other aspects of the company's plans. Negotiations have now been concluded for Westinghouse to take a maximum 67.8% in Belgian Baron Empain's Ateliers et Constructions de Charleroi (ACEC). The first step will be an issue of 5% 20-year bonds by Westinghouse World Corporation to Electrorail, a major ACEC shareholder, in exchange for about 30% of ACEC capital. The bonds are convertible into the parent company's shares at \$85 per share. ACEC will increase its share offer to Westinghouse and the U.S. company will also go to the public shareholders of ACEC through a new loan issue.

AKZO in French paint industry

PARIS -- AKZO, the Dutch chemical group formed by a merger in 1969, has received French Government permission to buy France's second largest paint company, Astral. The Government made it known that there was no contradiction in this approval and the rejection of the Westinghouse bid for Jeumont-Schneider, as the paint industry is not considered a vital sector of the French economy. The industry is extremely fragmented but at present holding its own without difficulty against foreign competition.

Further North Sea gas development

LONDON -- Development work is expected to start shortly to link the large Indefatigable natural gas field in the North Sea by pipeline with the British coast and the national gas grid. The field, 55 miles offshore, was found by the state-owned Gas Council in partnership with Amoco in 1966. Shell-Esso hit the same field from its neighboring concession in 1967. The two groups still have to reach formal agreement on how the field's resources should be split. Delivery from the field is expected to start in mid-1971.

Rolls-Royce to sell EDP know-how

LONDON -- Rolls-Royce, one of the world's leading industrial users of computers, is shaping plans to sell its EDP know-how to companies with similar problems of management of advanced technology programs and production. Rolls-Royce operates about 20 computers and has extensive experience in such fields as on-line engineering design. Its sales effort is expected to concentrate on consulting, systems designs, and programming.

ASEA in U.S. production

STOCKHOLM -- ASEA, the Swedish heavy electrical company, will start manufacture of power transformers in the United States with the formation of a joint company with RTE Corporation, the third largest U.S. producer of distribution transformers. The company, RTE-ASEA Corporation, will be established in Milwaukee.

Amex checks in Swiss, Belgian francs ...

ZURICH -- American Express, in conjunction with a group of Swiss banks, will start issuing travellers' checks denominated in Swiss francs. A simi-

lar move was recently made in Belgian francs. The banks joining in the Swiss operation are the Société de Banque Suisse, Crédit Suisse, Union des Banques Suisses, Banque Populaire Suisse, and the Banque Cantonale de Berne.

...and cards in the Soviet Union

FRANKFURT-- Under an agreement with the Soviet travel organization Intourist, American Express credit cards will be accepted in Intourist-run hotels, restaurants and bars in Moscow and Leningrad. They may also be used to pay for a variety of services, including travel and entertainment, through Intourist offices.

Swedish chemical move into EEC

BRUSSELS -- Liljeholmen Stearinfabriks A.B. of Sweden and Oleochim S.A. of Belgium have formed a joint company, Lilachim S.A. of Brussels, to produce and market fatty amides and their salts and derivatives inside the EEC. A plant is under construction near Antwerp to go on stream toward the end of 1970.

French-U.S. time-sharing company

PARIS -- A Franco-American time-sharing network is to be established in Europe by a newly formed company, Cegos-Tymshare, based in France. Tymshare Inc. of Palo Alto, California, will contribute all the know-how and hold a 20% interest in the company. Cegos-Idet of France, one of the country's leading independent EDP and management consultant groups, will have a 51% interest, and one of the big three state-owned French banks, Crédit Lyonnais, gets into the EDP field for the first time with its stake of the remaining 29% in the new company.

Western American expands in Eurobonds

LONDON -- Western American Bank, jointly owned by Security Pacific National Bank, Wells Fargo Bank, National Bank of Detroit, and Hambros of London, is extending its trading in Eurobonds, started in mid-1969. The current range of some 70 convertibles is to be widened to include straight debt issues, particularly long-dated U.S. and Mexican issues.

ITT in France

PARIS -- An ITT subsidiary, International Standard Electric Corp., has offered \$1.5 million for a majority holding in the French company Etablissements Pigier. The company specializes in secretarial training courses.

Ralston Purina Dutch buy

THE HAGUE -- Ralston Purina International has bought a majority holding in the Dutch Felix-Bonzo pet food concern, a large producer with plants both in the Netherlands and France.

Whittaker Corp. enters Europe

PARIS -- Whittaker Corporation of Los Angeles has made its first European acquisition by buying a majority interest in Société des Bennes Marrel, of Saint Etienne, France. The company has eight plants in France, making industrial buckets, hydraulic pumps, hydrostatic transmissions, and other engineering products. The French staff will continue to have management decision powers, but Whittaker capital will enable the company to carry out expansion plans.

French bank expands in Australia

PARIS -- The Banque Nationale de Paris, long established in Australia with branches in Sydney, Melbourne and Brisbane, has opened a full branch office in Perth. The bank says the move reflects the current economic boom in Australia, particularly the mining boom in Western Australia.

Massey-Ferguson Eurobond issue

LUXEMBOURG -- Massey Ferguson Nederland N.V. is planning a \$15 million 9% 12-year Eurobond issue, at or slightly below par. The bonds will be guaranteed by the Canadian parent company. The interest rate is a record high.

New European nuclear grouping

FRANKFURT -- A new European grouping has been formed to develop gas-cooled breeder nuclear power reactors. The founder companies are AB ASEA-Atom (Sweden), Belgonucléaire (Belgium), Brown Boveri/Krupp Reaktorbau (West Germany), Brown Boveri-Sulzer Turbomaschinen, representing Brown Boveri Sulzer, Charmilles and Elektrowatt (Switzerland), Gutehoffnungshütte Sterkrade (West Germany), NV Neratoom (Holland), and The Nuclear Power Group Limited (Britain). The grouping will be open to other companies to join in the future. Talks are reported to be under way with national research centers and power authorities.

Swiss food merger

GENEVA -- Oursina and Interfranck, number two and three in the food industry in Switzerland after Nestlé, have agreed to merge and form Oursina-Franck, a multinational company by virtue of the numerous foreign holdings of the two partners. The merger will also imply the merger of two banks closely associated with the companies, Banque Commerciale de Zurich and Hypothekar-und-Handelsbank of Winterthur. Interfranck has a majority holding in the latter bank, and major interests in seven West German food companies. Oursina has interests in Germany and France.

Rotterdam approves German-Dutch steel plant

ROTTERDAM--Rotterdam authorities have approved plans by Holland's IJmuiden steel company and Hoesch of West Germany to build a steel plant and power station in the region. Germany's Mannesmann, Krupp and Thyssen companies are jointly to build another steel plant in the Netherlands.

Swiss group expands

ZURICH -- The Swiss floor coverings group Continentale Linoleum-Union of Zurich has bought two Dutch carpet companies, Arie Veen of Hilversum and Inter-Tuft of Soest. Continentale recently took a majority holding in a Swiss carpet manufacturer, Nadelfilzwerk Staehlin Teppichfabrik.

French chief of SCM International

PARIS -- Christian L. Simon, 36, has been named head of SCM International, the world-wide marketing branch of SCM Corporation of New York, responsible for launching a new range of Marchant electronic calculating machines. He will continue as president and director-general of SCM-France.

Swiss videotape company

GENEVA -- Editions Rencontre, a Lausanne publishing house, has formed a company with the two big Swiss chemical companies, CIBA and Geigy, to ex-

exploit the newly developed system of videotape cassettes for home use. Rencontre will be the major shareholder in the company, Cadia (Communauté d'Action pour le Développement de l'Information Audio-Visuelle).

Eurobond facility for Australia

PARIS -- Four leading European banks are opening a joint representative office in Melbourne, Australia, to give leading mining and industrial companies easier access to the Eurobond market. The banks are two of the leaders in the Eurobond and Eurocurrency markets, Kredietbank S.A. Luxembourg and Germany's Westdeutsche Landesbank Girozentrale. The other partners are Crédit Commercial de France and Kredietbank of Brussels. The banks will offer short- to long-term Eurobond issues, and will also advise European investors on the booming Australian economy.

Morgan Grenfell in Europe

LONDON -- The British investment bank Morgan Grenfell and Co. is opening a representative office in Munich as a basis for expansion in Europe. The representative is to be Kenneth Grandville, formerly First Secretary (Finance) at the British Embassy in Bonn. Grandville will travel extensively in Europe, aiding the bank's clients in their European operations and seeking out industrial investments.

Bourse report

LONDON -- Market generally down on news that easing of travel restrictions does not mean general end to economic squeeze. But fall was minor compared to steady rise since Christmas. PARIS -- Optimistic official statements on economy brought market broadly up. FRANKFURT -- Dull and down in light market. MILAN -- Drifting down in quiet vacation market.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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Revaluation hits West German export surplus

FRANKFURT -- Export orders for West German products were only 1.6% higher last November than in November 1968. Statistics, recently released by the West German Economics Ministry, provide indications of a startling change in performance from all previous months last year. New foreign orders last October were over 14% higher than in October 1968 and in September, the month before revaluation, they attained almost a 33% rise over the same month in the previous year. The West German economy is again under control with little danger of recession because of the buoyancy of demand at home. Domestic demand, according to the same statistics, was up in November by almost 21%.

First step toward EEC energy policy

BRUSSELS -- The Common Market Commission has proposed the first step toward a common energy policy for the Six, a need agreed to in principle by each of the Common Market countries at a Council meeting last November. The proposal would require pooling of information on Community oil imports and energy investments. All enterprises importing more than 300 tons of hydrocarbons into the EEC each month would be required to declare to the Commission by November of each year its plans for the coming year. For investments in the Community's oil, gas and electricity sectors, advance notice to the Commission nine months before work is started would be required, with full details of capacity and source of raw materials supplied three months in advance. The information would be treated as confidential with the names of individual companies not appearing in the overall lists of import and investment programs that the Commission sends regularly to member governments. As yet, there is no question of the Commission's exercising control over programs submitted to it but the Commission's proposal does contain provisions for sending recommendations to member governments if there is a danger of overinvestment.

Foreign mutual funds in Italy face difficulties

ROME -- Nine non-Italian mutual funds, the only ones authorized to operate on the Italian market, face grave problems in locating outlets for investment. By law, the nine are obliged to invest at least 50% of their funds in Italy, but internal rules in each fund forbid investments of over 5% in any single company and acquisitions of over 5% of the total capital of any single company. Four of the nine (Robeco, Rolinco, Fidelity, and Dreyfus, all extremely large funds), have now received an ultimatum from the Italian Government to comply with the 50% regulation. It is likely that they will establish subsidiary Italian funds, which would open the possibility that some \$1 billion will soon be seeking investment in Italian listed stocks. Very few companies are listed on the Italian Bourses (Milan, the largest,

has only 125). The result could be a market increase in Italian stock prices, but Italy's general economic situation does not point to an early increase in company profit margins. The situation could, however, provide an incentive to unlisted companies, among which are many of Italy's most successful, to seek a listing.

New acceptable inflation rate in West Germany

FRANKFURT -- The West German Finance Ministry is now prepared to accept an annual rate of inflation of up to 3% as the price of economic growth. This change of policy emerged as the Government, the Bundesbank, the trade unions, and employers prepared for a series of crucial exchanges on economic policy differences. In accepting a new goal of "relative" price stability, the Ministry stressed that a 3% inflation was below the 4% that had been forecast for the rest of the Common Market and represented a means of escaping the British problem of "stop-go" and the danger of recession if too severe deflationary measures are introduced. The Ministry's view is that any let-up in growth would lead to a fall in productivity, something that West Germany cannot afford. The Ministry also pronounced itself ready to consider the possibility of another Dmark revaluation depending on whether price increases in other countries continue to move ahead of those in Germany. If it came, revaluation, this time, would take the form of a crawling peg system rather than a switch to a new fixed parity.

