Common Market Reports

EUROMARKET NEWS

Issue No. 61 No. 130, March 20, 1970

Central bankers think interest rates have peaked. . .

BASEL -- Despite recent increases in both the German and Italian bank rates --the German rate jumped to 7-1/2% and the Italian rate rose to 5-1/2%-- the governors of the world's Central Banks appeared to agree that world interest rates have now reached their peak, and future moves will be downward. Although the motives behind the two adjustments were different, the Germans acting to contain a boom and the Italians to stop an outflow of capital, experts regarded the actions as an alignment of internal market rates to present Eurodollar levels. On the Eurobond market, it was thought that investors in dollar bonds, including German funds, would liquidate their holdings to take advantage of the new, high German interest rate.

...as England lowers bank rate...

LONDON -- A large amount of "hot" money reportedly rolled into London during the past few weeks, causing the Bank of England to cut the bank rate from 8% to 7-1/2%. A corresponding reduction in the Clearing Bank's overdraft and deposit rates was also announced, but no steps were taken to relax quantitative credit controls. Inflows of foreign funds have allowed British monetary authorities to repay large amounts of overseas debts, but until recently none of the money was regarded as speculative and subject to be withdrawn at short notice. British monetary authorities are also thought to be hesitant to use money to repay foreign debts when this money is becoming more expensive than the interest rate paid on the debts.

. . . but German discount rate climbs . . .

FRANKFURT -- After the economic cabinet failed to reach agreement on fiscal controls, the impetus for action to contain West Germany's rising prices shifted to the Bundesbank. The Central Bank responded by raising the country's discount rate from 6 to 7-1/2% and by increasing the Lombard rate (for loans against collateral) from 9 to 9-1/2%. Both rates are now at a 25-year high. To deter bankers from accepting an inflow of "hot" money that could be attracted by the increase, the Central Bank also raised the minimum reserve ratio for new deposits in German banks by foreigners to 30% as of April 1. Reaction to the measures in German banking circles was mixed. Some bankers were relieved to find the Lombard rate now more in line with money market call rates. Others felt that, as in the case of revaluation, necessary measures had been delayed too long by political pressures, and when finally announced were exaggerated.

...Italy's, too

ROME -- In an effort to convince investors that Italian money should remain at home (instead of in Switzerland), the Italian Central Bank has increased its discount rate by 1-1/2%. The rate now stands at 5-1/2%. The action comes as authorities appear to have achieved notable success in restricting the export of lire through regulatory means. Indications are that the amount of lire now leaving the country has been halved since February 16, the date when the regulations were announced. Up until that time, any Italian bank could transfer lire sent from abroad into the convertible accounts of a foreign bank. Now only the Bank of Italy can make the transfer. The drop in the number of bank notes being returned for conversion appears to confirm suspicions that some Italian banks were claiming to be receiving much larger quantities of foreign bank notes than they actually were. By doing this, the banks could get an official rate that was much higher than a foreign rate and without running the risk of physically transporting the bank notes across a border. Chief justification given for both the bank rate increase and the currency restrictions is the serious deterioration in the Italian balance of payments in January. A deficit of $350 million was registered. The cause of the deficit has been traced to Italy's capital transactions where current account items show a sizeable surplus.

Britain makes good on payments promise

LONDON -- From a post-devaluation deficit of $965 million in 1968, Britain made a dramatic recovery, winding up with a $929 million surplus for 1969. The achievement comes close to the target of the $1.2 billion surplus which the Government promised at the time of the November, 1967 devaluation and fulfills a more recent pledge to register a $720 million surplus by the end of this financial year (March 31). Overall figures released by the British Treasury apply to the basic balance--the balance of visible and invisible earnings from merchandise trade and financial services, combined with long-term capital flows. The UK's balance on current account was in surplus by $878 million in 1969, compared with a deficit of $742 million in 1968. Long-term capital movements changed from a deficit of $214 million to a surplus of more than $50 million. During the fourth quarter of 1969, the basic balance was in surplus by $336 million.

Italy seeks IMF loan

BASEL -- Italy, beset by severe economic strains, is said to be seeking a loan from the International Monetary Fund to be used to refinance the nation's short-term indebtedness to the New York Federal Reserve Bank. Italy's present $1 billion credit line with the Fed is thought to have been exhausted in the exchange markets due to recent efforts to support the lira. At the monthly meeting of central bank governors, Guido Carli, director of the Bank of Italy, has assured other central bankers that the country's capital outflow, which last year caused a balance-of-payments deficit of more than $1 billion, diminished in the past few weeks. Italy has gold and dollar reserves of more than $4 billion and could draw the equivalent of about $1.4 billion from the Common Market's recently created short-term credit system. However, Italian authorities reportedly are in favor of financing exchange losses with dollar credits, if only to avoid heavy reserve losses that could in turn intensify speculation. Italy could not expect to receive these credits from the Common Market, simply because the EEC countries are thought to be short of dollars at the moment.

Rio Tinto-Zinc expands

LONDON -- Rio Tinto-Zinc Corporation, an international mining and metals concern, will undertake a major expansion of its world-wide aluminum interests, starting with a $112 million takeover of Pillar Ltd., a British firm

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with aluminum production and distribution and precision engineering interests. Under the proposed deal, Pillar would become the nucleus of a group which will include RTZ's UK production facilities,its American aluminum smelting business, and its stake in Anglesey Aluminium, a consortium for the construction of a smelter in the UK in which RTZ is the leading partner. Charter Consolidated, a mining finance group, holds 13-1/2% of Pillar's equity.

Phillips hopes to make North Sea finds profitable

LONDON -- The Phillips North Sea group, in an effort to establish the extent of its reserves, is drilling a "step-out" well in a block of Norway's offshore region called the Ekofish structure. The well follows discovery of both gas and oil there last December. If the Ekofisk reserves prove substantial, production from Codfield, the site of a previous find only 50 miles southeast of Ekofisk,could be profitable.At the moment,neither find is regarded as commercially viable. Phillips acts as operator in Norway for a consortium including Petrofina, Agip, A/S Petronord, and itself.

American cash bid for Dutch fertilizer firm

AMSTERDAM -- Central Resources Corp. of New York has made a cash bid for the Dutch chemical fertilizer firm ENCK (Eerste Nederlandse Cooperative Kunstmestfabriek). ENCK has a manufacturing plant at Vlaardingen, as well as manufacturing subsidiaries in Kenya, Rhodesia, and Zambia. Central Resources has important installations at Rotterdam for loading and unloading phosphates from ships. The ENCK board of directors has recommended acceptance of the bid.

Willots quickly end Bon Marché battle

PARIS -- With the election of Bernard Willot as chairman and his brother, Jean-Pierre, as managing director,the battle for control of the Bon Marché department store group has ended. A group of Belgian shareholders had been expected to rally small shareholders and oppose a Willot takeover. But now that a March 23 general company meeting has been cancelled, there appears little that the Belgian group can do to block acceptance of the terms offered by the Willots to the old Bon Marché board of directors. Four years ago the Willot brothers acquired Agache,a French textile company,and since then have built Agache-Willot into the Common Market's largest textile concern. Last year the group obtained Belle Jardinière stores, their first retail network. The Agache-Willot combine already controls almost 50% of French linen production.

Amax ups Roan stake

LONDON -- Roan Selection Trust, a UK-based firm, 80% of whose outstanding shares are held in the U.S.,will become a wholly-owned subsidiary of American Metal Climax under a merger plan that involves a complicated shareholder offer consisting of various stocks and bonds plus a small amount of cash. The deal stems from a Zambian Government decision to take a 51% interest in that country's copper mines, thus reducing the Roan and Amax stakes. Amax previously held 42.3% of Roan equity.

Swiss company opens Brussels branch

BRUSSELS -- Stump Bohr AG of Zurich has created a subsidiary in Brussels that will engage in soil analyses, deep drilling and boring, piping underground water,and soil injection and improvement. Share-capital of the new concern, which is called Stump Bohr Benelux AG,is fixed at about $120,000.

U.S. chemical firm plans Dutch project

AMSTERDAM -- Thiokol Chemical Corp. and Koninklijke Textielfabrieken Nijverdal-Ten-Cate of the Netherlands are discussing the establishment of a joint Dutch subsidiary for the production of synthetic fibers, based on polyolefins, for technical applications. The group is reportedly ready to invest nearly $3 million for a plant that would be located at Nijverdal.

Paluel Marmont in mutual fund moves

PARIS -- Paluel Marmont, a French mutual funds group, plans to transform its Société d'Investissement et de Gestion into a mutual fund and to merge it with France Investissement, another company that is already part of the group. In addition, a new mutual fund,to be called Pierre Investissement, specializing in property investment, will be launched in the spring. Internationally,the Marmont group has been invited by the Dreyfus Management Corporation to participate in a new Dreyfus International Fund.

Elf-Erap to tap world gas market

PARIS -- Elf-Erap, the French State-owned oil group, will enter the world natural gas market. Production within France is controlled by Société Nationale des Pétroles d'Aquitaine, but Elf has acquired enough experience in liquefying natural gas, transporting the product by sea, and then regasifying it,to sell its know-how on a consultancy basis outside of France. Backed by financing from Crédit Lyonnais, a nationalized bank, Elf envisions western Europe and Japan as its main sales targets.

Paris Airport Authority eyes Eurobonds

PARIS -- The Paris Airport Authority will attempt to raise funds in the international capital market. The group plans to issue a $15 million Eurobond loan to finance a capital expenditure program, made necessary by the extension of Orly Airport and by the development of Roissy-en-France,a new airport complex to the north of Paris. The 15-year issue is expected to carry a 9% coupon.

Stanray takes all of Capsula

LONDON -- Stanray Corporation of Chicago has acquired all the capital of Capsula Pneumatics, a subsidiary of Britain's Metropole Industries. Capsula specializes in the production of low-priced pneumatic equipment for automation, a specialty of Stanray's American subsidiary Mead Fluid Dynamics Co. Stanray owns a security holdings and financial transactions company, Stanray AG, in Switzerland.

U.S.-Italian food packaging deal

ROME -- Mead Corporation of Dayton, Ohio,will collaborate with the Italian food group IBP,Industrie Buitoni Perugina,in designing and producing paper and cardboard packaging for consumer food items. The deal involves acquisition by IBP of 50% of the capital of one of Mead's Italian subsidiaries, Mead Imballagi SpA.

Dutch consumer income to rise

ROTTERDAM -- Consumer income in the Netherlands is expected to increase by 3.2% in real terms this year. The country's Central Planning Bureau puts the 1970 increase in wages at 8%, against 10.5% in 1969, and the increase in the cost of living at 4%, against 7% in 1969. Overall production and productivity should rise 5% and 4%, respectively.

Gramco forms Italian network

ROME -- Gramco Italia SpA has been formed in Rome to promote sales of investment trust bonds, notably those of the mutual real estate trust USIF - Real Estate,which is managed by Gramco Management Ltd.,a firm incorporated in Nassau, Bahamas. A similar company was formed last July in Frankfurt under the name of Gramco Sales (Deutschland) GmbH.

Bankers Trust increases German bank holding

FRANKFURT -- Bankers Trust Co. of New York has increased its 24% holding to majority control in the Deutsche Unionbank of Frankfurt. The German bank's other shareholders are Svenska Taendsticks AB, a Swedish group, and the Hessische Landesbank.