BSN in three takeovers

PARIS -- France's Boussois-Souchon-Neuvesel (BSN), which last year failed in an imaginative but unsuccessful bid to take over its larger glass rival, Saint Gobain, now has made a bid for control of two major French breweries and an important French mineral water concern. The breweries are Société Européenne de Brasseries (SEB) and Kronenbourg; the mineral water concern is Evian. Financed by the Paris banking houses of Lazard Frères et Cie, Banque de Paris et des Pays-Bas, and Banque de Neuflyze, Schlumberger, Mallet, BSN took control of the SEB board of directors when, after heavy purchases of SEB stock on the Paris Bourse, 13 of its 16 members resigned and Antoine Ribaud, BSN head, was elected president. SEB is currently the Common Market's largest beer producer and accounts for 28% of the regular beer market, 36% of the bock beer market and 28% of the premium beer market in France alone. Kronenbourg, which is France's largest premium beer producer, accepted a more advantageous offer of two BSN shares for every three of Kronenbourg, with its president Jerome Hatt slated to head BSN's food division. In addition, BSN will increase its holding in Evian (which produces 45% of the baby food and 45% of the dietetic foods sold in France) from 26 to 100% by buying out the 25% Gillet (Rhône-Poulenc) interest and offering one BSN share for every two publicly-held Evian shares.

As a result of these actions, BSN will find its former capital almost doubled, moving from about \$20 million to \$35 million. Its total number of shares will increase from 1,029,400 to 1,417,010, of which 1,029,400 will be directly controlled by BSN, 270,630 by Kronenbourg and 116,980 by Evian with the added attraction of having a captive market for its glass and plastic packaging products.

Price hike for British Steel

LONDON -- The British Steel Corporation (BSC) has asked the Government for permission to raise steel prices by 11 to 13%. The new increase would reflect rising prices in Europe and on the world market. All sections of the industry would be hit, but the full brunt of the increase would be felt by motors, processing plants, pipes, cans, metal boxes and household appliances, with shipbuilding -- because of special long-term agreements -- being shielded for a short time. The increase, which would bring an estimated £120 million to £140 million extra to BSC's coffers each year, is also a sharp reversal of company policy. As late as early December 1969, BSC chairman Lord Malchett stated privately that selective increases for some products in 1970 would be sufficient.

Italy keeps preferential citrus tariffs

BRUSSELS -- Italy will be permitted to keep its preferential railway tariffs on citrus fruits in force until June, 1971. The EEC Commission had authorized preferential rates until December 31, 1969, for all of Italy's fruits and vegetables. The Italian Government had asked for an extension, stressing the importance of the tariffs to its policy of economic and social aid to the country's underdeveloped south, but the Commission ruled that only citrus fruits merited an extension, because of production and marketing difficulties and because Common Market measures already taken would not have appreciable short-term effects.

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West German import authorization abolished

FRANKFURT-- The West German Economics Ministry has abolished a special authorization which had been required for almost 50% of imports from East Germany. The measure will particularly affect the metals and chemicals industries, an area where the East Germans have made substantial advances in the past two years. However, special authorization will still be compulsory for textiles and consumer goods.

Increase forecast for Italian-East German trade

FRANKFURT-- Trade between Italy and East Germany will increase by 40% during the next five years as the result of an agreement that has been signed by the two countries. Italy is also negotiating a similar increase with the Soviet Union.

Wean United increases French holding

PARIS -- Through an exchange of securities, Wean United Inc. of Warren, Ohio, has increased its ownership in Wean-Damiron S.A. of France from 35 to 70%. The remaining 30% is held by Siemag Siegener Maschinenbau GmbH of Dahlbruch, West Germany, which until now has been Wean-Damiron's principal manufacturing source. Wean United recently had difficulties selling its U. S.-manufactured engineering equipment to European customers who had obtained European financing for their projects.

Corning buys out Evans Electroselenium

LONDON -- Evans Electroselenium, a British manufacturer of specialty photoelectric instruments, has agreed to a £4.25 million (\$10.2 million) takeover bid by Corning Glass Works of the U.S. Chairman A. E. Evans controls 56% of the equity. Evans, which came on the market in 1968 and has had a successful record, will receive backing for research and development projects. It will also have the rights to distribute Corning equipment in Britain and the opportunity, through Corning, to sell more of its products in the United States.

ICI to build Belgian plant

LONDON -- Imperial Chemical Industries (ICI) of Britain will soon build a synthetic fiber plant in Belgium, its first for that country but its third in western Europe. The plant will be located in Peruwelz, near the French border. Construction will begin in the middle of next year and production sometime in 1973. ICI will set up a new company for the Belgian operation, which will concentrate on the manufacture of sophisticated fibers. Negotiations with the Belgian Government were handled by ICI Europa Limited, the company's Brussels-based subsidiary which supervises European operations.

Synthetic fiber consumption to increase

BRUSSELS-- An increase of 10% in western European consumption of synthetic fibers for the coming year has been forecast by J.R. Emery, managing director of DuPont's European textile fibers division. DuPont's own sales for Dacron polyester, nylon, Orlon acrylic, and Lycra elastomeric fibers have reportedly increased by 50% during the past year. Emery predicted that knitted fabrics for men's suits would be an important feature of the market for the next few years and added that he saw no future softening in prices.

Pan Am buys Falcon-10's

PARIS -- Pan American World Airways has concluded a contract with Avions Marcel Dassault of France to purchase 160 Falcon-10 executive jet aircraft. Forty of the jets are on firm order and the remainder on option. Pan Am, which is a distributor for Dassault in the Western Hemisphere, plans to sell the Falcon-10, a smaller version of the Fan Jet Falcon, to U.S. companies.

Air France to increase capital

PARIS -- Air France, the French national airline, will double its capital to almost \$200 million to finance investments, including purchases of Boeing 747's, Concorde supersonic airliners, and probably A-300B airbuses, over the next five years. Initially, the capital will be increased to about \$120 million through a public stock offering scheduled for January 23 to February 28, with other issues to follow. The French Government, which presently holds a 98% interest in Air France, and other existing shareholders, will have first option to buy the new issue.

Rolls-Royce to form computer company

LONDON-- Rolls-Royce will join an unidentified French organization to form a company to provide a range of computer services in Europe. The company will probably concentrate on engineering types of computer applications, but a broader range of systems consulting may also be offered. A provisional order has been placed for two IBM 360 Model 65 computers to handle operations, and if demand builds up the order will be confirmed. Because of Rolls-Royce's existing team of several hundred systems analysts and programmers, French participation will most likely be limited to financial rather than data-processing support.

Bourse report

LONDON -- Strong on good trade figures. Australian mining quieter. PARIS-- Irregular with selective buying in market leaders. FRANKFURT -- Quiet and generally lower ahead of possible new economic tightening. MILAN -- Lower on technical factors.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

Issue No. 54

January 27, 1970

New breakdown in EEC harmony

BRUSSELS -- The six foreign ministers of the Common Market countries are finding small problems much harder to resolve than large ones. The ministers, who in a five-day marathon negotiating session last December agreed on the broad outlines of the future course of Community financing, have discovered that many stumbling blocks remain before their December decisions could be implemented. In the short month of February they will be called upon to approve the terms of agricultural financing, to work out the details of supervision of the Community budget by the European Parliament, and to resolve the tricky problems of the Community financing of wine and tobacco.

The most sensitive point of discord revolves around the Parliament's supervision of the Community budget. The French had agreed "with reservations" last December to a new formula by which the powers of the European Parliament in Strasbourg would be increased to oversee the spending of the budget. The Parliament, by a simple majority, would have been able to make changes in the Commission's draft budget and send it back. A new Commission version could be changed only by a vote of 60% of Parliament, with at least half the members present.

The French now regard the formula as unacceptable. Pointing out that the European Parliament would have powers that even its own National Assembly does not possess, the French Government is unwilling to agree to the very proposal that led General de Gaulle to boycott the EEC in 1965.

The ministers must also resolve their disagreements on control of wine production, although the underlying principle of free trade in wine has been accepted. Free trade in tobacco also remains to be discussed, as well as general agricultural problems -- prices, production limitations, and the Mansholt Plan.

Commission asks anti-inflation tactics

BRUSSELS -- The Common Market Commission has urged all six member Governments to take strong action to check inflation in the first half of this year. In a memorandum, the Commission asked each member country to put a brake on the expansion of internal demand, warning that present increases in productive capacity, incentives to increased labor mobility, intensification in the recruitment of foreign labor, and the transfer of resources to productive sectors will have only a limited effect in cooling national economies in the short term. The Commission ruled out any new tax reductions and asked each state to consider a budget management policy that would speed up tax collections with no relaxation of restrictions in monetary policy.

New mutual fund law in Norway

OSLO -- The Norwegian Ministry of Finance has drafted a new law which will regulate sales of mutual funds in Norway. The law will prohibit the establishment of funds, except with Government permission, and at the same time will empower the Government to regulate fund service charges, sales of units to the public, publication of information, and specific investments. In addition, no foreign-based mutual funds will be allowed to operate unless they establish Norwegian funds in which the majority of the board are resident Norwegian citizens.

Lockheed reps back in Europe

PARIS -- Lockheed Aircraft, seeking to sell its L-1011 airbus to European airlines, has once again sent representatives to Europe, this time to press Air France and Lufthansa, key members of the Atlas group of airlines, for a firm decision by the end of this month. The two airlines are balking in the face of mounting suspicion that Rolls-Royce cannot develop the RB-211-56 jet engine, which powers the aircraft, quickly enough. Alitalia, Sabena, and Iberia, other members of Atlas, appear to prefer the McDonnell Douglas DC-10. The financing terms offered by Lockheed will be the key to the deal.

BOAC and Citel in hotel bookings

LONDON -- British Overseas Airways Corporation (BOAC) has signed an agreement with Citel, the French hotel firm, to set up a Europe-wide computerized hotel reservations system. BOAC, which had previously won a similar agreement with American Express, will now be able to program its already integrated departure control and reservations system into the Citel booking network.

Merger for French steel

PARIS -- A new French steel consortium capable of producing over 900,000 tons of special steels yearly has been formed with the merger of Les Ateliers et Forges de la Loire (CAFL) and La Société des Forges et Ateliers du Creusot (SFAC). The company, which will now be called Creusot-Loire, will replace Ugine Kuhlmann as France's leading producer of special steels. Although the move had appeared natural for almost four years, negotiations were stalled pending the outcome of the Westinghouse bid for control of Jeumont Schneider, Schneider being the principal shareholder of SFAC. In the new consortium Schneider will have a 28% interest.

Frisia bought by Gulf

FRANKFURT -- Gulf Oil received West German Government permission to buy a majority holding in Frisia, an oil concern. Frisia, which had the dubious distinction of being a heavy operational loss for its former owner, Houillères de la Sarre, was not offered to Gulf until three major French oil companies refused a deal. This will be Gulf's first operation in the Federal Republic.

Shell invests in England...

LONDON -- British Shell plans to invest almost \$600 million in new installations in England. The principal outlay will be for a steam-cracking unit

at Carrington (near Manchester), which should be capable of producing annually 460,000 tons of ethylene, 300,000 tons of propylene, and 100,000 tons of butadiene. Production is scheduled to start in 1973.

... and in Europe

BRUSSELS -- Shell International is increasing its production capacities in Europe. First in Holland, where the annual output of a polyisoprene plant at Pernis will grow from 45,000 to 70,000 tons, bringing total annual chemical production at Pernis to 125,000 tons by the end of 1970. Second in France, where the annual output of polybutadiene at Berre (near Marseille) will be increased from 20,000 to 30,000 tons. An increase in the production of styrene-butadiene from 70,000 to 85,000 tons annually is also planned for Berre.

Antar takeover imminent

PARIS -- Observers at the Paris Bourse think that Antar, the third largest French oil company, is "living its last five minutes." The final touches to a takeover bid are being ironed out by Elf Erap, the state-owned oil complex. Antar is presently controlled by Wormser Frères and Rothschild, two Paris banking houses.

Fortis withdraws from watch convention

ZURICH -- Fortis, the watch manufacturer, has withdrawn from the staid but prestigious Swiss convention of watchmakers. The action was announced in conjunction with company plans to radically alter its past marketing policy. Fortis will now seek to sell its watches in Switzerland's department stores under the same market name used outside the country, an action expressly forbidden by convention rules.

French bank in Arab agreement

PARIS -- An agreement has been signed by France's Crédit Lyonnais and nine Arab countries to create a bank to facilitate Franco-Arab financial and industrial operations in those nine countries. Fourteen banks from the countries of Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia, Morocco, Sudan, Syria, and the United Arab Republic are represented.

BASF receives license, buys into company

FRANKFURT--Badische Anilin und Sodafabrik (BASF), the West German chemical giant, has received a license from the Century Data Systems of California to manufacture and market that firm's computer tapes in Europe. In another move, BASF has acquired through its subsidiary Wintershall AG 25% of the assets of Salzdefurth AG. Salzdefurth is the second largest potash producer in West Germany. Wintershall is the largest.

J.C. Penney eyes Italian network

ROME -- J.C. Penney & Co., U.S. retailer, plans to set up a second European department store chain, this time in Italy in conjunction with La Rinascente SpA. Penney, which recently raised \$25 million in the Eurodollar market, already controls 90% of Sarma, the Belgian department store chain, through its subsidiary J.C. Penney Europe Inc.

Renault steps up sales to Soviets

PARIS -- France's state-operated automobile manufacturer Régie Renault has once again agreed to expand its existing cooperation with the Soviet automotive industry. Renault for the past three years, since its first agree-

ment with the Soviet Union was signed, has steadily increased its influence in the planning and development of automotive production in the USSR. Under the terms of the new accord, Renault will furnish equipment and know-how for two new Moskovitch plants, one at Ijvesk, the other in Moscow. Production should start in September at Ijvesk and late in 1971 at Moscow.

Eurobond for Continental Telephone

LONDON -- The record level 9% coupon in Eurobonds has found another taker. Continental Telephone of the U.S. has announced a \$15 million, 12-year issue to be priced at par with terms identical to this year's two other issues from Massey-Ferguson of Canada and Britain's Courtaulds. Those issues, however, are now at \$20 million. New demands for Eurodollars have kept interest rates high in spite of new signs of a slowdown in the U.S. economy. In Massey-Ferguson's first two days on the secondary market, quotes were at 100 1/2 bid.

Messerschmitt denies British interest

FRANKFURT -- Messerschmitt-Boelkow-Blohm, the West German aircraft company, has denied reports that it plans to take over Britain's Beagle Aircraft. Beagle, which is Government-owned, had previously opened talks with an international consortium, of which Messerschmitt was a member. Beagle was placed in the hands of a receiver last month after the British Government declined further funds to the company. It had asked for \$15 million to compete on the U.S. light aircraft market.

CEGOS to push French products in U.S.

PARIS -- CEGOS, a French management consultant firm, has formed a New York company to help French firms sell in the U.S. Known as Cegmark International, it will plan promotions for French products, arrange imports, and set up and operate subsidiaries or negotiate joint ventures with U.S. companies.

Japan-EEC talks soon

BRUSSELS--Japan will open preliminary trade talks with the EEC in February. The purpose will be to replace existing bilateral agreements between Japan and individual member countries with an EEC-wide pact. The EEC will be willing to relax current import restrictions on Japanese products in return for Japanese agreement to emergency import curbs and safeguard measures.

West German equity markets to remain level

FRANKFURT -- West German equity markets expect 1970 company profits to remain at 1969 levels. According to the State Bank of Bavaria, prices will keep in step with rising costs, with the added feature that technical market conditions will become more favorable now that German savings banks and insurance companies have obtained greater freedom to invest in equities. The 1969 turnover on the West German stock markets is estimated to have been 22% higher than in 1968.

Bourse report

LONDON -- Strong on selective buying of leaders. PARIS -- High excitement in face of reported mergers. FRANKFURT -- Quiet. MILAN -- Easier in light trading.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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No. 127, February 3, 1970

France will soon have takeover code ...

PARIS -- The French Finance Ministry has revealed Government plans for a national code governing corporate acquisitions. The first draft set forth a set of guidelines for takeover bids and names the French Bourse Commission as watchdog.

Under the proposed code, companies would be required to fully inform shareholders of all new developments during a takeover, and during a takeover period companies would come under close scrutiny by the Bourse Commission.

All registered bids would have to be reported to the Finance Ministry by the French stockbrokers' association before official publication. The Ministry would have the right to veto the bid within three days. No standing offer could be raised more than once, and the raise would have to be at least 5% and announced no later than 10 days before the bid expires. Rival bids would have to exceed the existing one by at least 5% in value and would have to be for an equivalent or greater number of shares of the company being sought.

...and Holland, a merger committee

THE HAGUE -- The Netherlands may soon set up a central merger committee to ensure fair takeover practices. A study group of the Social and Economic Council, an advisory body made up of representatives of employers, employees, and the Government, has proposed a plan involving an informal arrangement rather than a special committee, with powers of legal enforcement. The report will serve as a basis for future discussion by the Government.

Rise for West German social spending

FRANKFURT -- A sharp rise in expenditures for social programs is forecast for 1970 in the Federal Republic of West Germany's draft budget. Moreover, this rise should continue until 1973, according to expenditure outlays outlined in the Government's medium-term budget plan. Under that plan, total government expenditures for 1970 will be kept to some \$24 billion, largely by blocking nearly \$2 billion, already allocated, for future use. By 1973, the total outlays will rise to \$28 billion. Government spending on pensions and other social services in 1970 will rise considerably. The 1970 budget for science and education alone will go up to \$850 million from \$530 million in 1969. Spending for defense and transportation, on the

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other hand, will be strongly curtailed. However, Bundestag action on the draft budget is not expected until early May, so that social service spending may not reach proposed targets until the middle of 1970.

Swiss trade deficit up

ZURICH -- The deficit in the Swiss balance of trade increased by 31.3% in 1969, while imports grew 17%. According to newly released Government figures, total Swiss imports for the year topped \$934 million, and total exports were only \$833 million.

Swiss watch industry talks merger

ZURICH --Because of sales stagnation in Europe and competition from French and Japanese producers,traditionally independent Swiss watch manufacturers may soon make concentration moves. The industry's share in total Swiss exports has dropped to 12% in 1969 from 12.7% in 1968. The slide came despite a general 7.2% expansion of production in 1969.

New Soviet-West German pipe deal

FRANKFURT -- Another Soviet-West German steel pipe deal,this one involving 142 cm (diameter)pipe, may soon be concluded. Representatives from Hoesch, the West German steel group, are now in Moscow,reportedly discussing terms. Meanwhile, final details of the last deal,which involved an exchange of Soviet natural gas for West German pipe, have been arranged. Gas will start flowing in 1973, with the Ruhrgas company of Essen making the deliveries in Germany. Mannesmann and Thyssen, the West German steel groups, will begin supplying the Russians with 1.2 million tons of pipe for a period of three years. A consortium of West German banks, led by the Deutsche Bank, is providing a \$42 million loan to back the agreement.

BSC gets price hike

LONDON -- The British Steel Corporation,which had asked the Government for permission to raise its steel prices by 11 to 13%, received approval for a 10% rise. The action, however, will enable BSC and the British Government to circumvent the country's Prices and Incomes Board, whose intervention in the affair would have led to delays and could even have forced a reduction in the 10% increase that BSC did receive. The price increase will mean an added \$50 million in yearly revenue for the State-controlled company.

Vacation clubs combine

PARIS -- Club Méditerranée and Club Européen du Tourisme, France's two largest planned-vacation enterprises, have merged. The new firm will be called Club Méditerranée and will have at its disposal over 51 summer and 24 winter resorts all over the world. Last year's combined turnover for the two enterprises totaled \$50 million.With capitalization now at \$6 million, the Club will be able to go ahead with ambitious expansion plans in Belgium, other western European countries, the United States, and France.

More new cars in Germany...

FRANKFURT -- The number of newly registered cars and commercial vehicles in West Germany and West Berlin in 1969 passed the two million mark for the first time in a single year. The Auto Industry Federation reported that the total number of vehicles produced was 3,604,565, a 16% increase over 1968. New registrations alone rose nearly 30%, to a total of 1,687,000. Exports at just over 2 million for 1969 were up 7% over 1968.

...but fewer in Britain...

LONDON -- New car registrations in Britain for December, now confirmed at 48,974, were the lowest for any month in three years. Imports dropped only slightly, to 13.3% of the market, from the previous November high of 14.6% of all autos sold. British Leyland and Ford continue to hold first place among national producers, with Renault emerging as the top importer.

...and price hikes in Italy

ROME -- Fiat, Innocenti, Lancia, Autobianchi, and Alfa Romeo, the leading Italian automobile manufacturers, have all raised their new car prices by 5%. Hit by lagging output caused by the strikes of last fall, they are also being forced to pay higher wages and to spend large sums on improving working conditions -- two victories gained by labor as a result of the strikes.

Plessey plans U. S. expansion

LONDON -- Plessey, the U. K. electronics group, plans a major expansion in the United States. A complicated deal involving \$88 million in stock swaps will allow the firm to take control of Alloys Unlimited, an American company whose profits are expected to hit \$8 million this year. According to chairman John Clark, Plessey made the move after an intensive study of the American electronics market showed that the rate of technological change in the U. S. has made it impossible for any European firm to keep abreast of developments except through acquisition. Plessey is particularly interested in Alloys' patented timing device, the E-Cell, which can store information and has a potential application in automobile equipment. Plessey is offering seven shares of its common stock for each of Alloys' 5.4 million outstanding shares. This stock, however, will be denominated as dollar shares with dividends being paid in dollars. As such, it cannot be legally traded in the U. K. except through the investment dollar pool.

New German chemical plant in Italy

MILAN -- Bayer Italia SpA, a subsidiary of the German chemical giant, will construct a new plastic coloration plant at Filago, near Milan. An investment of about \$3 million is planned with production to start at the end of this year. Capacity should be 6,000 tons annually. This is Bayer's first foreign chemical compounding unit.

Reed and IPC announce merger

LONDON -- The Reed Group, a British company with interests in paper, paper-board, packaging, and wallpaper, will merge with the International Publishing Corporation (IPC), publishers of the Daily Mirror and other newspapers. The two firms have had a long association, with IPC presently holding about

27% of Reed's common stock. The merger will be effected by an exchange of stock, with eight Reed common shares being offered for every 25 shares of IPC. The deal could still be investigated by Britain's Monopolies Commission, but only on grounds that the merger would be an oversized vertical integration of the two companies. Until now, Reed has had no newspaper interests.

New international ad agency

PARIS -- Three advertising agencies, S. H. Benson of England, Needham, Harper and Steers of the U. S., and Agence Havas of France, have formed an international firm which will be called Benson Needham Univas. Combined billings for the three last year totaled some \$300 million, making the new organization the largest in Europe, fourth largest outside the United States, and tenth largest world-wide. This will be the first time that a French ad group has taken part in an international combine. Although exact details of the agreement have not been released, it is understood that there will be an exchange of stock within three years. The firm's slogan will be "Open for Business."

Alcan and Kaiser pool British interests

LONDON -- Alcan Aluminium (U.K.) and Kaiser Aluminum and Chemical Corporation (U.S.) have agreed to merge James Booth Aluminum, in which they both have a 50% holding, with Alcan Industries, a wholly-owned Alcan manufacturing subsidiary. The new firm will be called Alcan Booth Industries, with Alcan holding a 75% interest. Kaiser will retain a 25% interest, but will benefit significantly from the new group's potential for increased output. A planned rationalization program, including outlays of about \$40 million for equipment over the next four years, has also been announced. P. J. Elton, present managing director of Alcan (U.K.), will head the new firm.

Bourse Report

LONDON -- Interest centered on Reed-IPC takeover, with steady rise of industrials. PARIS -- Upward movement broken by month-end selling and some profit-taking. New activity in gold and copper mining shares. FRANKFURT -- Quiet, with light across-the-board recovery. MILAN -- Lower on technical factors.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

Issue No. 56

February 10, 1970

EEC farm-budget agreement

BRUSSELS -- In another marathon session, the Member States of the EEC, represented by their foreign, financial, and agricultural ministers, have agreed to a new "federal" budgetary system for the Common Market. This new budgetary system will depend upon Community taxation of agricultural and industrial imports rather than Member State contributions, and will be effective from 1971 on. This agreement is in response to the French demand that the Community's financing arrangements be completed before talks begin with Great Britain on her joining the EEC.

The status of the European Parliament has also been enhanced under this agreement. Control over a percentage of the Community's annual budget will pass to the Parliament on January 1, 1975.

The agreement also includes uniform policies for EEC wine and tobacco markets beginning in 1971.