Rikadenki forms German subsidiary

FRANKFURT -- Rikadenki Kogyo Ltd. of Tokyo,which manufactures electric and electronic control equipment for medical and chemical laboratories,has established a West German subsidiary. The new firm is being formed in collaboration with Fritz Hellinge und Co. GmbH, a German medical electronics concern, and will be located at Freiburg, near the Swiss border. Called Rikadenki-Electronics GmbH, it will have an initial capital of $60,000.

New sulphate cellulose plant for Norway

OSLO -- Nordenfjelski Treforedling, a Norwegian paper manufacturer, will construct a sulphate-cellulose plant at Friborgtangen. The complex will be capable of turning out 40,000 tons of the material per year, enough to supply all that the company's mills require. Operation is expected to start in 1972.

Bourse report

LONDON -- Equities droop on German discount hike. PARIS -- Domestic stocks mainly steady, banks and oils well maintained. FRANKFURT -- Losses ahead of Bundesbank meeting slightly pared on repurchasing. MILAN -- Small gains in most sectors; calm reaction to discount rate hike. BRUSSELS -- Hesitant in slow trading. AMSTERDAM -- Local industrials firm;plantations and shipping mixed.

Common Market Reports

EUROMARKET NEWS

Issue No. 62 March 27, 1970

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U.S.-EEC trade rift grows...

BRUSSELS -- In the latest development in the growing conflict between the Common Market and the United States, Jean-François Deniau, the EEC Commissioner responsible for foreign trade, has defended the Common Market's trade policy against its U.S. critics. His remarks, which follow by one week a statement by U.S. Assistant Secretary of Commerce Kenneth Davis, have been taken to reflect growing Commission uneasiness in the face of U.S. criticism. Mr. Deniau noted that there were a "limited number" of problems marring U.S.-EEC relations, especially misunderstanding and uncertainty about Common Market agricultural policy, the added-value tax system, and preferential trade pacts with Mediterranean and African countries. He added that the problems should not be dramatized; instead, concrete solutions should be sought.

Not all criticism of Common Market trade policy comes from the United States. The proliferation of EEC preferential trade agreements with almost all the countries bordering the Mediterranean has come under heavy attack from the GATT (the Geneva-based General Agreement on Tariffs and Trade). In addition, two Common Market members - the Netherlands and West Germany - are unhappy with what appears to be an official Commission view - that the EEC has a special historic relationship with the Mediterranean basin. The Dutch and Germans regard this idea as too French-oriented.

Heavy public criticism of Common Market economic policies by U.S. trade officials began about one month ago, with a speech by J. Robert Schaetzel, head of the U.S. mission to the EEC. At the time, the EEC Commission regarded the comments as isolated but unfortunate, since it came just before Mr. Deniau was to lead an EEC trade mission to the United States. One week after the EEC group left Washington, Mr. Davis made his statement. U.S. officials appear to be troubled by what they regard as a lack of Common Market attention to the real problems that affect U.S.-EEC trade relations. They also complain that Common Market officials tend to soften differences, with public suggestions that easy compromises can be found in areas where hard-core policy divergences actually exist. Mr. Deniau, while recognizing these differences, maintains that most difficulties are caused by the current state of uncertainty about the future make-up of the EEC and the direction that its trade policy will take. He hinted that this uncertainty is felt even within the EEC.

...and Scheel proposes committee to correct misunderstandings

FRANKFURT -- West German Foreign Minister Walter Scheel is trying to promote interest within the Common Market for the creation of a permanent committee, to be composed of EEC and American representatives, that would correct any policy misunderstandings that arise between the EEC and the United States. Such a committee, as Mr. Scheel envisions it, would provide much closer contacts than presently exist and would enable each side to quickly present its grievances.

Banque de France threatens sanctions

PARIS -- An unexpected jump in retail prices during January, plus continuing inflation in neighboring countries, has led the Banque de France to threaten sanctions against commercial banks that remain in excess of credit ceilings at the end of March. Such banks could be forced to deposit a sum equal to their unauthorized lending in a non-interest bearing account with France's Central Bank for one month. During the last few months of 1969, commercial banks are thought to have exceeded the ceiling on industrial advances by a wide margin. In December, for example, new credits grew by 8% (in reference to the 1963 base) instead of the 7% currently permitted. The situation is believed to have been similar in January of this year.

High EEC business activity to continue

BRUSSELS --According to the latest survey of the Common Market Commission, business activity in the six EEC countries will remain buoyant during the next three months, although over-all expansion in the Community will probably slow. In West Germany, growth of industrial production continues to be rapid. Recent samplings of management opinion show a confidence in domestic demand with less reliance on export orders. In France, export demand appears to be gathering momentum. Domestic orders for consumer goods should slacken, but French businessmen feel that production and industrial expansion are likely to continue at the present rate. Italian replies to the Commission survey were influenced heavily by Italy's recent disturbances. Production has been affected by strikes. Domestic demand, although currently high, is expected to trend downward, but exports should be maintained at their present level. In Belgium, the Netherlands, and Luxembourg, industrial expansion has continued. The growth rate of production has remained high, and businessmen consider exports and domestic orders to be satisfactory.

Foreign workers worry Swiss

GENEVA --The Swiss Government has announced new restrictions on the number of foreigners that will be permitted to work in the confederation. The move, which could force expulsion of some workers in the French-speaking cantons, will aggravate the current Swiss labor shortage. Switzerland has always closely regulated the number of foreigners who work within its cantons, but a boom economy has pushed their number to almost 600,000. As a result, the total number of foreign residents rose last year to 971,795, nearly 16% of the total population. This influx has caused few problems in French-speaking western Switzerland. There, the immigrants, who are largely Italians and Spaniards, are easily assimilated - taking the unattractive jobs in a highly urbanized economy.In the rural cantons of German-speaking Switzerland, the presence of foreigners has created friction. Last year,James Schwarzenback,a Zurich member of the National Assembly,devised a proposal under which the number of foreigners in each canton would be reduced to 10% of the canton's total Swiss population. He succeeded in obtaining enough popular backing to force a national referendum on his proposal. The Government has scheduled the referendum for June. If the

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Schwarzenback proposal becomes law, 50,000 of Geneva's present 105,000 foreign workers could be expelled. Meanwhile, in an effort to take some of the steam out of Schwarzenback's arguments, the Government has decided to admit only 40,000 new foreign workers each year.

German prices, wages still up

FRANKFURT -- Prices and wages in the Federal Republic of Germany are still going up. According to the Bundesbank's March report, the price level for industrial goods was 6% higher than that of January 1969, and, with fringe benefits included, basic wages were 14% to 15% higher than a year ago. If this trend continues, the Central Bank predicts a 9.6% rise in prices for 1970 - an unparalleled rate of inflation for modern West Germany. Last week, the Bundesbank took action to stabilize the situation - raising the discount and the Lombard rate. The move has not yet had time to take effect, but German bankers are already showing signs of irritation. Before the hikes the major German banks acknowledged a money shortage. Now with the liquidity situation tightening, major credit applications are approved only after very close examination. Refinancing deals and credit transfers from one bank to another are becoming rare. But the Bundesbank is standing fast. The Bank will believe that inflation has been checked only after the current high level of industrial orders comes down. Until then, the discount rate will stay at 7 1/2%.

Laporte Industries finds Solvay link

LONDON -- Britain's Laporte Industries, after an unsuccessful takeover bid by Burmah Oil, will form a link with Belgium's Solvay Chemicals. The two firms have agreed to cooperate closely on the production and sale of peroxide products, used in plastics and detergents, and will study collaboration in other fields. Solvay will bolster Laporte with almost $12 million worth of financing and may later acquire 20% of Laporte's equity. The two firms hope to take joint advantage of the growing European peroxygen market - currently expanding at a rate of 14% a year.

French extend Russians $810 million in credits

PARIS -- France will grant the Soviet Union almost $810 million in export credits to finance Russian purchases of French equipment and machinery during the next four years. This is almost double the amount the West Germans extended to the Russians at the beginning of the year. It is believed that between now and 1974 the amount eventually granted by the French may go as high as $1 billion. The credit authorization stems from a 1969 Franco-Soviet trade agreement, which calls for a doubling of trade between the two countries over five years and provides French equipment--including whole factories - for purchase by the Soviets. From the viewpoint of French industry, the new credits will serve to guarantee production and employment in sectors that have not been particularly competitive in Western markets. For the Russians, they were necessary because of a general Soviet failure to sell enough products in France to balance trade. The interest rate of the export credits will not be fixed until France has conferred with its Common Market partners - a necessary procedure under current EEC trade regulations.

British Government welcomes Dunlop-Pirelli deal

LONDON -- The British Treasury has taken the unusual step of officially welcoming the proposed merger between Dunlop and Pirelli. The leading British and Italian tire manufacturers had announced plans to form a combine which, in total sales, would rank third world-wide - just behind the U.S.'s Goodyear and Firestone. The step was supposedly taken to indicate not only Government approval of the Dunlop-Pirelli project, but also to encourage other British companies to seek similar unions when appropriate. Officials explained that the Treasury, rather than any other British Government department, issued the statement because exchange control and fiscal questions will create the biggest problems in negotiations between the two companies. Usually, the Ministry of Technology (Mintech) plays the leading role in formulating policy on the problems posed by international mergers. So far the Dunlop-Pirelli discussions are still at an early stage. Negotiations have not yet reached the government level. A plan for shareholder approval should be ready by the end of this year and cooperation between the two companies could start in 1971.

Agfa-Gevaert tightens Greek network

ATHENS--In an effort to strengthen its film distribution network in Greece, Agfa-Gevaert, the Belgo-German photo-chemical group, has created a subsidiary in Athens. The firm--Agfa's 24th foreign subsidiary--will distribute a complete line of amateur and professional photo products, with the exception of professional cinematographic film, which will continue to be distributed by Helene D. Carra A.E., a Greek company. In another recent move, Agfa-Gevaert completed its fourth West German phototechnical unit. This one, an auxiliary of the group's Munich works, is located near the Peissenberg coal fields in Bavaria.

Citibank opens Luxembourg branch

LUXEMBOURG -- First National City Bank of New York has opened a Luxembourg branch. The new concern will specialize in investment and stocks but will provide all normal banking services. In January, the American bank set up a holding company, Citicorp International S.A., to coordinate Luxembourg activities. First National City Bank, which has 32 European branches, is now represented in all of the six Common Market countries.

Hoesch-Russian talks interrupted

DORTMUND--Negotiations between West Germany's Hoesch and the Soviet Union, in which the USSR was to buy 170,000 metric tons of natural gas pipeline, have reportedly collapsed because of pricing problems. Apparently, the Russians are willing to pay only the price that they paid to Mannesmann. The Mannesmann agreement was for 520,000 tons of longitudinal-welded pipe. Hoesch's pipe is spiral-welded and therefore much more complicated to produce. The Soviets may be forced to reconsider their position since no one but Hoesch makes the super-sized pipe that they want to buy.

Holland Aluminium hopes for bauxite link

THE HAGUE -- Holland Aluminium, a joint subsidiary of Koninklijke Nederlandsche Hoogovens en Staalfabrieken and Billiton MIJ, has opened discussions with the American firm Tipperary Land and Exploration Corp. The two concerns hope to reach agreement on joint methods for bauxite prospecting in the north of Queensland in Australia. Holland Aluminium hopes to construct an Australian alumina plant that will have an annual capacity of 12 million tons.