France and West Germany to align economic interests

PARIS -- Although the overriding theme of West German Chancellor Willy Brandt's first official visit to France was political, the groundwork for stronger West German-French economic cooperation was also laid. It would extend to the national fields of electricity, electronics and nuclear energy, as well as the private sector involving interests common to the two nations' medium and small enterprises. Two new Franco-German cooperation committees are expected to be created. One, proposed by the French, would examine mutual atomic energy problems. The second, proposed by the Germans, would expand the work of an existing industrial committee to determine the direction and extent of possible cooperation between all French and West German medium and small enterprises.

The Germans had also hoped to receive French backing for the location in Germany, at Drensteinfurt, of the first common European nuclear particle acceleration plant. This they did not receive. However, the French did promise that the Germans, who have heavily financed the EEC project, would receive backing for a future plant.

Prices drop on many European Bourses

LONDON -- Tight money, fears of a U.S. recession, and a squeeze on profits have hit securities markets in West Germany, Switzerland, Britain, and the Netherlands. The difficulties of the New York Stock Exchange appear to have contributed to the drop in share prices on most European Bourses. January stock prices in Germany were down by 5%, in Holland by 3.3%, in Switzerland by 2%, and in Britain by 0.5%. Convertible bonds issued in Europe by American corporations have been among the most severely hit, but the shares of

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many big European companies, as well as Japanese electronics firms and Australian mining concerns, have also tumbled. However, the European trend is not all one-sided. French, Italian, Spanish and Norwegian Bourses have all shown gains of 3% to 4%.

Spain's Common Market trading bid

BRUSSELS -- The long Spanish struggle to enter into trading relations with the EEC on a privileged basis has hit another stumbling block. In the negotiating sessions, the Common Market has expressed anxiety over the effects of the 20% import deposit plan introduced by Spain last month, under which EEC exporters would find many advantages gained from tariff cuts curtailed. Now Spain appears to have accepted the original trade agreement, agreeing to cut its tariffs by 30% to 40% on a broad range of items and raising quotas on the rest, while reserving the right to enforce an EEC-accepted safeguard clause, which would allow an increase in customs duties in the event of balance-of-payments difficulties or competition problems. Another problem that remains is the balance of agreed tariff cuts, with the Common Market offering to cut its duties on Spanish goods by 60%, while the Spaniards are asking 70%.

EEC vetoes British-Dutch-German nuclear construction bid

BRUSSELS -- The EEC Commission has notified the German and Dutch Governments that a proposed agreement with Britain for joint construction of nuclear centrifuges violates the Common Market's Euratom treaty. The contract, under which the three countries intend to mutually construct enriched uranium production units, had been routinely submitted to the Commission for approval. However, supply and distribution terms of the contract, which excluded other Common Market countries, were found to be in conflict with Euratom agreements on free circulation of nuclear materials among EEC member countries.

France and East Germany to double trade

PARIS -- France and East Germany have concluded a new trade pact, mutually agreeing to double present trade between the two nations within the next five years. The French will now be permitted to supply East Germany with about \$360 million in capital goods, most of it earmarked for East Germany's hard-pressed chemical industries. The French, in return, will liberalize present general trade restrictions on East German imports.

French industry representatives also plan to open a trade center in East Berlin.

French reserves up . . .

PARIS -- The French Finance Ministry has indicated that the country's gold and currency reserves rose by \$52.2 million in January. An important contributing factor to the gain, which now puts French reserves at an official \$3.88 billion, was a payment from the EEC's Agricultural Guidance and Guarantee Fund. The Finance Ministry also revealed that France has drawn the remaining \$485 million in International Monetary Fund credits.

. . . Britain's too

LONDON -- Britain's gold and currency reserves rose by \$50.4 million in January. Bolstered by \$410 million in Special Drawing Rights, allotted to the country by the International Monetary Fund, the nation's reserves now stand at an official \$2.57 billion. This was the fifth consecutive month in which Britain's reserves have risen. Chancellor of the Exchequer Roy Jenkins predicted that the nation's complete trade figures would show a 1969 trade surplus of \$1.44 billion. According to the British Treasury, the January rise came despite \$79.4 million in debt repayment due to the Bank for International Settlements.

Industrial production slows in West Germany

FRANKFURT -- West German industrial production slowed measurably in December, with production registering only a 7% gain in comparison with November's 11%. However, Finance Ministry statistics showed an overall growth of 13% in 1969 over 1968. For December, new orders for industrial goods dropped by 6%, with export orders slowing by 4% and internal orders dropping 9%. But overall, new industrial orders climbed by 15% during the month in comparison with December 1968.

Danes strike

COPENHAGEN -- Over 30,000 Danish workers went out on an unofficial 24-hour strike to demonstrate dissatisfaction with Denmark's rising inflation rate and the Government's newly introduced income tax payment system. Most grievances stem from Government monetary policy, which has tended to force prices up faster than wages. Workers are now demanding a 14-cent an hour offset wage hike. Danes have been accustomed to paying income taxes as much as a year and a half after receiving paychecks. Now taxes are deducted at the source and payments appear higher than the Government anticipated.

New European mutual funds network

LUXEMBOURG -- Investors Diversified Services (IDS), in partnership with six European banks, has formed a new international mutual fund sales organization aimed at the small European investor. The firm will be named IDS International, with headquarters in Luxembourg and national companies in France, Italy, and Germany. IDS will own 40% of the Luxembourg concern, with the remaining 60% split equally among banks representing the sales countries. IDS International will hold 40% of the capital of each national company, with the bank representing the country in question holding the rest. Managed funds will be sold. The banks are: Banque de Paris et des Pays-Bas for France, Banca Commerciale Italiana for Italy, and C. G. Trinkaus of Düsseldorf, Warburg-Brinkman, Wirtz of Hamburg, and Sal. Oppenheim of Cologne, for Germany.

North American Rockwell looks for more European acquisitions . . .

LONDON -- North American Rockwell Corporation has partially revealed a \$100 million investment plan for acquiring equity in non-U. S. companies. Most of the money, with initial financing provided by \$16 million remaining from a two-year-old \$20 million Eurodollar loan, will be used for complete or partial acquisition of continental European companies in the automotive, textile machinery, and graphic arts fields. The move represents a policy shift for the company, which has until now concentrated on licensing arrangements. An announcement may be made within the next month.

. . . but can't cash in on UGI

LONDON -- Rockwell Manufacturing of the U.S. will soon ask shareholders of Britain's United Gas Industries (UGI) for a two-year extension of its option to buy a further 15% of UGI's equity. Rockwell presently holds 20% of the British firm's shares. According to vice-chairman Willard F. Rockwell, the option, which was acquired in February, 1968, and expires in May of this year, has not yet been exercised because of the generally tight money supply and high interest rates. In addition, the option-stated share price of \$3 differs greatly from the present London Stock-Exchange price of \$1.92.

French claim reduction on enrichment costs

PARIS -- French engineers claim to be capable of holding uranium enrichment costs to within 10% of the U.S. price, despite high European electricity costs. Francis Perrin, the senior French nuclear administrator, expects to produce accurate figures by 1973 showing that new technical progress in developing membranes used in gas fusion techniques will allow production of enriched materials at a price substantially lower than previously estimated. Although some British and German experts doubt that the French can approach American prowess in diffusion technology, they do point out that the greatest chance for significant European advance lies in membrane development and not in compressor design.

Harris-Intertype wants all of Marinoni

PARIS -- Harris-Intertype of Cleveland, Ohio, which presently holds 76.5% of the outstanding shares of Société Marinoni, a French manufacturer of printing equipment, has now launched a public bid to buy the remaining outstanding stock. The bid, handled by the Chase Manhattan Bank, has been characterized as a move to fully integrate Marinoni, which has been a losing operation, into the Harris production system.

BICC buys into General Cable

LONDON -- British Insulated Callender's Cables has announced plans to acquire a 20% holding in the U. S.'s General Cable Corporation. To finance the move, which will cost BICC some \$12 million, the company plans a \$50 million Eurodollar offering. General Cable will also have the opportunity, until 1977, to buy a reciprocal 15 to 20% interest in BICC. The transactions, however, will need the approval of both the American and British Governments.

Bourse report

LONDON -- Selectively strong welcome to month-end reserve news, with industrials and bonds firm. PARIS -- Quiet, with leading electricals very firm in well-supported market. Gold mines narrowly mixed. FRANKFURT -- Steels, in wake of Soviet gas-pipe deal, rose in contrast to general selling trend. MILAN -- Lower, in featureless trading.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

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EEC now set for British negotiations

BRUSSELS -- Members of the Common Market solved differences on three major issues, finalized an agreement on farm financing and the Community budget, and cleared the way for entry negotiations with Britain. According to Pierre Harmel, the Belgian Foreign Minister, EEC-British talks could begin at the end of June, with an EEC joint negotiating position ready in March. The EEC Council is now concentrating on actions to strengthen the Community internally for the admission of new members.

Pound and French franc hit two-year high

LONDON -- Both the pound and the French franc climbed to record levels on the London foreign exchange market last week. Sterling reached a two-year peak of \$2.4045, and the French franc closed at 5.54 to the dollar, its best level since the August devaluation. The pound took advantage of the Treasury Department announcement of Britain's exceptionally large debt repayment during the month of January with the added incentive of the currency's high borrowing price. The French franc benefited from added confidence in the French economy, which has shown a marked slowdown in demand and an increase in savings, to be traded at a premium over sterling in the forward market. Elsewhere, the Belgian franc strengthened at 49.6524 to the dollar, while the Swiss franc moved up to 4.2964. Gold was held at \$35 an ounce for most of the week, with some suggestion from Zurich that South Africa was selling regularly in London to keep the market steady.

Commission eager to promote steel mergers

BRUSSELS -- The Common Market Commission is ready to approve policy guidelines for new Community steel industry rationalization, under which mergers, acquisitions of stock in other companies, and joint production control would be encouraged, provided that effective competition within the EEC is not undermined. The Commission favors the creation of no fewer than 10 major producers who would control 90% of the Community steel market, but, at the same time, views control of more than 12% or 13% of total EEC steel production as a threat to competition. The Commission has also indicated that it intends to see that the independence of a major steel group is not compromised by financial links and that diverging company selling policies are not coordinated. The Commission will no doubt be forced to take a long look at the British Steel Corporation when UK membership negotiations begin.

German steel firms combine

BRUSSELS -- A major merger agreement between the two West German steel giants, August Thyssen-Huette and Mannesmann, has been approved by the Common Market Commission. The two companies will now control 20% of the EEC

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market for welded pipe and 32% for nonwelded pipe. In return for an understanding that by July 1 the two companies will withdraw from the western sales syndicate and sell their rolled products independently from other steel companies, Thyssen will be permitted to take over Mannesmann's rolled steel production, with Mannesmann continuing to supply the joint production company with construction material for welded and nonwelded pipe. A new company, Mannesmann-Rohren-Werke AG, along with another as yet unnamed company, will supervise the regrouping. The EEC Commission warned the boards of the two firms that they must in no way participate in the management of other steel organizations associated with the two companies.

Swiss want export deposit plan...

GENEVA -- Swiss authorities plan to introduce an export deposit program to ease the present burden of export orders and slow the current economic boom. Subject to parliamentary approval, the plan would go into effect on April 1 for a maximum period of three years. A 5% deposit would be frozen into a special customs account, which would carry no interest, and which would be refundable within a four-year period following abrogation of the plan. The Swiss Finance Ministry estimates that the measure would take almost \$43 million out of circulation. The country also hopes to complete the three remaining stages of Kennedy Round tariff cuts by March 1 to help reduce import prices.

...while speculators see revaluation

LONDON -- The Swiss franc strengthened on the London foreign exchange market on speculation that the nation's 5% export deposit levy plan could be an initial move toward a currency revaluation. Adding fuel to the speculation was a recent disclosure by Swiss Economy Minister Nello Celio that a currency law amendment, giving the Government power to change the parity, will soon be submitted to the Swiss Parliament. In addition, the OECD, in a report on the Swiss economy, has encouraged action to combat domestic inflation. The rate for the Swiss franc against the dollar last week closed at 4.29645, against a previous 4.29784.

France will build new nuclear power station

PARIS -- Electricité de France (EDF), the state power authority, has invited bids from two French companies for the nation's first enriched uranium-fueled nuclear power station. The two companies are Compagnie Générale d'Electricité and the Société des Forges et Ateliers du Creusot. The new plant will be built at Fessenheim, near Colmar in Alsace, with an initial 800-900 MW output. However, the two bidders have been asked to include estimates for future increased capacity. EDF also appears to have left the two firms a free choice between the rival boiling and pressurized water designs developed by the U.S.'s General Electric and Westinghouse. No mention has been made of the source of the fuel to be used in the Fessenheim station. Technical specifications for the new plant are due by May 19 and financial proposals on June 19.

Italian for EEC Commission presidency?

BRUSSELS -- The foreign ministers of the Six are reported to have agreed to choose an Italian to succeed Jean Rey when his term as president of the Common Market Commission expires in June. The choice of an Italian may

prove exceedingly difficult. Top Italian politicians usually prefer to stay in Rome, and lesser figures, according to Italian sources in Rome, do not possess the necessary qualifications. The Commission is also due to be reduced in June to nine members from the present fourteen. This will create a delicate problem within the Belgian delegation, which could be forced to automatically drop one of its present two delegates, thus destroying the balanced representation on the Commission of Belgium's two linguistic groups.

Steps on mergers soon from British Government

LONDON --The British Government will take steps to strengthen the nation's present rules on takeovers and mergers by the end of the year. Legislation has already been proposed that would give a new Commission for Industry and Manpower the power to demand adequate information from companies engaged in a bid. However, the Department of Employment and Productivity, the Confederation of British Industry, the Board of Trade, and the City Takeover Panel are presently discussing adoption of recent recommendations by the Monopolies Commission that would result in the creation of a code for voluntary release of pertinent financial information during a bid, with actual legislative power held in reserve.

Bridge or tunnel for Italy-Sicily link?

ROME -- The Italian Government is now in a position to choose between a bridge and a tunnel as a possible means of linking Sicily with mainland Italy. Tenders for both projects have been offered by international construction contractors, with a tunnel now appearing as the most feasible idea. However, a survey has shown a toll bridge, under a possible 35-year Government concession, as a highly profitable venture. It is thought that a tunnel would be no less profitable, but no survey has been made to support the contention. At present, the transport link between Sicily and Italy is by ferryboat.

OECD chides Spain on economy

MADRID -- An OECD report, published this week, has admonished Spain for allowing 1969 domestic demand to rise too rapidly and advised the country to bring expansion into line with the targets of the country's Second Development Plan. To regain control of the economy, the OECD advised curbs on the growth of private consumption, the boom in housing construction, and Government expenditure, and recommended careful attention to the present deterioration in Spain's current trade balance.

Oil group seeks crude oil-manufactured goods index

VIENNA -- The Organization of Petroleum Exporting Countries (OPEC), which includes Venezuela, Libya, Abu Dhabi, Indonesia, Iran, Iraq, Kuwait, Qatar, and Saudi Arabia, is attempting to relate the price of crude oil to the price of manufactured goods imported by member countries. Such an index might enable producing countries to gain greater control over crude oil prices as well as to increase their revenue. OPEC countries accounted for 70% of world oil reserves, 48% of world production, and 88% of international oil trade in 1968; production is estimated to have increased 8.8% in 1969.

Cavenham Foods makes European moves

LONDON -- Cavenham Foods, which produces food, drink, tobacco and dietary products, has expanded its issued capital by nearly 50% in a series of complicated European deals. The moves have also increased the stake in Cavenham from 60% to 75% of Union des Participations (UdP), a French concern with mining, banking, real estate, and industrial interests. This holding, however, will probably be diluted when new shares are issued for other acquisitions. First, Cavenham will buy from UdP a 62% holding in Financière et Industrielle de Pétrole et de Pharmacie, a French dietary food and pharmaceutical group. Then, to bring its snuff and tobacco activities into 100% Cavenham ownership, the firm will exchange new shares for \$2.6 million from Conwood SA of Switzerland, jointly held by Cavenham and Conwood Corp. of Memphis, Tennessee. Cavenham shares will then be issued to Conwood Corp. in exchange for its holdings in Conwood SA, with Conwood Corp. finally swapping its Cavenham shares for about a 13% holding in UdP. In addition, Cavenham has bought Ringers, a Dutch chocolate concern, and Melchers distillers. Pending final outcome of the moves, Cavenham shares have been suspended from London Stock Exchange trading.

ITT seeks computerized reservations hookup

PARIS -- International Telephone and Telegraph (ITT), the giant U.S. conglomerate, refused permission by the French Government to take over Pompes Guinard, a deal that would have given ITT control of 40% of the market for pumps in France, was never really interested in Guinard, according to company sources. Guinard had initiated the deal, after realizing its precarious market position. However, in another move, ITT carefully and quietly initiated soundings with SITA (Société Internationale des Télécommunications Aéronautiques) for an entirely new computerized airline ticket and hotel booking system. Although major U.S. airlines do not belong to SITA, almost all European airlines do, and ITT is reportedly anxious to determine if the airlines will back it in a system that will initially cost some \$50 million. If the system is completed, tourist and ticket agencies would be able to book airline and hotel reservations by pushing a button. A giant IBM or Control Data computer would be required.

BASF scouts new plant location in Germany

HAMBURG -- West Germany's Badische Anilin und Soda Fabrik (BASF) is reportedly interested in locating a chemical plant in Stade near Hamburg. The installation, which would produce materials for other BASF plants in West Germany, would have no link with a Dow Chemical plant already in operation in that city. BASF and Dow cooperate on a broad basis in fiber production in the United States. On the other hand, BASF is interested in taking advantage of a pipeline projected by ESSO and British Petroleum to connect the deep-water port of Wilhelmshaven with their existing refineries near Hamburg.

Babcock and Wilcox, Fives-Lille Cail merge

PARIS -- Babcock and Wilcox, which manufactures heavy machine tools in France, recently increased its holding to 88% of the total capital of Babcock Atlantique, France's largest manufacturer of giant boilers. Now it has announced plans to merge with Fives-Lille Cail, another manufacturer of heavy industrial equipment. The new firm will be called Compagnie Industrielle et Financière Babcock-Fives and will be the largest manufacturer in its field in France, with about \$272 million worth of business during

its first year. Fives-Lille Cail exchanged five of its shares for two of Babcock and Wilcox. Babcock's Pierre de Calan was named president of the new group. Babcock-Fives is understood to be interested in continuing talks, started by Babcock and Wilcox, with Creusot-Loire on the subject of an agreement between the two companies on production of nuclear boilers.

Baltic Exchange suspends Lambert Brothers

LONDON -- Lambert Brothers Shipping, a part of the Samuel Hill shipping and insurance complex, has been suspended from the Baltic Exchange, a ship and air charter market, for three months for alleged unethical conduct. This is the first time in recent memory that a large broker has received such severe disciplinary treatment, and Lambert, which is a leading member of the Exchange, is protesting the action. The suspension follows an alleged breach of a long-standing exclusivity contract held by the Anglo-Yugoslav Shipping Company. Lambert considers the breach, if there was one, a technical matter between individual brokers and not a violation of Exchange rules. Although the Baltic Exchange handles a considerable portion of the world's ship chartering, the Lambert suspension, which affects simply the firm's rights on the floor of the Exchange, should not hamper the company's trading activities.

Pechiney and Kaiser plan EEC aluminum plant

PARIS -- Pechiney, the French aluminum producer, and Kaiser Corporation of the U.S. plan a European consortium to construct an aluminum plant in a Common Market country next year. The site, although not yet chosen, is presumed to be either Dunkerque or Le Havre in France, or Bremen or Hamburg in Germany and will have a capacity of one million tons annually. A possible candidate for the consortium is Preussag AG of West Germany, which recently announced plans for cooperation with Kaiser in all aspects of aluminum production and distribution. Preussag and Kaiser have already agreed to construct a joint smelting plant at Voerde, near Duisburg, Germany.

Brown Boveri bases two European moves in Germany

FRANKFURT -- Brown Boveri Cie and Escher Wyss, the two Swiss engineering firms, plan a joint company, using their two German subsidiaries, to develop, construct, and market gas turbines and compressors. Brown Boveri's Mannheim subsidiary has also signed an agreement with the York Division of Chicago's Borg-Warner Corp. for joint production of industrial refrigeration and air-conditioning equipment to be sold throughout Europe by the York sales organization.

Swiss food firms join forces

ZURICH -- Ursina AG, by means of a stock trade and cash settlement, has taken control of Interfranck Holding AG. Both firms are food and drink producing and distributing specialists, with Ursina interested in milk products, confectionery, wine, and baby foods, and Interfranck best known for coffee products and soft drinks. Interfranck also has an extensive Europe-wide distribution network. The new company will be named Ursina-Interfranck and is to be headquartered in Berne.

Swiss Bank starts New York securities investigation firm

BASEL -- The Swiss Bank Corporation has formed a New York corporation to investigate unlisted and listed securities not handled by the New York Stock Exchange. Called the Basel Securities Corporation, the firm will have an initial capital of \$200,000.

Sulzer Brothers in Turkish deal

ZURICH -- Sulzer Brothers, which makes diesel engines, has joined with International Finance Corporation of Turkey to provide 45% of the capital for a new, as yet unnamed, company. The firm will manufacture marine and stationary diesel engines, with plant facilities to be located in Istanbul.

ENEL bond issue to be placed

LUXEMBOURG -- La Banca Commerciale Italiana, backed by an international banking consortium and the Italian Government, plans to offer a \$50 million 15-year bond issue at 7.5% for the national Italian electrical energy company (ENEL). The issue will initially be quoted in Luxembourg, then in New York, and finally on Italian Bourses. The funds obtained will be used to finance electrical energy production and distribution centers in Italy.

Three insurance companies group French interests

PARIS -- Continental Insurance Companies (CIC) of New York, Phoenix Assurance of London, and Compagnia Anonima di Assicurazione di Torino plan to merge their French interests. The new company will emerge as one of France's largest insurance groups, with an estimated \$40 million premium income in its first year. Combined operations will start in June. The new firm will offer all forms of insurance.

Rust-resistant steel discovery claimed

FRANKFURT -- Deutsche Edelstahlwerke, a West German steel manufacturer, claims to have produced economically a new rust-resistant steel. The product, called Remanit 1310 ST, is currently in production and will initially be used in automobile exhaust pipes. Pipes using this new steel should remain rust-free for at least 60,000 miles, thus reducing the cost to less than half that of conventional units.

New East-West trade bank in Austria

VIENNA -- With an initial capital of about \$3 million, a bank to provide financing funds for East-West trade will soon begin operations in Vienna. Half of the equity will be held by four Austrian banks, 25% by the Hessische Landesbank of West Germany, 10% by the Bank of Philadelphia, and the remaining 5% by the Banque de Worms of France.

Swiss watch holding company formed

GENEVA -- Holding Longines has been formed in St. Imier, Switzerland, by Longines and Rotary, both watch manufacturers, and Ebauches, a materials supplier. The new firm will control the annual production of about one million watches and have a yearly turnover worth about \$25 million.

British firm acquires Soviet know-how

FRANKFURT -- Licensintorg, the Soviet trading organization, has agreed to supply Russian process technology know-how for the production of isoprene, used in synthetic rubber, to Britain's Power-Gas Corporation under an exclusive licensing arrangement. The agreement will permit Power-Gas, a member of the Davy-Ashmore Group, to design and construct isoprene plants world-wide.

Prouvost-Masurel and Boussac in French textile agreement

PARIS -- A cooperation agreement has been signed between Prouvost-Masurel and Boussac, two leading groups in the very splintered French textile industry. The two groups will remain autonomous, but the new operating agreement will allow the formation of the third largest textile combine in France and the twelfth largest in the Common Market. Prouvost-Masurel is currently the EEC's largest woolen and synthetic fibers manufacturer. Boussac's cottons also hold an international market, particularly in the United States. Figures for the two companies' annual turnover are sketchy, but observers set them at about \$127 million yearly. The two firms have recently felt the impact of the Common Market's synthetic fibers market's huge corporations and stiff competition from France's Agache-Willet and Dollfus-Meig.