Italy's trade gap widens

ROME -- According to the latest customs figures, Italy's trade deficit widened to about $244 million in December. That was in comparison to about $136 million in November and about $30 million in December 1968. Imports rose by 13% over December 1968, but exports fell by 6.2%.

IOS to push investment plans worth $44 million

GENEVA -- Investors Overseas Services will go ahead with plans calling for the aggregate investment of $44 million in 1970. Although details remain unannounced, new projects will probably be in the principal areas of IOS activity: mutual funds, insurance, commercial banking, real estate, and investment banking. The entire program will be financed from within the IOS group using resources already on hand. One of IOS's newest funds--the Australian Fund of Funds--has achieved total net assets of $3.9 million after only ten weeks of operation. The fund invests in Australia's mining, commercial and primary industries and is generally oriented toward long-term growth. Shares were initially offered at $10 each. By the end of January, net asset value of each share had risen to $12.46 each--a 24.6% increase.

La Cellulose du Pin expands

PARIS -- La Cellulose du Pin, a French paper maker in which Saint-Gobain holds a majority interest, will increase output of its packaging products to 800,000 tons a year, as part of a move calculated to make the firm a European leader in kraft paper production by 1972. An initial investment of nearly $28 million will be pumped into the Landes Facture works, which manufactures kraft for bags and cartons. Other investments will raise the company's over-all yearly output of 333,000 tons to 500,000 tons, most of which will be exported. La Cellulose du Pin owns a number of French and Spanish subsidiaries, and holds a 17% interest in a new Canadian plant. These groups are expected to supply the rest of the production increase. The company already claims 75% of the French market for kraft cartons and 40% for kraft packaging.

German transport equipment firm moves into Italy

MILAN -- Carl Kaelble GmbH, a German manufacturer of transport equipment, has formed an Italian subsidiary for marketing and distribution purposes. Located in Milan, the firm will have an initial capital of $23,000. Carl Kaelble, a family business, employs about 1,000 in its factories in Germany. The firm also has an Austrian subsidiary, located in Vienna.

Bourse report

LONDON -- Dull market, Australian mining shares fall. PARIS -- Firm at weekend, but now weaker with domestic and international shares slipping. FRANKFURT--Irregular with leading chemicals and industrials losing ground. MILAN -- Quiet trading, most sectors easing. BRUSSELS -- Weak; steels in sharp decline. AMSTERDAM -- Local industrials down; plantations and shipping quiet.

EUROMARKET NEWS

Common Market Reports
EUROMARKET NEWS

Issue No. 63 No. 131, April 2, 1970

EEC Ministers can't agree on farm price and wine policies

BRUSSELS -- Ministers of the six Common Market countries, after an all-night marathon session, decided that they were unable to lower agricultural prices and to agree on a common wine policy. Action in these two critical areas must now be postponed, even though entry negotiations with Britain and the three other candidates for EEC membership are impossible until the Common Market has hammered out a solution to its agricultural price and surplus problems. At present, difficulties stem largely from particular domestic considerations within each of the EEC member countries. Thus, while all agree that farm prices must come down, the French and Belgians want no cuts in dairy product prices. The Germans will not accept lower grain prices, and the Italians insist that there be no production quota cuts in sugar. The same sort of stubbornness is evident in the complex dispute over wine. Italy, the Common Market's biggest producer, wants free movement for wine and a market organization that will permit its growers to tap the Community farm fund for subsidies. France will agree to this only if there are tight regulations protecting its markets from a flood of cheap Italian imports. Germany, which pays the most into the Community farm fund, insists that national instead of Community standards apply to wine production and, in addition, it wants no market organization.

Philips bid for Dutch steel complex rumored

AMSTERDAM -- The Dutch electronics giant Philips Gloeilampenfabrieken, annual turnover of almost $2.7 billion, will soon make a takeover bid for Nederlandsche Kabelfabrieken, the Netherlands' second largest steel complex. The bid will be one of the largest in the country's recent history and reportedly will involve the offer of 70 Philips shares for every one of NKF. If true, Philips could wind up paying about $76.8 million for this acquisition. One strong reason for the action is the Dutch electrical firm's need for cables for its burgeoning communications industry - NKF is one of Europe's largest cable producers - but an added attraction is probably NKF's plastics production interests. Philips recently acquired a 35% interest in Germany's Felton and Guillaume, another cable concern.

East Germany and the EEC

BRUSSELS -- An improvement in West German and East German relations could have some peculiar trade repercussions for the East Germans. At the moment, according to the Treaty of Rome, the Common Market treats Germany as one economic unit and recognizes no difference between West and East German goods. When free trade was established throughout the EEC, almost two years ago, East Germany benefited from Community commercial privileges that no other eastern European country shared. If East Germany succeeds in its drive for recognition as a sovereign state, the Common Market would have to give East German goods the same treatment that it gives goods from all non-EEC countries. While East German trade with the Community as a whole has not increased markedly over the past ten years, its trade with West Germany has. Ten percent of the Communist regime's total exports - about $360 million in 1968 - now goes to the Federal Republic. This might be curtailed if East Germany gains diplomatic recognition.

British Treasury predicts budget growth of 3%

LONDON -- A Treasury forecast appears to leave little room for any net reflation in the next British budget. Government spending from the end of 1969 to the middle of 1971 is expected to grow at about 3% a year. A slightly faster rate is expected during 1970 and a slightly slower rate is predicted for 1971. The Treasury expects Britain's balance of payments current account in 1970 to be in surplus by about $1.2 billion. But the long-term capital account will probably have a deficit of nearly $360 million. This would mean a "basic" balance -- the balance of visible and invisible earnings from merchandise trade and financial services, combined with long-term capital flows -- of only $840 million. The Treasury judged that slack in the British economy was small in relation to medium-term demand pressure. The scope for any addition to present demand was therefore seen to be very narrow. However, informed sources detected a desire on the part of the Treasury to minimize budget expectations, possibly reserving any concessions for political gain later. It is considered possible to stimulate the British economy by at least $240 million without risk of overheating.

Banker to head French development agency

PARIS -- Maurice Schlogel, president of Crédit Lyonnais, France's second largest bank, has been appointed president of France's new Industrial Development Institute. The choice apparently gives initial control of the Government-inspired organization to bankers, but businessmen have been promised a majority of the seats on the board. IDI, although Government-funded, is an independent agency, created to help convert medium-sized French companies into bigger, more efficient and more competitive units. It closely parallels Britain's Industrial Reorganization Corporation, but also draws on the example of Italy's Industrial Reconstruction Institute. The idea of this kind of organization in France has been opposed from the outset by many private firms. They contend that the final result will be complete control of French industry by banks. It remains to be seen whether the new agency will complement or compete with the rest of the business community.

Dmark Eurobond flotation expected for April

FRANKFURT -- The year's first Dmark-denominated Eurobond flotation is set to come to the market on April 10. Due to interest rate uncertainty and liquidity tightness, no Dmark issues have been initiated since the Finnish State loan last December. This issue, offered on behalf of the South African Electricity and Supply Commission, should provide a real test of the

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market. It is for Dmark 100 million (about $27.7 million) at 15 years and will carry a coupon of 8.5%. The issue will have a record 9% yield and thus should be competitive with present Eurodollar bond yields of about 9.5%. The Dmark offering is being managed by Dresdnerbank, Commerzbank, Kredietbank SA Luxembourgeoise, and Crédit Commerciale of Paris.

French adopt new form of protest

PARIS -- Thousands of shopkeepers tied up roads and highways all across France recently with surprise roadblocks, a new form of protest first used by French truckers. The truck drivers had tied up arteries leading into and out of Paris to protest a Government order forbidding them to use the highways during the two Easter holiday weekends. After discussions with trucking union officials, the Government had actually rescinded the order, but failed to notify the nation's news media of the change until almost a full day after the action had been taken. The truckers' strike went on. When news of the Government action became known, it appeared that the Government had made a major concession. Encouraged, shopkeepers parked or left their cars on the highways, blocking holiday traffic. The shopkeepers are demanding an improvement in the tax structure, including the TVA. They also want social benefits, which they claim are given to their number one enemies, the supermarkets and department stores.

Inflation's stepped-up pace

BRUSSELS -- Inflationary trends may be accelerating in the Common Market. Some important economic indicators,especially wholesale prices, have shown sharp upswings. The EEC Commission in its monthly report on the Community economic situation states that wage rates continue to climb throughout the member countries. Industrial production showed little increase early in the year, as companies have reached the limits of their capacity. Nevertheless, hiring has continued to grow. According to the Commission, this reflects the efforts of Italian manufacturers to recoup production lost during the strikes of last year, and the EEC-wide rise in the number of foreign workers. Consumer prices have also jumped, especially in West Germany, where the Commission's index rose by 1.2% between December and January. The EEC's trade balance moved into deficit in October and as yet has not regained equilibrium.

British interests acquired by Data 100

LONDON -- The computer peripheral division of Scientific Furnishings of Britain has been acquired by Data 100 Corporation, a U.S. manufacturer of computer terminal equipment. The American firm will use its British acquisition as the nucleus for a new company, Data 100 Systems. Initially, Scientific Furnishings will adapt U. S.-made terminals to European requirements, but after an unspecified period, the amount of British-made equipment will be increased. However, Data 100 Systems will continue to market Scientific Furnishings' existing range of on-line computer printer systems.

Two German firms purchase Koh-I-Nor

FRANKFURT-- The West German firms,Guenther Wagner and Riepe-Werke KG, both manufacturers of office equipment,have acquired a majority shareholding in Koh-I-Nor, Inc., of Bloomsbury, New Jersey, which previously distributed their products in the United States. The purchase price was $4.5 million and included control of the Red Cedar Pencil Company of Lewisburg,Pennsylvania. Guenther Wagner markets its products under the brand name of Pelikan, and Riepe-Werke, under the name of Rotring.

Recognition Equipment expands

ROME -- Società Nazionale Optimation SpA, a firm that will provide automatic data-processing services using the recognition method, has been formed in Rome. Principal shareholders in the new operation are SAGA, an affiliate of the Banco Nationale de Lavoro, and Corporation S, a subsidiary of Recognition Equipment Inc. of Dallas. Last October, Corporation S announced the formation of a company in Milan, in association with Credito Italiano. The move was part of an effort to set up recognition method centers throughout Europe. In January 1970, Optimation Services Ltd., a British group, was formed.

Swedes interested in Aérotrain

PARIS -- Plans have been laid for the exploitation in Sweden of the air-cushioned tracked vehicles developed by Société de l'Aérotrain, a French firm which is currently experimenting with an 80-seat, inter-city, 300 miles-per-hour liner on a test track near Orléans. Salen Interdevelup A.B., a Swedish shipping group that also specializes in car ferries and transport of perishable goods, will provide 50% of the necessary capital--the other 50% will come from Aérotrain--for the creation of a new company to develop, manufacture, and market the full range of Aérotrain vehicles in Sweden. Salen's present annual turnover is about $200 million. Aérotrain recently signed an agreement with the U.S.'s Rohr Corporation for the production of models for the American market.