Bourse wants more information on Antar bid

PARIS -- The Paris Bourse Commission has suspended trading in Socantar, which controls the private French refining and distributing company Antar, amid growing Bourse demands for detailed information on a bid by Elf-Erap, the state-owned oil concern, to take over Antar. The acquisition by Elf of Socantar's 56% Antar interest had been viewed as a certainty, but negotiations between the two groups, which started two weeks ago, were stalemated over technical questions posed by Antar's complex supply and transport problems. The Bourse Commission, however, is concerned about ethical problems that have arisen because of alleged efforts by Socantar controllers, the banking groups Worms, Rothschild and Nahmias, to sell their interests at \$40 per Antar share, and, in the process, ignoring the interests of small shareholders.

Drilling concerns hesitant in face of Russian-West German deal

THE HAGUE -- North Sea drilling companies are reluctant to plan new drilling programs until new gas patterns, certain to emerge from the Russian-West German gas-pipeline deal, are clearly defined. Competitively, according to Johannes Van de Wall, director of the Dutch natural gas company N.A.M., Russian gas prices, although attractive, will not be much lower than present Dutch frontier prices.

Bourse Report

LONDON -- New consumer turn to economy pushed industrials, electricals and chemicals strongly upward. State bonds very firm. PARIS -- Hesitant in quiet trading, with chemicals and electricals well supported. FRANKFURT -- Quiet but firm with Litton Industries leading high turnover in foreign shares. MILAN -- Heavy losses, but buyers now moving in at lower levels. Bonds firmer. BRUSSELS -- Irregular, with gold shares higher. AMSTERDAM -- Local industrials higher, with banks easing. Marked rally in State loans.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

EUROMARKET NEWS

Issue No. 58

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February 24, 1970

British White Paper assesses cost of EEC entry

LONDON -- A Government White Paper titled "Britain and the European Communities: An Economic Assessment" predicts an overall balance-of-payments cost to Britain of between \$240 million and \$2.5 billion for joining the Common Market. Because of what the White Paper termed "entirely uncertain factors," no attempt was made to narrow this wide estimate. In addition, the country's food prices would go up by an estimated 18% to 25%, with a corresponding rise of 4% to 5% in the cost-of-living index during a transitional period. The most detailed section in the report is the one dealing with costs involved in the EEC's common agricultural policy, although the White Paper finds reliable assumptions difficult in advance of negotiations. Britain could hope to receive about \$120 million to \$240 million annually from the Community budget, but adoption of Common Market arrangements for agriculture would entail substantial changes in both retail and consumer food prices. Estimates of the change in Britain's total food bill varied from a reduction of \$196 million to an increase of \$612 million. No attempt was made to judge possible benefits to be gained by British industry in the EEC's unified market.

Bundesbank warning on West German wage-price trend

FRANKFURT -- The Bundesbank, in a sharp warning, has indicated that wage-price inflation in West Germany may not have reached a peak. In its February report, the Bank appears skeptical that the Government can hold inflation down to 3% this year. At the same time, an Economics Ministry report indicates that the nation's cost-of-living index rose 1.2% between December 1969 and January 1970. The Bundesbank states that West German producer prices for industrial goods rose by 4.7% in 1969, with almost half of the increase coming in the final quarter of the year. Wages went up by 12.5% in comparison with 1968, the sharpest increase in the past seven years. With these statistics in mind, the Bundesbank report warns that unit labor costs may grow by 8% or more in 1970 unless means of checking current wage demands as well as tendencies to pass off higher wages through higher prices are found. The report states further that the increase in productivity for the year will not match the present rise in wages by half.

The Bundesbank is also reported to be concerned over a continuing rise in the volume of money, which has been increasing in West Germany at a rate of 11% during the past three months. Bank sources have privately said that the Bundesbank is still reserving the right to raise German interest rates if international rates are not lowered soon.

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Commission likely to approve German-Dutch-British nuclear project

BRUSSELS -- The West German and Dutch Governments have assured the Common Market Commission that they will not violate their Euratom Treaty obligations in a proposed uranium agreement with Britain. Commission approval is needed to permit the three countries to collaborate in producing enriched uranium using the UK's gas centrifuge method. Two weeks ago, the Commission demanded clarification of certain points within the agreement in a tone that appeared to indicate disapproval of the project. Now, although it is still studying the text of an explanatory letter from the Germans and the Dutch, which was prepared in consultation with Britain, the Commission appears to be ready to give its approval. The Commission's original fears that other Common Market countries would not have access to the uranium produced by the proposed centrifuge, as well as its doubts that West Germany and the Netherlands would be prepared to engage in a Common Market project for an isotope separation plant, appear to have been quieted by a British Government statement indicating that negotiations between the three countries had been carried out with the expectation that the UK would soon become a member of the Common Market and thus would be obliged to respect the Euratom Treaty.

Outflow of lire causing Italy's balance of payments problems?

ROME -- In spite of the efforts of customs officers and fiscal police, some \$60 million in lire leave Italy illegally each month, most of it bound for havens in nearby Switzerland. Since last September, the Italian Finance Guard and the Ministry of Finance have been attempting to stem the tide, and the Bank of Italy's balance-of-payments report for November, the latest available, is now cited as the prime indication of partial success. In November, Italy's deficit was \$11.1 million lower than any other month of 1969. This compared with a deficit of \$61.9 million in the same month of 1968. Official Bank of Italy statements attribute the November reduction to the increase in the current account surplus and to the reduction of the deficit in capital movements. During the last six months of 1969, customs officers seized \$481,536 in Italian banknotes, more than \$3 million in letters of credit, and \$188,336 in foreign currencies that were in illegal transit out of the country. However good the November news appeared, it did not detract from the fact that for the first eleven months of 1969 the balance of payments registered a deficit of \$1.3 billion against a surplus of \$638.3 million for the same eleven months of 1968. Customs guards reputedly seized letters of credit and currency valued at \$2,536,568 in January.

Swiss foreign currency reserves drop

ZURICH--Foreign currency reserves of the Swiss National Bank fell by \$185 million last week. The country's new level of foreign reserves is now an official \$355 million. The Swiss National Bank attributed the reduction to the liquidation of a transaction with an unnamed currency institute, but the Bank is also known to have transferred large dollar amounts to the Swiss Administration to cover current costs. Gold reserves remained unchanged at \$2.74 billion and thus were higher than the reduced banknote circulation of \$2.69 billion.

Nickel fever flares in London

LONDON --Nickel fever flared briefly but strongly in London last week following confirmation of a strike at Pykes Hill, 30 miles from Laverton, in Western Australia. Mid-East Minerals, which has an equal interest in the area with Western Sands, opened on Monday at \$3.90 after a previous close of \$2.52. Monday's close for the shares was \$4.02. Directors of both companies have declared that the true significance of the find could be determined only by further drilling. Tasimex and Poseidon, the previous nickel stars, both fell.

Nordek economic union plans ready by spring

REYKJAVIK -- An economic union linking Sweden, Denmark, Norway, and Finland, to be realized as quickly as possible, has been proposed by the Nordic Council. According to the Council, a consultative body which includes these four countries as well as Iceland, a final plan for an economic union (Nordek) will be presented to each national parliament for ratification by spring. In addition, the Council recommended that the four countries and Iceland integrate culturally, and urged a treaty for cultural union before January, 1972.

ICL software for Polish computer

LONDON -- International Computers Limited, Britain's ICL, has made software, developed for use with its 1900 series of computers, available under license to Poland's ELWRO, a state computer organization. The licensing agreement will permit the Poles to use ICL's software with their new ODRA-1304 computer. ICL hopes that the association will provide a basis for future sales of their machines in Poland since the ODRA-1304 is not as advanced as the third-generation ICL 1900 series. To help generate familiarity with as well as a potential demand for its computers, ICL permits ELWRO unrestricted use of the 1900's operating systems, compilers, utility programs and standard applications programs. In addition, it authorizes Polish reprints of ICL manuals and systems tapes. The ODRA-1304 uses standard ICL interface, which means that all ICL peripherals can be linked to the machine and also that all existing ICL Eastern European installations can be expanded with the cheaper Polish peripherals.

Schlumberger bid to buy French electronics concern

PARIS -- Schlumberger Ltd., a French-controlled oil-field technical services and electronics group, incorporated in Curaçao, Dutch Antilles, with principal offices in New York, has made an offer for a minimum of 50% of the 1,880,000 shares of Compagnie des Compteurs, the French electrical group. The offer is for a minimum of 650,000 Comppteurs shares, plus 259,000 shares owned by Omnium de Participations Financières et Industrielles and the Paribas group. Paribas has promised to exchange its shares in the event of a successful bid.

Occidental and ENI plan British refineries

LONDON -- Two major oil companies, Occidental Petroleum Corporation, of the United States, and the Italian state-owned ENI plan to build large new refineries on Canvey Island, in the Thames estuary not far from London. Occidental will construct a \$72 million plant on a site covering 200 acres in the southwest corner of the island. The plant will have a capacity of

5 million tons per year and should be ready for operation by 1974. Occidental will use initial production to supply its 700 filling stations in the United Kingdom with Libyan oil, presently refined for that market at Antwerp. ENI, which was thought to have dropped its proposals, has now successfully reapplied to Britain's Ministry of Technology for permission to construct a 3 million ton refinery at Canvey. The Italian Company has owned property on the north side of the island for almost three years. ENI, which sold its 100 subsidiary-owned Agip filling stations to Esso in 1965, allowed a three-year-old permit to construct a 2 million ton refinery on Canvey to expire at the end of 1968. This latest refinery development, according to company spokesmen, does not signal the re-entry of ENI into the UK retail market. The two companies must still apply to local authorities for authorization.

Dunlop, Pirelli and Continental in "local" tire deal

FRANKFURT -- In what company spokesmen have termed a "local affair," Dunlop AG of Hanau, Vieth Pirelli AG of Sandbach, near Munich, and Continental Gummiwerke AG, of Hanover, will soon form a joint company to produce steel cord for tires. All three have had recent difficulties in obtaining regular supplies of cord for use in the manufacture of radial-ply truck tires. Negotiations are now in the final stage to determine a production site, probably in the Saar, and to define individual company responsibilities, although this will be on an equal partnership basis. The three, however, are subsidiaries of the leading English, Italian and German tire manufacturers. For Dunlop, which is Europe's biggest tire maker, with an estimated 18% of the market, the deal will be the first involvement in steel cord production. Observers have hinted that the new company could form the basis for a joint assault on the United States tire market, where manufacturers are committed to cross-ply tires and a natural opening for European radials appears to exist.

Honeywell gets electronic equipment maintenance contract

LONDON -- Honeywell, the American computer firm, has won a contract to provide 24-hour supervision and maintenance service on some \$1.5 billion worth of electronic equipment at the Burmah Oil refinery at Ellesmere Port in England. The 1.2 million ton refinery, which is due to start operation this year, includes not only Honeywell equipment, but also major installations by other manufacturers. The contract will run from three to five years, renewable annually thereafter.

Bourse report

LONDON -- Lower, with small volume and lack of support pushing leader prices downward. PARIS -- Mixed, with banks quietly steady. FRANKFURT -- Narrowly irregular. MILAN -- Most sectors steady, with bonds easier. BRUSSELS -- Dutch and French shares attracting support. AMSTERDAM -- Leading banks barely maintained; local industrials slipping.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.



Common Market Reports

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EUROMARKET NEWS

Issue No. 59

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Finance Ministers agree on broad EEC economic union outline

PARIS -- Finance Ministers of the Common Market countries, meeting informally in Paris, agreed on the major outlines of economic and monetary union for the EEC, and decided to set up a working committee to study its implementation. At the end of their two-day meeting, the Ministers appeared to have identical views on the essential principles of a joint EEC monetary organization and a common monetary policy. Agreement was reached that the Six should work toward a situation in which there would be fixed exchange rates between member countries of the Common Market and in which national reserves would be jointly managed, thus laying the basis for a common European currency. Also advocated was a unified EEC position in international organizations such as the International Monetary Fund.

The Ministers were less united on practical moves to bring about economic and monetary union, although they agreed in principle with West Germany's Economics Minister Karl Schiller, that it should be realized by the end of this decade. A West German plan, presented at the meeting, calls for achievement of the union in four stages. In the first two stages, to be completed by 1974-1975, medium-term economic policies of the EEC countries would be coordinated. This would include improvement of mutual economic projections and indicators, and the channeling of assistance for countries in balance of payments difficulties through the central banks. Also, a gradual liberalization of the European capital market is being recommended. In stage three, cooperation would be intensified, the Community receiving any powers that it still lacked, with the Council acting on central issues by majority vote. For monetary matters, a kind of Federal Reserve system would be created, with individual restrictions on individual currency fluctuations, and placement of the medium-term balance of payments assistance mechanism into a Community reserve fund. The last step, which is advocated for 1980, would find EEC regulatory bodies holding all economic, finance and currency powers, and the creation of a common currency.

Two other plans beside the German one, prepared by Belgium and Luxembourg, exist, and the Common Market Commission will advance its own formal proposals sometime in March. All the plans will be funnelled into a special committee, composed of the heads of the five EEC economic and monetary committees, plus one representative from Luxem-

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bourg and a Commission liaison official. This will be set up as soon as the Council of Ministers gives its formal approval to the project. The aim of the special committee would be to prepare a report for Council discussion before the summer holidays.

EEC industrial policy position to be taken in March

BRUSSELS -- Two Commission papers will appear in March. The first, a major memorandum on industrial policy, will reportedly outline exactly what constitutes an EEC company. Limitations on foreign investment in overall Community industry will be suggested. It will mark the results of several years of infighting between the French who have been trying to get EEC authorities to accept a policy of subtle discrimination against US companies, and the Germans, who have advocated a liberal and more open program. The second paper is a guide line on concentrations within the EEC heavy electrical industry. This will seek to freeze out such combination attempts as that currently being carried out by Westinghouse.

France claims "more liberal" foreign investment guidelines

PARIS -- New, "more liberal", guidelines for governing foreign investment have been determined by the French Government. Although the country will remain prejudiced against foreign acquisition of existing French companies, particularly in advanced industrial sectors, the Government will now make an effort to attract what it calls "creative investment" - money that goes into new plants, especially in development regions. At the moment, the Government is actively encouraging industrial mergers within France, rather than permit foreign takeovers. When a foreign takeover is thought necessary, preference is given to a European company, controlled inside the framework of the EEC, rather than to a US company. However, French officials now state that each takeover bid will be considered individually with US ownership, in some cases, being favored.

Eurobonds strongly up in February

LONDON -- Activity in the international bond market perked up in February with new offerings of nearly \$225 million. Nearly \$190 million of long-term, straight debt, dollar denominated issues - the largest monthly total for such offerings in over two years - account for most of the volume. All but one of these carry the 9% coupon. Observers attribute the revival of the straight-debt dollar market to a narrowing differential between Euro-dollar rates, which have dropped from 11% last November to 9% now, and new issue yields on straight Eurobonds, which have steadily risen to 9%.

Foreigners highly interested in Italian industry

ROME -- A survey of Italian industry, based on reports from 470 companies, shows that just under half of Italy's major firms (234), have foreign shareholders. According to the Italian Government's bureau of statistics (INSTAT), a breakdown of the figures shows that 6.2% of the capital in the companies reporting was owned by Swiss residents; 4.2% by non-Europeans; 3.7% by Europeans residing in the Common Market and 2.9% by Europeans living outside the EEC. Italy's chemical and rubber industries attracted the highest amount of foreign investment, almost \$460 million, followed by the mechanical industries with almost \$303 million worth.

Limits on foreign currency holdings for Norwegian firms?

OSLO -- The director of the Bank of Norway, Erik Brofoss, thinks that the Norwegian Government should consider limiting the amount of foreign currency which Norwegian banks and private companies can hold abroad as working balances. Stating that many of the foreign accounts, especially those held by the Norwegian shipping industry - had virtually become "portfolio investments", he criticized the current practice of financing these accounts by borrowing on the domestic market, a procedure that has aggravated an existing credit shortage in Norway. In his speech, delivered before a group of businessmen in Oslo, Mr Brofoss stated that the Bank of Norway's reserves could still be called adequate but should not be allowed to fall further. Norwegian reserves fell by an estimated \$119 million in January.

Spain tightens public expenditures

MADRID -- In the wake of an OECD report, which advised tight controls on public expenditure in order to relieve inflationary pressure on prices, the Spanish Cabinet has decided to cut expenditure in this area by 10%. According to Spain's Minister of Information, Sanchez Bella, the cut - equal to about \$445.9 million - was necessary because the country's current industrial boom has shown signs of getting too hot.

Two Italians suggested for EEC Commission presidency

BRUSSELS -- Agreement has reportedly been reached in the Council of Ministers of the EEC to choose an Italian as the next President of the EEC Commission. Emilio Colombo, Minister of the Treasury and Guido Carli, Governor of the Bank of Italy are the only names being considered. If neither man will accept the post - top Italian politicians usually prefer to stay in Rome - then Jean Rey, the present president,

will probably remain, ad-interim. One caution on the makeup of a new Commission: both Sicco Mansholt, the Dutch Vice President and Raymond Barre, the French Vice President, could be forced to resign. The first, because the socialist party, to which Mansholt belongs, is no longer in power in the Netherlands; and Mr. Barre fought too hard against French devaluation, reportedly losing favor with Giscard d'Estaing.

Westinghouse eyes other European electrical acquisitions...

BRUSSELS -- Westinghouse Electric Corporation, which recently took a 67.8% interest in Belgium's Ateliers et Constructions de Charleroi, is contemplating acquisition of three other European electrical firms: Senemesa of Spain, and Ercole Marelli & C, SpA and Franco Tosi SpA in Italy. Success in the ventures would ensure completion of the American company's plan to create an electrical firm of truly European dimensions. This plan, which reportedly calls for Westinghouse domination of at least 30% of the European market by 1975, received a setback when the French Government vetoed a Westinghouse takeover bid for the French electrical company Jeumont-Schneider. The American firm is also determined to be one of the winners in the nuclear reactor portion of the EEC electrical market, which the Common Market Commission has decided would have to be eventually split between the three strongest competitors.

... Jeumont-Schneider looks for other alliances

PARIS -- Negotiations are in progress between Jeumont-Schneider, a joint subsidiary of France's Schneider and Belgium's Empain electrical groups, and two other French heavy electrical firms. After the French Government's rejection of a Westinghouse bid, Jeumont-Schneider is seeking a solution to the problems of its subsidiary, Alsthom. First option to acquire Alsthom would now go to the Compagnie Générale d'Electricité (CGE), which holds General Electric licences and has a cooperation agreement with Germany's Siemens. An Alsthom-CGE understanding appears blocked, however, because of the inability of CGE to supply Alsthom with a sufficient increase in new business. If negotiations with CGE fail, Jeumont-Schneider will turn to the Compagnie Electro-Mécanique (CEM), a subsidiary of the Swiss engineering group Brown-Boveri. Talks with CEM could be more fruitful. CEM can lean on the world-wide Brown-Boveri marketing network, and, for the moment, is confronted with a serious shortage of production facilities.

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Trade preferences, political unity, topics for EEC Council

BRUSSELS -- The EEC Council of Ministers agreed in its meeting of March 6 and 7 to open talks with Malta for a preferential trade treaty which could bloom into a full customs union in ten years. The EEC is considering reducing its tariff on industrial goods from Malta by 70% in five years' time. Malta would be expected to reduce its tariff on EEC goods by 35% in the same period.

In other action, the Council approved the non-preferential trade agreement with Yugoslavia and agreed to its signing in Brussels this spring. Also, the problem of bringing the EEC to the point of political unity was discussed and a working party established to study the ways and means of achieving this goal. A report to the Council is expected in May. This has a close tie-in with the forthcoming negotiations with the States that have applied to join the Common Market and, in all likelihood, they will be included in any discussions on political unity as quickly as actual membership negotiations begin.

Germans disagree on economic measures

FRANKFURT--Despite widespread Government and business agreement that urgent measures are needed to stem rising prices in the Federal Republic of Germany, no one who has the authority appears ready to take immediate action. The country's economic cabinet, headed by Chancellor Willy Brandt, met to hammer out a solution to the problem but failed to reach agreement on how best to stabilize prices without causing economic stagnation. The main point of disagreement was over the proposition of Karl Schiller, Economics Minister, to dampen the economy by fiscal means. He would like to raise income taxes and institute a system of advance income tax payments. But the Social Democrats, Schiller's own party, firmly oppose any tax measures that would affect lower-paid workers. With the cabinet undecided on what course to take, the initiative for dampening the economy now appears to lie with the Central Bank. In its last monthly report, the Bank showed itself to be highly concerned over inflationary trends and the failure of the Government to cool down the economy. The most effective measure that the Central Bank could take would be to raise the West German bank rate from its present level of 6%. But this move would provoke an open clash with Professor Schiller, who is firmly opposed to an increase in interest rates and, in fact, recently called for international action to reduce interest rate levels. The Central Bank could also dictate an increase in commercial banks' minimum reserve ratios.

No relief for British money squeeze

LONDON -- The latest statistics on British bank advances show no signs of a relaxation of the monetary squeeze on the economy. Figures recently published by the London clearing banks indicate only a marginal increase in lending to restricted borrowers between January and February. Total advances are still lower than they were last October. The January-February rise is put at a seasonally adjusted \$24 million to \$36 million, bringing advances in the restricted sector to about \$380 million -- about 3% above the level of November 1967. Liquidity pressures during the current tax payment season have not been as severe as had been expected. The overall liquidity ratio now stands at 30.5% compared with 29.3% at this time last year. Banking sources report that the new ratio partly reflects new accounting procedures, but it does not allow for hidden reserves, which could add one percentage point to the ratio. British banks have also been helped by an inflow of funds from outside the country. This has built up their own deposits and reduced the borrowing demands of industrial clients.

Steep rise in French cost of living

PARIS -- The cost-of-living index rose 0.8% in France for the month of January, a much steeper hike than Finance Ministry officials were counting on. They had hoped to limit the overall rise in 1970 to 4%. The basic reason cited for the increase was an abnormally rapid transfer of recent sharp rises in raw materials costs to current prices for finished goods. However, the increase in rates for many public services, such as rail, postal and telephone charges, also contributed.

Americans and Swiss negotiate on secrets

BERNE -- Banking relations between the United States and Switzerland face important negotiations, which, if not successful, could escalate into punitive action against banks of one country that operate in the other. Tension comes from the increased use of Swiss banking secrecy by U. S. citizens and corporations to hide their actions from U.S. Government scrutiny. Swiss authorities, for their part, have become concerned over the number of U. S. banks establishing offices in Switzerland. Informal talks were held in Washington on a proposed treaty that would help U. S. authorities obtain Swiss court orders for information from Swiss banks. According to the Swiss negotiators, Pierre Nussbaumer of the Foreign Office and Curt Markees of the Justice Ministry, the negotiations will be extremely delicate. The two have stated that any U.S. Congressional action aimed directly at Swiss banks could jeopardize Swiss ratification of the treaty. Meanwhile, about 17 American banks have filed applications to open offices in Switzerland in 1970.

Proposal for cultural division of Belgium

BRUSSELS -- The Eyskens Government has submitted a proposal to Parliament calling for the division of Belgium into three regions: Flanders, Wallonia, and Brussels. Under the plan, each of the three would have an autonomous cultural council that would have the power to regulate the region's cultural and educational problems. The council for Brussels would be composed equally of Flemish and Walloon representatives. The plan needs the backing of two-thirds of Belgium's lawmakers for adoption. If the plan were to be adopted, it could mean economic decentralization for the country.

France plans change in social security system

PARIS -- Reform-minded French Prime Minister Jacques Chaban-Delmas will soon attack one of France's most persistent problems--a too-costly social security system. Corrections may not be easy to implement. Each year the cost of social security rises by 8%, while the nation's total economy expands by only 4-5%. By 1975, if present conditions continue, the Government will have to find an extra \$3.7 billion to fund the program's deficit. The major portion of payments by participants is calculated on the basis of a ceiling which is not far above average wage levels. Thus, those who earn the least pay in a much larger percentage of their salaries. Mr. Chaban-Delmas is reportedly considering two plans. One calls simply for an increase in the amount of the payments. The second, whose adoption is most probable, would introduce a graduated scale, so that those who earn the most would pay the most.

Bank of England lends to discount market

LONDON--For the first time in more than two years, the Bank of England lent money to the discount market for seven days at the bank rate. Britain's discount houses have been caught by heavy calls from the clearing banks, from which they traditionally borrow liquid funds. The discount houses' liquidity position has also been hurt by a tendency in recent weeks to lend long in the expectation of a cut in the 8% bank rate, which was in fact cut to 7-1/2% last week. In order to finance repayment of their seven-day borrowing, the houses will probably sell some of their blue-chip holdings.