Leasco signs KLM computerized reservations contract

AMSTERDAM -- Dutch and British specialists from companies of the Leasco group will cooperate closely on a $1.2 million contract for the development of a computerized reservations system for air tour operators in the Netherlands. The agreement was signed with KLM (Royal Dutch Airlines). The computer system will be run in conjunction with CORDA, a service which KLM has produced by modification of IBM's proprietary system. KLM has invited tour operators to send in details that would enable the set-up to start functioning in time for the 1972 holiday period. Leasco estimates that a 40-man team of specialists will be needed to develop software for the project. KLM will finance and ultimately run the operation.

General Electric expands in the Netherlands

AMSTERDAM -- The U. S.'s General Electric Corp. has decided to establish a production unit in the Netherlands. The plant, which will be a manufacturing subsidiary, called General Electric Plastics N.V., will be located at Bergen Op Zoom, at a site that GE chose after investigation of 41 other towns in western Europe. Production is planned to start in 1975 with 500 workers and an investment of $41 million. General Electric recently acquired full ownership of the Netherlands' N.V. Polychemie, a firm in which it originally held a 60% interest.

Bourse report

LONDON -- Bonds strong, but equities, Australians depressed. Poseidon plunged to $162. PARIS -- Quiet; retailers well maintained, metals firm. FRANKFURT -- Easier in quiet trading. MILAN -- Firm, with active trading. BRUSSELS -- Irregular. AMSTERDAM -- Most internationals quietly steady.

EUROMARKET NEWS

Common Market Reports

EUROMARKET NEWS

Issue No. 64 April 7, 1970

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New Government will try to calm Italy's present disorder

ROME -- The new Italian cabinet of Mariano Rumor is facing some tough economic problems. During the past nine months, Italy has been shaken by continual social crises. January's industrial production and price index developments caused grave concern, since industrial production rose by only 3.5%. Italian prices are rising, and the new Government's chief worry will be to halt inflation without further cutting expansion. The theme of its effort will be continuity and renovation. Emilio Colombo remains as Minister of Finance. Colombo, an advocate of strong monetary policies, will no doubt press for programs that stabilize domestic markets and insure the strength of the lira, all through cooperation with the Bank of Italy. Carlo Donat-Cattin is Minister of Labor. He must solve the differences that continue to exist not only between the unions and management but among the unions themselves. Antonio Giolitti, who originated Italy's first five-year plan, will direct the Budget. Giolitti is new in the post and his ideas clearly worry both Socialists and Christian Democrats. The new Rumor Government appears to have already adopted four major economic aims: Wage increases are to be held at 16% during 1970; price hikes will be leveled out at 6%; public borrowing will be severely curtailed to allow industry greater access to the Italian capital markets; and Italy's balance-of-payments deficit, currently at about $1.4 billion, is to be cut to about $613 million by the end of this year.

ICI gets yellow light in Viyella bid

LONDON -- The British Government has approved a $120 million bid by Imperial Chemical Industries (ICI) for Viyella International and a plan to merge Viyella with Carrington and Dewhurst. However, ICI will be forced to keep its holding in the combined company at 35% and will be permitted only one seat on the board of directors. An independent chairman will be chosen. In addition, ICI must agree not to influence either of the two textile firms in their selection of fibers.

The Government position was outlined to Parliament by Harold Lever, head of an official committee investigating the issues raised by the ICI move. This was the second major inquiry into the British textile industry during the past twelve months, and the Lever committee was under pressure, especially from foreign producers with large UK interests (Monsanto, Hoechst), to make clear how far vertical integration would be allowed to go. Last June, a standstill was imposed by the Government on mergers involving any of the five big British textile concerns - Viyella, Carrington and Dewhurst, English Calico, Courtaulds, and Coats Paton. However, at that time, no decision was taken on fiber producer and textile manufacturer links.

Since 1960, Courtaulds, as a fiber producer, has persistently followed a policy of vertical integration. The ICI bid forced the Government to weigh

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relationships within the industry. Through the Lever Committee, it has promised a code of conduct covering prices, sales terms, supply, fair trade practices, and disclosure of information. But industry observers feel that a new investigation will soon be inevitable. The Government did not come out for or against vertical integration within the textile industry, and there is notable skepticism among textile spokesmen as to how any safeguards or conditions on giants like ICI or Courtaulds can be effectively enforced.

The Government's conditions do not appear to hamper ICI plans, since the company has always said that it would reduce its holding in a Viyella-Carrington group to less than 50%. But it still remains to be seen whether ICI will succeed in its integration plan. Both Viyella and Carrington have been lukewarm to ICI's proposals. Another fiber producer, prepared to acquire a minority stake in either company, could yet be in a position to advance a rival bid. Speculation in this area has centered on Joe Hyman, the deposed Viyella chairman, who continues to hold 4% of the company's equity. He has supported the industrial logic of the ICI plan, but has severely criticized ICI's offered price for Viyella.

EEC Commission indicates possible energy difficulties

BRUSSELS -- Difficulties may arise this year in the coking coal and coke sectors of the EEC energy market. According to the latest annual report on the Common Market's energy situation, the technical and economic characteristics of the EEC coal industry are such that it cannot respond to a rapid rise in demand. Last year demand for coal remained at almost the same level as in 1968 (it had been falling), but demand for coke rose by 1.7 million metric tons, due to the exceptional expansion of the steel industry. Stocks of hard coal and coke are now at a low level. Market stresses are therefore likely to appear in 1970 unless certain coals presently used for fuelling purposes can be used for coking. For the long-term, supply and marketing techniques will have to be improved. Last year 62% of the Community's total energy needs were satisfied by oil, 23% by hard coal, and 6% by natural gas.

IBM will change European pricing system in 1972

LONDON -- International Business Machines (IBM) will change its computer pricing policies in Europe to conform to those in the United States, but not until July 1972. IBM in North America recently began charging separately for hardware, software, and supporting services. Apparently, IBM World Trade Corp., which is responsible for sales outside North America, refused to follow the American lead immediately. When the move does come, company observers expect total cost to the customer to rise by 13%. A spokesman for IBM (UK) appeared to indicate that the World Trade Corp., which presently derives a large part of its revenues from operations in France and Germany, has very little maneuvering room in those two countries, and must wait for new machines to make price changes.

French cost of living jumps another 0.4%

PARIS -- French economists are beginning to fret about the cost of living. The index jumped 0.8% in January. The Finance Ministry attributed that hike to an extraordinary combination of events. But the index rose 0.4% in February, and now another 0.4% is being predicted for March. If the pre-

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diction comes true, France will have registered an overall first quarter rise in its cost of living of 1.6%. Valéry Giscard d'Estaing, France's Finance Minister, had promised that the index would be held to a 3.9% overall rise in 1970. Now, his plan appears to have been too ambitious, especially when viewed against mounting inflation in neighboring Germany and Italy. However, he still appears determined to prevent any loosening of present credit restrictions until the 3.9% target is met. That means that starting in April, France will have to stick to a monthly 0.25% increase.

German credit volume lower...

FRANKFURT -- During the month of February, there was a substantial decrease in the volume of credit granted by West German banks and other lending institutions. According to figures released by the Bundesbank, West Germany's central bank, only about $1.074 billion of credit was granted during February of this year against $1.453 billion in February of 1969. Bundesbank sources felt that the drop came as a direct result of higher interest rates instituted during the month and signified a slowdown in the total rate of expansion of the German economy. Other banking sources pointed out that lendings were bound to tumble in view of a tightening of German liquidity, which was just beginning to be felt in February.

...but British bank advances are up sharply

LONDON -- British bank advances were up sharply--by almost $571 million--during the four weeks up to March 18. Figures released by the London clearing banks showed that this was almost $372 million more than had been expected at this time of the year. The increase puts the banks almost 6% ($840 million) above the official November 1967 ceiling. Last October, U.K. monetary authorities indicated that they would not press for reductions as long as the clearing banks held to 4% above the ceiling level that was current at that time. The banks are now 2% above the October ceiling. Neither the Treasury nor the Bank of England has as yet officially reacted. Britain's overall liquidity ratio now stands at 29.7%, well above the 28% considered as minimum. Barclays is the only U.K. bank that is thought to be under liquidity pressure.

IFC grants loan, equity commitment to Greek company

ATHENS -- Aluminium de Grece S.A. has been granted a loan and equity commitment of up to $8.6 million by the International Finance Corporation (IFC), a part of the World Bank group. Aluminium de Grece, a Greek concern, whose largest individual shareholder is France's Pechiney, plans to use the money as part of a $29.8 million project to expand its alumina production capacity and international distribution network. The effort should raise the firm's alumina capacity to 475,000 metric tons a year and its aluminum capacity to 90,000 metric tons a year. Since the company exports most of its production, observers at the IFC think that the move could benefit the Greek economy, through substantial gains in foreign exchange earnings. The IFC commitment consists of a $3.5 million loan, an equity investment of $4.75 million, and a contingency equity investment of up to $350,000. The rest of the project's financing is being provided by French suppliers and Greek financial institutions.

Rockefellers, Rothschilds join Italians in investment fund

ROME -- The American Rockefellers, the British Rothschilds, and a major Italian insurance group, Riunione Adriatica di Sicurta, have agreed to form an international investment fund. Known as the 3R Fund, it will definitely be offered in Italy and perhaps elsewhere. Formation of such funds has long been encouraged by financial experts in order to stimulate the slack Italian market for equities investment. The thin Italian stock markets are not attractive to small and medium-size investors, thus producing a shortage of risk capital. The Italian Ministry of Foreign Trade opened the way for creation of the 3R Management Corporation in Luxembourg early in March by authorizing distribution of the 3R Fund in Italy. The Rockefellers, through their Basic Economy Corporation, and Rothschild and Sons of London each owns 50% of a new entity which in turn owns 50% of 3R Management. The other 50% is held by the Italian insurance group.

Bayer and Rhône-Poulenc to link forces

FRANKFURT--West Germany's Farbenfabriken Bayer and France's Rhône-Poulenc, two of the largest European chemical concerns, have decided to merge their animal nutrition and veterinary chemical research and production interests. Bayer already has a pharmaceutical research cooperation contract with Rhône-Poulenc. A spokesman for the firm would not say whether a new joint company will be formed. Details of the agreement, which will cover the world-wide activities of the two firms in this area,are being studied.

New continental shelf demarcation

AMSTERDAM -- Preliminary agreements between Holland, Germany, and Denmark for a new demarcation of the continental shelf call for Holland to cede to the Federal Republic about 1,930 square miles of territory just to the northwest of the mouth of the River Ems. Denmark will cede about 2,700 square miles. If the new demarcation is adopted, the German part of the continental shelf will adjoin the British part for a few miles. Recently, in the Dutch part that is to be ceded,legal uncertainties have discouraged concession holders from drilling. The agreement now supposedly will offer them protection. Final documents are expected to be signed in Copenhagen on April 16.

Lummus named as Armstrong's plant builders

FRANKFURT -- Lummus GmbH, a German subsidiary of Lummus Co. of Bloomfield, New Jersey, will build a new 20,000 square-meter acoustical ceiling materials plant at Münster for Armstrong Cork International. The structure, which will be used for the production of mineral fiber acoustical ceiling products, has been characterized by Armstrong spokesmen as potentially the largest of its type on the Continent. This will be Lummus' 26th major construction contract in the Federal Republic.

Austrian ski concern negotiating with Russians

VIENNA -- Kneissl, of Kufstein,one of Austria's largest ski manufacturers, is presently negotiating with Russian authorities for permission to build on Soviet territory what one company official described as the largest ski factory in the world. Three million pairs of skis per year is the projected output for the plant. The Austrian company has presented detailed plans, but no estimate of the contract for which Kneissl is bidding has been revealed.

Spanish paper merger

MADRID -- Papelera de Leiza, a Spanish manufacturer,will merge with Sarrio and Eurokote. The new firm will be called Sarrio Compañia Papelera de Leiza. Capital will be increased to $14.2 million in conjunction with plans to increase the company's production of wallpaper, heliographic paper, metallized paper, and other specialized paper products.

Swedish atom group expands

STOCKHOLM -- Sweden's Esea-Atom Company will invest nearly $5 million in an effort to increase its current production capacity. Most of the money will go into a new plant in central Sweden, which will be used to manufacture nuclear fuel and special reactor components. The semi-State-controlled company also plans to rationalize its nuclear fuel, zircalloy box, and control rod production. One Stockholm factory will be closed, while another, at Vesteras, will be converted for use as an experiment center. So far this year,the company has orders for four complete reactor cores in Sweden. It also supplies nuclear fuel to West Germany and Switzerland. Recently, the company was rumored to be planning factories in the U.S. and Canada.

Rumored Unilever bid for AZKO meat plants

ROTTERDAM -- Negotiations are thought to be at an advanced state for a Unilever (N.V.) purchase of the meat processing plants of AZKO, the Dutch artificial fiber group. According to informed sources, one AZKO plant, at Deventer, would be merged with Unilever's three Unox plants. Other AZKO meat facilities include processing centers at Oss (Zwanenberg) and Amersfoort, two bacon factories, and an installation in Belgium. Unilever and AZKO for some time have operated a joint pig research center at Oss.

Herbert Morris and Jeumont-Schneider form marketing group

LONDON -- Herbert Morris, the British mechanical handling specialists, and Jeumont-Schneider, the French electrical group, plan to combine their linear motor marketing operations in a new international organization,Lintrol Systems. Equity in the new concern will be shared by the two companies. Lintrol will market the industrial range of linear motors and control equipment produced by Herbert Morris and the special, higher-powered motors developed by Jeumont-Schneider.

P.A. helps Azores, plans Japanese move

BRUSSELS -- P.A. International Management Consultants is working with Portuguese officials on an economic development plan for the Azores Islands. In cooperation with the Portuguese Institute of Industrial Research, the European management consultant firm is studying ways of building up the island's export and tourist trade and the formation of new service industries. The island's present economy is predominantly rural, with nearly 60% of the working population employed in agriculture. In another recent move, P.A. announced extension of its consulting services to Japan, where, in a joint venture, it will combine with International Public Relations of Tokyo to offer a full range of consulting services. Under this agreement, Japanese staff will be recruited and then trained outside Japan by P.A. The initial expertise for the venture will be provided by P.A.'s British, European, and Australian groups. P.A. anticipates considerable Japanese demand for such services as corporate planning, information systems, and management sciences.

Bourse report

LONDON -- Leader stocks uncertain,but market undertone remains firm. PARIS -- Oils, internationals firm. FRANKFURT -- Steels and banks in confident gain. MILAN -- Irregular. BRUSSELS -- Quietly hesitant. AMSTERDAM -- Local industrials quietly irregular. Shippings and plantations mixed.

Common Market Reports

EUROMARKET NEWS

Issue No. 65 No. 132, April 15, 1970

Italy to move quickly toward decentralization

ROME -- Mariano Rumor, the Christian Democrat Prime Minister of Italy's new coalition Government, has outlined his political program for the coming year. He also announced, to assemblies of the Senate and the Chamber of Deputies, that Italy's first regional elections will be held on Sunday, June 7. The elections should usher in decentralized, semi-autonomous regions, something that was proposed under the Italian constitution almost 20 years ago. As of now, only five "special statute" regions have been created. After June, when 15 new regional authorities should be established, Italy will become completely decentralized.

Although several plans have been advanced, legislation has not yet been enacted on how the regions will secure their revenue nor on the precise powers that will be transferred to them by the national Government. Rumor has stated that approval of a bill on regional finance (the coalition parties hold an ample majority of votes in both Houses) can be expected before the elections. Legislation on regional powers should follow. Italy's new Prime Minister has also promised drastic action to reduce the current large net export of Italian capital.

Barre warns EEC applicants on exchange rates

LONDON -- Raymond Barre, vice-president of the EEC Commission, warned that Britain and other applicants to the Common Market must forget flexible exchange rates and crawling pegs if they want to join the Community. Barre's statement comes shortly after a Commission report outlining the EEC position on flexible exchange rates, and observers in Brussels felt that Barre was determined to show that the Commission seriously intends to reach economic and monetary union within the Common Market by the end of the 70's. On Britain's membership application, Barre assured a gathering of UK businessmen that "the enlargement of the Community should be achieved regardless of the price." He hastily added, however, that coming entry negotiations would be tough and implied that founding member countries as well as applicant countries must be in agreement not only about the present situation in the EEC but also on what steps should be taken. Meanwhile, a new Commission report on British entry has been sent to the six Common Market member Governments. It suggests that Commonwealth countries in Africa and the Caribbean and also Mauritius should be offered association agreements with the EEC, along lines proposed by the Yaoundé Convention, once Britain has become a member of the Common Market. According to this report, arrangements with Britain should contain four basic elements: trading provisions; outlines for financial and technical cooperation; proposals for the right of establishment and capital movements; and a framework for consultative institutions.

Michelin expands North American facilities

PARIS -- Michelin, France's largest tire manufacturer, will build two new factories in Canada, at Bridgewater and Pictou in Nova Scotia, in an effort to reinforce its position on the North American market. Evident impetus for the action was provided by the recent Dunlop-Pirelli merger which left Michelin in a weak position in Europe. Company spokesmen have indicated that Michelin intends to fight fiercely to keep its North American lead - it holds about 4% of the U.S. market - over European competitors. The two new plants will produce only radial tires - not produced in quantity by American manufacturers - and will be financed by part of the almost $173 million in new funds that Michelin intends to raise. New investments have also been hinted for Europe, although plans in this area will probably be dictated by the effects of the Dunlop-Pirelli deal on Michelin's place in the market.

January figures show big Italian payments deficit

ROME -- The deficit in Italy's balance of payments jumped to about $424 million in January. This was in contrast to a deficit of about $58 million in January 1969. The whopping hike was almost directly attributable to a $122 million trade deficit plus an Italian payment of almost $156 million to the Common Market's agricultural fund. Bank of Italy sources believe that reserve losses during the month of March have been considerably lower. The central bank reportedly used about $1 billion to support the lira during the first quarter, spending $525 million in February alone. Repeated drawings were made, on the short-term swap arrangement with the Federal Reserve Bank of New York, but it is believed that only about half of the $1.25 billion credit line has been used so far.

EFTA trade deficit widens

GENEVA--EFTA's (European Free Trade Association) trade deficit has widened to $651 million in January from $608 million a year ago, largely because the combined deficits of Sweden, Norway, and Denmark almost doubled during that period. Excluding inter-bloc trade, exports rose in January to $2,303 million, from $2,093 million in January of 1969. However, imports also increased - going to $2,954 million from $2,701 million.

EEC and Malta start talks

BRUSSELS -- The Common Market has opened trade talks with Malta. Negotiations are for a two-stage agreement that would lead ultimately to a full customs union. The EEC has offered to reduce its tariffs on Maltese industrial goods by 70% the moment that the first five-year stage of the arrangement comes into effect. In return, Malta has been asked to make a 35% reduction in its industrial tariffs and to accord the Community at least as preferential trade treatment as it accords Britain. Negotiations to prepare the transition to the second stage are to begin 18 months before the end of the first stage. During this second five-year period it is thought that Malta will progressively introduce the EEC's common external tariff. At present, Britain, with sales of about $64 million in 1969, is the leading exporter to Malta.

New union demands in Germany...

FRANKFURT -- West German labor unions are pressing demands for new wage increases. The miners, still awaiting a response from employers on demands

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to terminate existing agreements by April 30, want a hike of 8.5%, plus more holiday pay and bigger Christmas bonuses. The chemical unions are preparing their dossiers for a second round of talks,scheduled to start on Friday, for increases of up to 16%. Government and business leaders have acknowledged that the unions have strong bargaining positions. Increases will be granted, but the question remains of how much. To meet miners' demands, the Government must decide either to allow higher coal prices or to increase subsidies to the coal industry. In the chemical industry, continuing high demand and a tight labor market,as well as high profit forecasts for 1970, appear to leave employers free to counter arguments.

...Norwegian wage hikes likely...

OSLO -- The Norwegian Employers Association and the Landsorganisasjon, a kind of trade union congress,have approved a framework proposal for a two-year wage contract that would guarantee pay increases of about 9.5%. The scheme will affect 250,000 industrial workers - about one fifth of Norway's working population. Approval of the agreement still has to be obtained on a union to union basis - a process that should take another four weeks - but no difficulties are anticipated. A general increase and a special increase for low-paid workers is provided in the proposal. By April of next year, it appears likely that automatic wage increases may be pegged to rises inthe Norwegian cost-of-living index.

...Italian industry wants more women

ROME -- A steady ten-year decline in Italy's labor force has encouraged industrialists to resort to female labor. Now, against union protests, they hope to introduce a plan for reduced hours for women in factories and proportional reductions in salaries and insurance contributions. Italy's total population has increased by about 14 million since 1951, but the active population has grown by only 300,000. The decrease in the female work force has added to the problem. Since 1958, four out of every ten women have stopped working.

Genstar takes Sutter Hill

BRUSSELS -- Genstar, a Canadian subsidiary of the Société Générale de Belgique, has acquired Sutter Hill, a San Francisco firm that promotes companies specializing in advanced technology. The deal, worth about $10 million, reportedly includes provisions for a large infusion of funds into Sutter Hill to enable it to multiply holdings in other California companies and increase its own property interests. Earlier this year Genstar, which produces fertilizers and cement, announced plans to take over the entire share capital of BACM Industries, a Canadian cement company.

Otis in French move

PARIS -- Otis Elevator Co., the American giant (1968 turnover of $550 million), plans to acquire 60% to 70% of the capital of Ets. Saxby, a French firm specializing in railway signaling equipment. During the past six years, Saxby has also emerged as one of the most important French manufacturers of fork lift trucks. The move has shocked the Government, which did have regroupment and merger plans for this sector of French industry. A Finance Ministry spokesman has confided, however,that the Government plans no action to block the merger. Saxby's 1969 turnover is estimated at $11.5 million. The firm employs about 800 people.

Belgian chemical complex plan may go awry

BRUSSELS -- A $400 million investment project for a giant petrochemical complex at Feluy, near Charleroi in southern Belgium, now faces serious difficulties. The Belgian Government had been negotiating construction of the complex with Lidechim, a Basel-based holding company in which Hambros Bank and the Banque Nationale de Paris hold a major interest. The Government is presently unable to grant Lidechim the $100 million in investment aid that the group has been seeking. The sum is more than is left in the Ministry of Regional Economy's budget. Other doubts have been raised over the supply of water and refined oil to the complex. The plan had been for a plant capable of producing 500,000 tons of ethylene and 250,000 tons of propylene a year.