Shake-up in progress at Montedison

ROME -- A 70-page blue book, written by a team of experts from ENI (Italy's State-owned oil and petrochemical corporation) has raised serious doubts about Montedison, Italy's chemical giant. The report -- which took a year to complete--spells out a long list of errors and omissions by Montedison's present management. Since last April, control of Montedison has been divided between ENI and IRI (the Government holding corporation) and private institutional shareholders, with the Mediobanca merchant bank acting as independent arbitrator. Group planning within Montedison, the report says, is almost nonexistent, and investment plans are uncoordinated. For example, according to the report, no serious attempt has been made to integrate the management of Montecatini and Edison, the two companies that merged four years ago to form Italy's largest privately-owned conglomerate. As a first step toward correcting the situation, Montedison's board has appointed Raffaele Girotti, an ENI vice-president and author of the report, as a company vice-president. A provisional plan for the development of the Italian chemicals industry has been prepared by ENI, and concrete areas for collaboration between Montedison and ANIC (ENI's chemical subsidiary) have been selected. The first joint project would be a giant, \$384 million, synthetic fiber and textile complex in Sardinia. Italy's Snia Viscosa, a textile firm, would also participate in the venture. But opposition to ENI programs is strong if not united. On one side there is Giorgio Valerio, Montedison's battered but still determined chairman. On the other side are representatives of some 300,000 small shareholders, who have no seats on the board of directors but together own almost 70% of Montedison's outstanding shares. There will also be opposition from the other Italian chemical companies which do not want to compete against the combined ENI and Montedison forces.

Gemini Computer Systems set up in the Netherlands

AMSTERDAM -- A John Diebold Inc. subsidiary, Gemini Computer Systems, has taken a 40% interest in a newly created Dutch software firm, Pandata NV. Other shareholders are AKZO NV (the Dutch chemical group), National Nederlanden NV (an insurance group), and Staatsbedrijf der PTT (the Dutch Post Office), who each hold 20%. Management of the firm will be assumed by Gemini under a management contract.

Geigy purchases German interest

BASEL-- Geigy International AG, the Swiss pharmaceutical and chemical firm, has acquired 50% of the capital of Vereinigte Ultramarinefabriken AG, a West German dyestuffs manufacturer. Vereinigte, whose specialty is the production of ultramarine colors for industrial use was until now 75% owned by members of the Leverkus family. The company has a New York subsidiary.

Occidental eyes another Euroloan

LONDON -- Occidental Petroleum, the California-based oil company with large interests in Libya, will once again raise funds in the international capital market. This time, the company plans to offer a \$20 million straight-debt Eurobond loan. The coupon rate is expected to be 9-1/4%--the highest rate of interest yet offered on a publicly-offered loan of this type. Proceeds of the loan, which will be managed by a syndicate including Lehman Brothers of Paris, N. M. Rothschild and Sons of London, and Dresdner Bank, will be used for general expansion of the company. Occidental paid 8-1/4% on a similar-sized offering made last year.

Spanish and French cement firms in mixed operation

MADRID -- Tudela Veguin, the Spanish cement company, and France's Ciments Lafarge will build a jointly-operated cement plant in northern Spain. The plant will have an initial annual capacity of 1.7 million tons. Lafarge is one of the leading European producers of white cement, which is still in short supply in Spain. The new mill will produce almost 60,000 tons of white cement yearly.

ICL ups Dutch stake

THE HAGUE -- Imperial Computers Ltd., Britain's ICL, has strengthened its interests in International Computers Nederland, a subsidiary held jointly by ICL and the Dutch concern Ruys Exploitatie MIJ. The British group will now hold 90% of the capital with Ruys' share reduced to 10%.

German dye firm increases U.S. holding

FRANKFURT-- The German group Farbwerke Hoechst AG has acquired the 50% interest owned by the U.S.'s Hercules Inc. in a joint South Carolina subsidiary, Hystron Inc. Hystron, with a present capital of \$36 million, was founded by the two companies in 1966 to produce polyester fibers for sale in the U.S. Hercules will also transfer one of its own fiber plants, which is adjacent to the Hyster site, to Hoechst.

ICC guide for international companies

PARIS -- An international guide for organizing companies will soon be published by the International Chamber of Commerce. The French text has been approved. Work is in progress on the English version, which is not simply a translation of the French text but a document designed to fit American or English conceptions. First copies will appear in May.

Austrian exports and imports rise

VIENNA -- According to a Finance Ministry Report, Austrian exports rose 21.3% in 1969 to an all-time high of \$2.43 billion. Imports were also up, by 13%, reducing the visible trade gap by 19%. The loss, however, was more than offset by the net revenue from tourism.

New Dutch steel group in the making?

THE HAGUE -- Talks are in progress for the creation of a new Dutch steel group in which Les Usines et Aciéries de Sambre-et-Meuse, of France, would have a majority interest. The other partner in the group would be Les Hauts Fourneaux d'Ijmuiden, of the Netherlands. First action would be to reactivate production at the Utrecht plant of Damka, a subsidiary of Ijmuiden. The project must still be approved by the boards of directors of the two companies as well as by the French and Dutch Governments.

Glass complex for Ruhr town

FRANKFURT -- The German subsidiary of Libbey-Owens-Ford, the American glass manufacturer, along with Deutsche Tafelglas AG (Detag), a German glass firm, plan a \$277 million investment for new joint production units at Gelsenkirchen in the Ruhr district. The two companies have already accepted a city land grant of 600,000 square meters for a site. The first step will be construction of a \$33 million float glass plant, with a daily output of 500 tons, to be ready by the end of this year. Two additional float glass units will be added by 1972, and processing plants soon afterward. When completed, the complex will employ over 5,000 persons.

New styrene butadiene plant in Spain

MADRID -- A new chemical company has been formed by France's Société des Résines et Dispersions Redis, a subsidiary of Rhône-Poulenc, and Union Española de Explosivos SA, a Spanish firm, for the production and marketing of styrene butadiene in Spain. The most immediate aim of the company, called Industrias Químicas del Carrion SA, will be the construction of a factory capable of turning out 5,000 tons of styrene butadiene emulsions annually. Société des Résines and Union de Explosivos have an equal share in the new operation. Initial sales are expected to go to Spain's growing paper industry.

French machine firms combine

PARIS -- La Compagnie Electro-Mécanique (CEM), a French subsidiary of Switzerland's Brown-Boveri, has acquired Cie Industrielle de Matériel de Transports (CIMT-Lorraine), a manufacturer of hauling equipment. CEM, whose specialty is heavy electrical machinery, has an estimated annual turnover of \$145.5 million. The company plans to directly integrate one CIMT plant, at Valenciennes, which produces railroad cars, into its own corporate structure. A second CIMT factory, near Luneville, which manufactures semi-trailers, will be shifted to a CEM subsidiary, Citernes Trailor SA. CIMT, whose annual turnover is about \$45 million, recently cooperated with CEM on construction of the Mexico City subway system.

Spanish steel company to go to Government group

MADRID -- Moves are being made to give control of the UNINSA (North Spain) steel company to the state-run Industrial Holding Organization (INI). Established in 1961, UNINSA's \$72 million capital is presently divided be-

tween three north Spanish steel works, jointly holding 60%, and a group composed of INI, several Spanish banks and Germany's Krupp, which together control 40%. INI has announced that it will subscribe to an entire issue of shares and debentures - worth an estimated \$91 million - that will be necessary to complete the operation. At a recent UNINSA shareholders' meeting, it was decided to more than double the company's capital - to \$152 million - to absorb operating losses and to finance future projects, including a new steel plant and an increase in yearly production to 2.6 million tons of crude steel by 1972-73. UNINSA produced over half a million tons last year.

Brandon Systems expands

LONDON -- Brandon Applied Systems, Inc., an international management and consulting firm, has agreed in principle to the acquisition of Industrial and Commercial Techniques, Ltd. (InComTec) by its European subsidiary Business Intelligence Services, Ltd. InComTec, an international education organization, conducts training courses, publishes reference manuals and booklets, and markets efficiency devices. Brandon's specialty is data processing and information sciences.

American Home Products sells two French subsidiaries

PARIS -- American Home Products Corp. of New York has sold two of its Paris subsidiaries to Val-de-Marne O-Cedar of France. Produits Jex SA and Nedal SA, the two subsidiaries, both specialize in the production and distribution of household cleaners. American Home Products, which has several other subsidiaries in France, made the move in an attempt to rationalize its French production facilities.

Italians give Norton pump rights

MILAN -- Norton Company of Worcester, Massachusetts, has concluded an agreement with Apparecchi Elettrici e Scientifici SpA, that will give it exclusive distribution rights for a high-vacuum pump developed by the Italian firm. The pump is designed especially for use in industrial laboratories.

Mercure may be assembled near Metz

PARIS -- Avions Marcel Dassault, the French aircraft company, will probably build an assembly plant for its Mercure jet near Metz, in northeastern France. La Société d'Équipement du Bassin de Lorraine (SEBL), which had been asked by Dassault to make a technical study of the area, has suggested the town of Augny as the best site. Assembly parts and materials would come from four other Dassault factories in Belgium, Switzerland, and France, and the new plant would turn out six completed craft per month. The Mercure is a short-range, 1,000 mile maximum, two-engine jet, capable of carrying up to 150 passengers. Dassault plans to market it worldwide.

Nixdorf now has London branch

LONDON -- The West German firm Nixdorf Computer AG has opened a subsidiary in London, Nixdorf Computer Ltd., to handle distribution and sales. It will have an initial capital of \$24,000. In other moves, the firm announced increases in the capital of the parent company, from \$8.3 million to \$11 million; in Nixdorf-Computer AG, the Berne subsidiary, from \$72,000 to \$600,000; and in Nixdorf GmbH, the Berlin subsidiary, from \$5,500 to \$277,000.

Joint Belgian effort for European phosphate sales

BRUSSELS -- Two Belgian chemical companies, Solvay et Cie and UCB, have decided to set up a joint subsidiary, aimed at producing alkaline phosphates for sale in western Europe. The two companies will hold equal shares of the \$5 million initial capital. Plans include the construction of production units in Antwerp, where UCB already operates a plant, which, when completed, will have a capacity of 76,000 tons per year.

Goodyear to build steel wire plant

LUXEMBOURG -- Goodyear Tire and Rubber Co. will soon set up a \$7.5 million factory in Luxembourg to manufacture steel wire for automobile and truck tires. Construction is scheduled to begin in July. The facility will be located at Colmarberg, where Goodyear already has an industrial and research complex, and will be operated by Luxwire SA, a Goodyear subsidiary.

Beagle Aircraft liquidated

LONDON -- Mr. Anthony Wedgewood Benn, British Minister of Technology, has announced that Britain's Beagle Aircraft Company has been liquidated. The firm, which specialized in business and pleasure aircraft, had recently been placed in receivership. A continental consortium of aircraft manufacturers, including West Germany's Messerschmitt-Boelkow-Blohm, had, as recently as last December, considered buying Beagle.

BASF and Valls discuss nylon fiber plant

MADRID--The Valls group of Spanish enterprises and Germany's BASF (Badische Anilin-und Soda-Fabrik) are discussing the establishment of a jointly controlled nylon fiber production line. The site for the plant would be at Saragossa, in northern Spain, where a Valls subsidiary already holds a concession. BASF Espanola S. A. invested almost \$28.8 million last year in a polystyrene plastic products factory at Taragona.

U.S. Steel gets 27% of French steel company

PARIS -- U. S. Steel has received permission from the French Government to acquire a 27% holding in the French steel company Acieries de Paris et d'Outreau. The American company last year tested the feasibility of using carburized ferro-manganese, manufactured by Paris-Outreau in France, in its own U.S. plants. With U.S. Steel support, Paris-Outreau plans to construct a new furnace that will allow it to increase its annual 300,000-ton production of the material by a third.

Bourse report

LONDON-- Gilt-edged stocks well supported on hopes of downturn in interest rates. PARIS -- Lack of buying forced most issues to lose ground. FRANKFURT -- Generally weak, with banks down hard. MILAN -- Irregular. BRUSSELS -- Quietly irregular. AMSTERDAM -- Local sectors mostly higher.

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