Six mutual funds banned in Italy

ROME -- The sale of six non-Italian mutual funds has been banned in Italy. Included are three funds of the Fidelity group, plus Dreyfus, Rolinco, and Robico. The ban was imposed after the six failed to meet a Government ruling calling for 50% of their assets to be invested in Italy.

Bayer acquires American company ...

FRANKFURT--West Germany's chemical giant Farbenfabriken Bayer through its subsidiary, Bayer Foreign Investments of Toronto, has taken over the Diamond Shamrock Corp. of Ohio, a substantial shareholder in Helena Chemical Corp. of West Helena, Arkansas. Helena Chemical markets insecticides and plant protection equipment and owns some 27 finishing and packing stations - most of which are located in the southern U.S.

...Demag forms subsidiary

FRANKFURT -- Demag AG of Duisburg,West Germany's second largest mechanical engineering concern, has formed a U.S. subsidiary,Demag Materials Handling Corp. Headquarters will be at Cleveland,Ohio. Plans also include construction of U.S. production facilities in order to ease the strain on Demag's American supply problems - presently assured by the firm's establishments in Canada. Demag currently has eleven plants, seven of which are located outside Germany.

British hotel group expands

AMSTERDAM -- Grand Metropolitan Hotels of Britain has just bought two hotels in Amsterdam,the Amstel Hotel (105 rooms) and the American Hotel (126 rooms). The transaction, which reportedly is worth about $2.4 million,was concluded with the Dutch Caransa group and pushes the number of Amsterdam hotels owned by the British organization to three - Metropolitan bought the Victoria Hotel last December. Metropolitan already owns and operates a sizable Continental network, including the hotels Lotti and Scribe in Paris, the Carlton in Cannes, the Métropole in Monte Carlo,and the Castillana Hilton in Madrid.

Butler Aviation establishes Geneva branch

GENEVA -- Butler Aviation International Inc. of New York has set up a Swiss subsidiary, Butler Aviation S.A., at Meyrin, near Geneva. Butler S.A. will act, in association with its parent company, as an advisor on ground services, financing of aircraft and aviation material,and airport organization and management.

Aitik plans big expansion

STOCKHOLM -- Aitik, Sweden's largest copper mine, plans to increase extraction and dressing operations from 2 million to 5 million tons per year. Under a $34 million investment program, the firm will spend almost $30 million in expanding operations. This is in sharp contrast to earlier plans, announced last October, earmarking $12 million for this move. Boliden, the mine's owners, originally invested about $16.5 million to open Aitik in 1968.

Citibank to get majority interest in Financia

BRUSSELS -- An agreement will give First National City Bank control of Belgium's Financia banking group in five years. The New York bank will subscribe to about $40 million worth of subordinated bonds at 8%, convertible in five years, to take a majority interest in the Antwerp-based bank. Meanwhile Financia's capital will be reduced - from about $80 million to about $60 million - with the remainder going to Financia-France, a new Luxembourg holding company. (Financia-Paris will thus be unaffected by the takeover with the majority holding of the French group remaining under Belgian control.)

WABCO opens Turin plant

TURIN -- A new assembly plant for railway signaling and remote control equipment has been opened just outside Turin by Compagnia Italiana Westinghouse Freni e Segnali, a company in the WABCO/Europe group (formerly Westinghouse Air Brake Company). Company officials place the value of the investment at over $3 million. Plans call for an initial work force of about 160. R.W. Foxen, vice-president of WABCO's European operations, has cited an expanding railway signaling market in both western and eastern Europe as the chief reason for construction of the plant. The concern, with plants in France, Germany, Italy, Switzerland, Austria, Belgium, Spain, and the Netherlands, is also a major manufacturer of automotive brakes, fluid power devices, and construction equipment.

New Italian gas discovery

ROME -- The consortium formed by Montecatini-Edison, Union Oil, and Westates has discovered more natural gas in southern Italy. The find, at a depth of 6,500 feet, is near Accettura, about three miles southeast of a pocket that the group discovered last fall. Drilling in the area, called Lucania, has not yet been completed and new shafts will be sunk this summer at a site slightly to the north of the latest strike.

Bourse report

LONDON -- Equities drift lower. PARIS -- Hesitant but metals, electricals, and rubbers well maintained. FRANKFURT -- Firm. MILAN -- Most sectors registered moderate gains. BRUSSELS -- Easier with Dutch issues hesitant. AMSTERDAM -- Local industrials mixed.

EUROMARKET NEWS

Common Market Reports
EUROMARKET NEWS

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April 24, 1970

Possible big dollar deficit alarms Central Bankers

BASEL -- Predictions of a massive dollar deficit in 1970 received serious consideration from the world's Central Bankers at their April meeting. At the Bank for International Settlements, they reviewed working papers that reportedly forecast an outflow of dollars from the United States this year of at least $3 billion on the official settlement basis yardstick that measures balance-of-payments flows out of or into national reserves. In 1969, American bank borrowings on the Eurodollar market--precipitated by favorable Eurodollar rates--forced an unprecedented inflow of dollars into the U.S., masking what some European money men labelled a basic U.S. deficit situation. New, relative interest rates between the United States and Europe appear to have changed direction, and the Eurodollar borrowings have largely ceased. Some experts fear that the cycle could be reversed and push the American official settlement deficit as high as $6 billion.

Arthur Burns, who made his first trip to Basel as chairman of the Federal Reserve Board, tried to enlist European cooperation to keep the dollar out of trouble this year. One of his arguments was that European financial institutions presently have the capacity to absorb extra dollar liquidity and build up dollar balances. The French Central Bank, for example, could do this as it repays debts owed to the Federal Reserve. But European Central Banks are reluctant to start holding large amounts of dollars, although they complained in 1969 about a shortage. The French have felt that a big deficit would only underline their view that the dollar is overvalued in relation to some European currencies.

The Central Bankers' final assessment of the situation will be critical for the next meeting of the O.E.C.D. in Paris (scheduled for late April). Fears of a massive deficit could produce pressure for activation of West German Economics Minister Karl Schiller's plan, which calls for close U.S. and European coordination of interest rate reductions, to avoid disrupting dollar flows. However, here, Federal Republic monetary authorities are currently caught in a dilemma. High interest rates invite swaps of dollars for Dmarks and low rates feed German inflation. Most European money men are now highly concerned over rumors that the Federal Reserve may soon relax its Regulation Q, which limits the interest rate that banks can pay for deposits. Such a move, it is thought, would increase the momentum of a flowback of dollars to Europe. The chief U.S. aim for this year could be to get the IMF to allow dollars to flow back into the Fund and to persuade borrowers to concentrate drawings on the currencies of surplus countries. This could alleviate much of the strain on the dollar.

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Chemtex designs plant, forms company in Greece

ATHENS -- Chemtex Fibers of New York will design and construct a polyester filament yarn plant in Greece. The contract for the project is reportedly worth about $4.4 million. The plant will be built for Polyetma, a company being formed by the E.T.M.A. Artificial Silk Company of Athens (the only rayon producer in Greece) and Chemtex. Production will be based on Chemtex technology and process machinery, including high-twist units. The plant is expected to have a capacity of 4.8 metric tons of yarn per day, and total development costs are expected to reach $6 million. Financing for the effort will come from a $2 million U.S. Export-Import Bank loan, $1 million in loans from local Greek banks, a $2 million equity contribution by E.T.M.A. and a $1 million equity investment by Chemtex.

Nordic countries move toward Common Market

STOCKHOLM -- Nordek, the proposed Scandinavian customs union, appears to be dead. Finland, reluctant to join the organization, is opting to try instead for a trade agreement with the EEC. At the same time, Olaf Palme, the Swedish premier, indicated in London that Sweden may apply for full EEC membership. Recently, in Denmark and Norway, top-level reviews of long-term economic interests have increased interest by these two countries in EEC membership. Observers in Stockholm feel that if one EFTA country joins the EEC, the others will be forced to at least seek preferential agreements with the Community. The same observers, however, have also pointed out that although all the Nordic countries will probably now open trade talks with the EEC, successful negotiations are not assured. A failure to conclude satisfactory agreements with the Common Market could result in reconsideration of Nordek.

British budget revealed

LONDON -- Roy Jenkins, Chancellor of the Exchequer, revealed a British budget that put balance-of-payments strength ahead of politics. About $488 million in tax cuts are planned, but tax and monetary policies have been designed to hold the rate of overall economic growth to a modest 3% to 3-1/2% a year. British industry will gain from a reduction in the bank rate (from 7-1/2% to 7%), the lowering of import deposits (from 40% to 30%), and removal of ceilings on bank lending to the private sector.

Initial tax credits on industrial building construction have been raised for the next two years from 15% to 30%, providing an incentive for new plant construction--a definite boost for Britain's construction industry. Overall British economic policy will now aim at increasing industrial spending, maintaining a competitive world trade position, and holding wages and prices to their present rate of increase.

French balance of payments in surplus

PARIS -- A surge in exports in March, of almost 38% (about $1.65 billion), has put the French balance-of-trade figures in surplus. Imports, up by 6.6% over February, were valued at about $1.61 billion. Because of adjustments for seasonal factors, the rate of cover--exports vs. imports--can be placed at 100%. But the French Finance Ministry--to account for invisibles --has always used 93% as the rate technically needed to achieve a balance. Therefore, in March France had a healthy balance-of-payments surplus.

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Budget troubles plague Austria

VIENNA -- Austria may be heading for a budget crisis. Medium-term budget forecasts prepared by the economic committee of the Parity Commission, a joint consultative body of industry and labor, estimate that the 1971 deficit may be twice as large as the present one. Indications are that the People's Party government, in power during the last four years, masked structural weaknesses in the budget by resorting to short-term face-lifting operations. Repayment of short-term debts, accumulated in 1969, will put heavy strains on any new budget, and an emergency measure placing a 10% surcharge on income taxes is due to expire at the end of this year. The total tax burden already accounts for about 38% of the Austrian GNP. Since income tax reductions were promised for 1970, there is not much scope for raising additional revenues.

Changes announced at Lloyd's

LONDON -- Lloyd's of London,the world's most famous insurance market, will make sweeping organizational changes in an effort to build up business by $240 million a year. Membership requirements will be eased, and members will be permitted to increase the amount of insurance they write on each normal minimum deposit ($36,000). From now on, the primary qualification for membership will be a means test of $120,000--$58,000 less than before. Foreigners will have to show $178,000--a reduction from $240,000. Lloyd's will also adopt a simplified deposit plan permitting business to expand in proportion to the appreciation at 33-1/3%. The committee of Lloyd's is still studying a controversial proposal that suggests making companies (other than insurance or brokerage groups) eligible for underwriting membership.

German steel bid

FRANKFURT -- Salzgitter, the state-controlled steel company, has made a takeover bid for Ilseder Huette, one of the leading West German steel firms. If successful, the bid could permit the formation of a concern ranking fourth among West German steel companies, with an annual turnover of about $720 million. Ilseder Huette has long been tabbed by Frankfurt Bourse experts as a likely takeover prospect. The Government already holds about 25% of Ilseder stock,and it is believed that Salzgitter,through routine market transactions, has acquired another 25%.

Renault acquires car rental firm

PARIS -- Renault, the state-owned auto manufacturer, has acquired a majority stake in Europcars, a leading French car rental firm. Europcars has a fleet of 5,500 automobiles and operates 180 branches in France. In addition, its international network covers 30 countries--from Czechoslovakia to Guadeloupe. However, the firm has recently lost ground and is reported to be extremely concerned over Volkswagen's January takeover of Germany's largest car rental firm, Selbstfahrer Union. Renault should be able to provide a needed injection of new capital.

Joint Dutch-German steel project

ROTTERDAM -- Work will begin soon on construction of a joint German-Dutch steel plant near Rotterdam. Officials at Germany's Hoesch and the Netherlands' Hoogovens--the two companies concerned in the project--hope that production at the factory can start at the end of 1974. Initial output will be 2.5 million tons a year. Production will eventually increase to

10 million tons a year. Hoesch and Hoogovens each hold 40% of the shares of the company. The remaining 20% has been reserved for Dutch shareholders in order to ensure Dutch majority control of the capital.

French pipeline expansion

PARIS -- Sociéte du Pipeline Sud-Européen plans to triple the carrying capacity of its Fos-Karlsruhe pipeline. The French firm will lay two new lines between Fos (the port of Marseille) and Lyon in 1971. One line will use pipe of 100 cm. in diameter and the other will have pipe of 65 cm. In 1972,the 100 cm.line will be extended to Strasbourg and then to Karlsruhe. The network will have a capacity of 90 million tons per year when finished.

Swiss Aluminium plans big German investment

ZURICH -- Swiss Aluminium, the parent company of Alusuisse, has formed a German subsidiary, Alusuisse GmbH, to develop and operate an industrial complex in the North Sea port of Wilhelmshaven. Swiss Aluminium will first build a chemical plant which will use chlor-alkali electrolysis processes. Then, in a joint venture with another, as yet unnamed, international aluminum company, it will construct a giant alumina works. This plant, which is expected to have an annual capacity of 10 million tons, would be by far the largest of its kind in the world. (At present, no alumina plant has a capacity of over 800,000 tons.) Initial investment in the chemical plant is expected to be about $19 million. Swiss Aluminium is reportedly ready to stake up to $285 million on the alumina works. The German state of Lower Saxony has agreed to prepare the site for access by ocean-going freighters.

Italian labor unrest increases

ROME -- After almost three months of relative calm, labor unrest may again plague Italy. 350,000 textile workers walked out, after a breakdown in contract negotiations. Fiat, one of the major strike targets last autumn, is again being disrupted by wildcatters. Postal deliveries will be disrupted when post office workers stage a 24-hour strike on either April 26 or April 30. Rome civil service employees, including traffic police and garbage collectors, planned a 48-hour action for this week. Other protests are pending or threatened by shoemakers, gas station attendants, and employees of social insurance institutions. At the moment, unions are campaigning not just for wage increases but also on social issues,tax reform, and for action against rising prices.

Bourse report

LONDON -- Equities quietly confident. PARIS -- Mainly irregular. FRANKFURT -- Automotive stocks lead sharp decline. MILAN -- Most sectors lower in active trading. BRUSSELS -- Quietly irregular. AMSTERDAM -- Local industrials mixed, Dutch state loans quietly firm.

EUROMARKET NEWS

COMMERCE, CLEARING HOUSE, INC.

Common Market Reports
EUROMARKET NEWS

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Wine dispute settled, British talks may start in June

LUXEMBOURG-- The long, drawn-out battle over the Common Market's wine policy is finally over. EEC Ministers have agreed to free wine trade under a compromise solution, arranged to satisfy particular demands from each of the Member States. France, West Germany, and Italy each got--more or less --what they had fought for. Wine prices throughout the Community will be supported at nearly the French price--up until now the highest in the EEC. West Germany will be permitted exemptions from the common rules on sugar additives, thus allowing its producers to continue to strengthen the alcoholic content of their products by artificial means. Italy, which demanded an agreement on wines before signing the Community financing agreement (hammered out last December),was satisfied to find free trade beginning on June 1 instead of April 1.

Disagreement over a common wine policy has delayed for four months the final approval of plans to finance the Common Market's agricultural fund-- France's price for lifting its objection to EEC membership talks with Britain. Common Market Foreign Ministers have now signed the financing agreements,and formal entry talks with Britain and the other candidate countries could begin in June. In Paris,the French Government--long opposed to British entry into the EEC--has made clear that it will accept the Common Market Commission as official negotiator for the six member countries. However, the French appear determined to demand a regular review of the state of the talks. Their idea is that every five or six negotiating sessions, a "suspended" session would be called, enabling Ministers from member Governments to discuss political difficulties that had arisen during the formal talks.

Top money men open conference

PARIS-- Important monetary officials from the leading Western nations have opened a three-day discussion on economic policies. The experts--including Paul A. Volcker, U.S. Treasury Under Secretary for Monetary Affairs-- are expected to concentrate on the impact that the recent easing of U.S. monetary policy will have on the flow of dollars out of the United States. One session will be devoted to comparing rates of inflation in Europe and in America. It appears that Volcker will also make an attempt to convince European money men to keep an open mind on the flexibility of exchange rates.

Money men lose interest in flexible exchange rate

GENEVA-- Monetary authorities appear to be losing interest in reforms that would provide greater flexibility of currencies in the exchange markets. Sources at the International Monetary Fund indicated that the most that could be expected would be an amendment of IMF regulations to permit a temporary, controlled floating of exchange rates--similar to what West Germany did with the D-mark last October. Central bankers have been divided on the subject. Guido Carli, governor of the Bank of Italy, and Otmar Emminger, vice-president of the German Bundesbank, have tended to favor flexible rates. (However, a recent speech by Detlev Rohwedder, State Secretary at the German Economics Ministry, appears to undercut Emminger's position.) The EEC Commission has remained strongly opposed. No government has taken any special interest in trying to get greater flexibility accepted. Under present rules, currencies can move in the exchange markets only up to 1% above or below their established parity. U.S. officials in Paris have indicated that more flexibility could mean that most currencies would move downward, in comparison to the dollar, thus weakening the competitive position of U.S. exports.

Meanwhile, a delegation of top American money men, headed by Paul W. McCracken, recently visited Paris to try to gain support for an elite inner council of Western economic experts that would work out monetary problems such as financing the U.S. balance-of-payments deficit or any new world monetary difficulty. The aim would be to upgrade Atlantic cooperation through a group of key decision-makers from selected nations. At present, at organizations such as the O.E.C.D., each nation is discussed individually, in a way that McCracken reportedly feels is not conducive to real problem-solving. Emil Van Lennep, secretary general of the O.E.C.D., is reportedly willing to promote the American idea. However, British and French economic leaders are only lukewarm to the proposal.

New retail price hikes worry British labor experts

LONDON -- Judging by new leaps in retail prices, the almost $480 million in consumer tax concessions contained in the new British budget soon could be washed away. Britain's general index of retail prices rose 0.8 in March. This meant an overall hike of 2.6 for the first three months of this year, placing the indicator at a record 137. (The baseline is January, 1962.) Experts at the Department of Employment and Productivity fear that the statistics may add more impetus to the already large rush by labor unions for new pay settlements.

Pilkington problems shut down auto manufacturers

LONDON -- The British automobile industry is once again in serious labor trouble--this time because of disputes at the plants of one of its component suppliers. Ford's Dagenham plant is shut down and 5,000 workers have been laid off. Jaguar's Coventry facilities are idle. Rover production at Solihull is paralyzed. The main cause of the difficulties is unofficial walkouts at Pilkington, one of Britain's major glass manufacturers and suppliers of glass to the automotive industry. Fourteen of Pilkington's 17 plants are shut down. The company's 11,000 workers belong to the General Municipal Workers Union, which is calling for a $24-a-week pay increase. David Basnett, head of the union, has asked his members to return to work in order to satisfy a company negotiating condition. But postal ballots, sent to all members, asking them to vote a return-to-work, have yet to be returned, and it appears that the walkouts will continue. Rootes has described its situation over glass supplies as critical and stocks of glass at Vauxhall are now depleted. British Leyland, Britain's largest manufacturer, expects its plants to be affected soon. Jaguar officials have stat-

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ed that the Pilkington strike will mean the loss of 765 of their cars a week,as long as it goes on. Ford has another problem at Dagenham. A strike of 15 cranedrivers will stop production--if it resumes--of all cars built for export. Austin's problems include a strike by 170 men in the internal transport department.

O.E.C.D. chides Sweden

STOCKHOLM-- One of the main aims of the Swedish Government in 1970,according to the O.E.C.D., will have to be an improvement in Sweden's balance of payments. The latest O.E.C.D. survey on Sweden is especially critical of a drop in the country's foreign exchange reserves and an overambitious program of increased aid to developing countries. Because of these two factors, Sweden's overall balance of payments has deteriorated sharply--going from a deficit of $17 million in 1968 to one of $326 million in 1969. The O.E.C.D. points out that although Swedish exports rose exceptionally fast last year, the deficit increased, and another, perhaps bigger, deficit is in store for 1970, when foreign demand for Swedish goods could decrease. On the capital account, the O.E.C.D.'s experts are undecided whether the large 1969 outflow was due to short-term phenomena--influenced by speculative currents and interest rate differentials--or a long-term tendency, linked to direct investment abroad.

EEC wage costs higher than 1969 production gains

BRUSSELS-- Industrial production gains in the Common Market have failed to keep up with increased wage costs in 1969. Measured per unit of gross value added, wage costs increased by 2.5%. In 1968, wage costs measured this way declined. Gross value added is a way that the EEC Commission uses to gauge industrial efficiency. By using this index, EEC economists can see whether higher salaries are matched by production increases. In 1969, France had the highest wage cost increase at 12.5%. Germany was second with 10.5%. The Netherlands had 10%, Belgium 9%, and Italy 7%.

Systems International widens original scope

BRUSSELS -- Scandinavia has been added to the list of areas in which Systems International will establish national operating companies. S. I., a European computer service firm being formed by Rolls Royce and France's Inter G., is expected to announce its first major contracts soon. According to Leonard Griffiths, chief executive of the Brussels-based firm, the deals should be worth about $600,000 and $1.2 million. Launched at the beginning of this year, S. I. intends to offer the widest range of services yet offered by any computer service company, including computing time--in both conventional and esoteric types of applications--software, education, management science, and consultancy.

I. C. I. planning new European moves?

LONDON -- Imperial Chemical Industries, Britain's I. C. I., is studying sites throughout Europe for new investment spending moves. One possible acquisition is 500 acres of land close to the giant Rozenburg works near Rotterdam. The group is also reportedly interested in possibilities in Marseilles. I. C. I. brought in almost $500 million from European sales last year. At the company's annual meeting, early in April, Sir Peter Allen, I. C. I.'s chairman, pointed out that European subsidiaries have provided the best return on investment. Existing I. C. I. European plants are now working at near capacity.

Swiss worried over diminished share of world watch market

BASEL -- Swiss watchmakers, gathering for their annual trade fair, are worried by the steep decline in their share of the world market for timepieces. Once, the Swiss held a virtual monopoly, producing 4 out of every 5 watches sold. Now, they make only 45% of the world's watches, and competition--from Japan, Russia and the United States--is growing. Swiss watchmakers are especially concerned over U. S. penetration of the luxury watch market--a former Swiss preserve--and they are examining new promotion efforts. Technologically, the Swiss are counting on the development of a new generation of quartz watches, in which accuracy can be regulated to within two seconds a month. Presently the watch cannot be sold for less than $480. But by 1975, the Swiss hope to introduce new production techniques, a move that could reduce quartz watch prices to under $240.

German Government may merge its industrial holdings

BONN -- The West German Finance Ministry is working on a plan to merge its interests in German industrial corporations into a holding company whose stock could be offered to the public. The value of the firms in which the Government has a controlling interest has been estimated at $6.9 billion. Vereinigte Industrie Unternehmungen AG, a holding concern which is already under Government control, would probably be expanded to absorb the other interests. Supporters of the plan believe that management of the individual firms involved would benefit from being removed from the direct control of the Finance Ministry.

General Biscuit alleges ITT attack

BRUSSELS -- General Biscuit Company N.V. has alleged that International Telephone and Telegraph Corporation has been systematically buying up its shares on the Brussels Bourse. Last year, ITT proposed to the firm's major shareholders a takeover of their interests. According to M.E. de Beukelaer, General Biscuit president, the offer was refused. Since then, ITT has allegedly continued to try to persuade General Biscuit's major shareholders to sell their shares. At one time, ITT offered to sell its General Biscuit holdings if the present majority holders--four Belgian families --could prove that they held an absolute majority of outstanding shares. According to de Beukelaer, ITT has now suggested to General Biscuit authorities that it plans a public takeover bid for the firm. A spokesman for ITT denies the allegations. According to him, ITT does not own any General Biscuit shares.

New French pulp plant

PARIS -- Groupement Européen du Cellulose (G. E. C.) plans to invest about $45 million in a huge bleached cellulose pulp plant at Sougy-sur-Loire, near Nevers, in France. Capacity will be 500 tons daily. Construction of the unit will start in 1971, and production should start near the end of the following year. Raw materials will come from local forests. G. E. C. is a combine of four different companies: Parsons and Whitmore France (an American subsidiary), La Cellulose des Ardennes (a Belgian firm), La Cellulose d'Aquitaine, and Société Industrielle de Cellulose d'Alizay (two French companies). Turnover from the group's present plants in France and Belgium is about $60 million.

Siemens eyes Latin America

FRANKFURT -- West Germany's Siemens plans a direct investment of $56 million in an effort to establish itself firmly in Latin America. Key countries singled out for new installations are Mexico, Brazil, and Argentina.

In cooperation with A.E.G. Telefunken, Siemens is already building a heavy water reactor in Argentina. Company officials have indicated that this operation is intended as a model -- to show other parts of Latin America what the firm can do. It is understood that Siemens is tendering for similar projects in Mexico and Brazil. The company also wants to introduce its data-processing and communications machines and methods, as well as its electrical techniques in medicine. Siemens estimated that investments in Argentina should total about $27 million by 1972. In Brazil, they should reach $50 million by 1975.

Clark Equipment expands

LONDON -- Clark Equipment, the world's largest manufacturer of fork-lift trucks, will make major expansion moves in Europe. The company plans to spend an initial $15 million on new projects and expansion of its present distribution system. In Britain, Clark will expand its plants at Camberly, Blackbusche, and Birmingham, and will construct new facilities at Bridgend. In Germany, plans include a central parts division. Clark also hopes to set up a $15 million revolving credit agreement in the Federal Republic.

Scienta announces first moves

BRUSSELS -- Scienta, a new European group which provides technical and commercial assistance to high-technology companies, has announced its first investments. About $4 million will be spent on acquiring minority holdings -- the largest is 33% -- in four firms: Borer Electronics of Switzerland, Laser Associates and Nuclear Enterprises of Britain, and S.A.E.S. Getters of Italy. All four are important concerns in applied physics. Borer makes control and measurement instruments and computer peripheral equipment. Nuclear Enterprises is the leading European manufacturer of nucleonics instruments, and S.A.E.S. Getters holds a dominant position in the world market for getters, which maintain vacuums in electronic tubes. The Scienta involvement is intended to give the four the strength of a coordinated group and to provide financial assistance to the individual firms.

Monsanto will build new Luxembourg plant

LUXEMBOURG -- Monsanto has announced a multi-million dollar project to produce special high-grade nylon carpet yarns at Echternach, Luxembourg, where the firm already has a 30-million-pound-per-year nylon plant in operation. The facility, which will be operated by a new, but as yet unnamed, Monsanto subsidiary, will eventually employ about 250 people. Yarns similar to those to be manufactured by the plant have been produced for several years in the U. S. by the parent Monsanto company. The new Echternach project has been characterized by company officials as a further stage in the growth of Monsanto textile interests in Europe. It follows a recent capacity increase at the "Blue C" plant in Dundonald, Scotland, and an increase--from 60 to 85 million pounds per year--in acrylic fiber production at Monsanto's Coleraine plant in Northern Ireland. Another new unit, which will have an annual capacity of 35 million pounds of Acrilan per year, is scheduled to begin operations at Lingen, West Germany, in 1971.

Bayer joins North Sea coast rush

FRANKFURT -- Bayer, the German chemical giant, has joined the rush to build facilities in the area around West Germany's North Sea coast. Last week, Swiss Aluminium announced plans to build the world's biggest alumina plant at the port of Wilhelmshaven. Dow Chemical has already started construction on a major chemical unit at Stade, and B. A. S. F. has confirmed that it also has chosen Stade as the site for a major plant. Bayer intends to spend about $417 million building a large chemical unit at Brunsbuettel in Schleswig-Holstein. The new investment influx into the area can be attributed to its designation by Federal authorities as a priority development area. Land is inexpensive, cheap loans are available, and access exists to the Elbe deep-water harbor. The Government is also building port facilities for Dow and Swiss Aluminium. Neither Bayer nor Swiss Aluminium will hurry to begin construction on their plants. Company spokesmen think that Bayer might begin production at Brunsbuettel in 1975.

Precision Valve installed in Italy

ROME -- Precision Valve Corporation of Yonkers, New York, which specializes in producing valves for aerosol cans, has formed an Italian subsidiary, Precision Valve Italia SRL, in Milan. Initial capital is about $110,000. Precision Valve also has subsidiaries in Germany and in France.

Today, beer for Germany; tomorrow, for the world

FRANKFURT -- The Oetker Group plans to introduce a national German beer. After four years of research effort, the firm has decided to put Prinzbrau, its new brand, on the market in three states (Hesse, Rhineland Palatinate, and the Saar), expanding distribution after three years to the whole of West Germany. Oetker officials have explained to other industry skeptics that the new Prinzbrau is a quality beer (a category that accounts for about 8% of total beer sales) and does not bear any resemblance to the Prinzbrau that the company already produces in Italy. Although over 80% of the German adult population regularly drinks beer, their tastes have been traditionally directed to local varieties--of which there are currently over 6,000 in the Federal Republic. Until now, no local brand has ever had the courage to go national. Oetker hopes to capture about 20% of the quality beer market within five years. Company officials state that if the effort goes well in Germany, they are ready to distribute Prinzbrau internationally--first to Sweden, Italy and Libya, and then to Uruguay.

Telefunken and Siemens pool large computer interests

FRANKFURT -- A.E.G. Telefunken and Siemens, two German computer companies, will merge part of their operations. A joint concern will be set up by the two firms to develop, manufacture, and market large computer systems. Siemens spokesmen have indicated that medium-sized and table models will not be included in the agreement. Telefunken is the only West German company that presently offers large computer systems.

Shipping groups merge

HAMBURG -- Two of West Germany's largest shipping firms--Hamburg-Amerika Line (HAPAG) and Norddeutscher Lloyd--plan to merge operations. HAPAG, which is 50% controlled by the Deutsche Bank, reported sales of about $126 million last year. Lloyd registered about $128 million. Together, the two concerns will have a fleet of 114 freighters. The new group will be called HAPAG-Lloyd and will be incorporated in both Hamburg and Bremen.

B.A.S.F. defers construction of U.S. chemical plant

LUDWIGSHAFEN -- West Germany's Badische Anilin und Soda Fabrik (B.A.S.F.) will defer plans to build a $200 million chemical plant at Port Victoria, South Carolina. A spokesman for the firm stressed that the company was postponing--and definitely not cancelling--the project. B.A.S.F. has come under heavy criticism from the U.S. Department of the Interior and various South Carolina civic groups because of indications that chemical discharges from the projected plant could pollute neighboring waterways. (Last year, the firm created controversy in Germany because of its role in the pollution of the Rhine River.) B.A.S.F. officials indicated that they will wait until U.S. authorities have had time to formulate the exact pollution controls that the plant will have to satisfy before proceeding with construction plans.

A.G.I.P. to increase motel activity

ROME -- A.G.I.P., the distribution subsidiary of Italy's state-controlled E. N. I. oil corporation, will undertake a motel-building program aimed at doubling its network of 43 motels in Italy and expanding its facilities throughout Europe. A.G.I.P. hopes to complete the program by 1980. New installations are planned for locations on all of the major Italian autoroutes. The network of nine motels which the firm owns outside Italy will be expanded by adding hotel complexes to present service stations. A. G.-I. P.'s motel activity began in 1954, when its first complex was constructed at San Donato near Milan.

Goodyear bids for control of Dutch firm

AMSTERDAM-- The Goodyear Tire and Rubber Company has agreed to make a 380% of par value bid for all of the shares of stock of N. V. Rubberfabriek Vredestein, a Dutch rubber concern. Vredestein has six production units in the Netherlands and claims an annual turnover of about $7 million. The firm presently has technical, financial and commercial agreements with B. F. Goodrich Tire Company. The Vredestein board of directors has said that it will endorse the Goodyear offer. However, a B. F. Goodrich spokesman has stated that Goodrich will oppose the deal and will take all necessary steps to maintain its Vredestein interests. Vredestein, before trading in its shares was suspended, was quoted at 244% of par value on the Amsterdam Bourse.

Bourse report

LONDON -- Drop in leading equities checked by investment buying. Bonds steady. PARIS -- Hesitant in quiet trading. FRANKFURT -- Firm; lively interest in special issues. MILAN -- Mixed in active trading. BRUSSELS -- Dull market. AMSTERDAM -- Local industrials mixed. Plantations and shipping quietly hesitant.

EUROMARKET NEWS

COMMERCE, CLEARING, HOUSE, INC.

Common Market Reports

EUROMARKET NEWS

Issue No. 68 May 5, 1970

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Debate on money parities continues

PARIS -- New hope has emerged that the major Western nations may be ready to permit some kind of flexibility in world exchange rates. Officials from the ten leading Western trading countries, meeting at the O. E. C. D. in Paris, appeared to agree on steps that could permit easier and more frequent parity changes. Until now, there has been a standoff between the United States, Germany, and Italy -- who would like flexible rates -- and France, Belgium, and the Commission of the Common Market--who prefer fixed parities. However, new fears of a possible depreciation of the dollar against some European currencies plus mounting wage and price problems in almost all Western countries could force acceptance of small, gradual, and, perhaps, reversible parity changes in the currency of one country against another. The debate is by no means over. The next stage in the continuing discussion will be another meeting of the Group of Ten in July, followed by talks at the September International Monetary Fund Council meeting in Copenhagen. The principal European argument against flexible exchange rates is that they would wreck the program of the Common Market to create a monetary union.

West Germany's trade surplus is still rising

FRANKFURT -- The West German trade surplus rose in March to almost $417 million. If repeated in coming months, this figure would produce an annual surplus rivaling the record one achieved in 1968. For the first quarter of 1970, the surplus stood at about $817 million. This is in comparison to the $760 million surplus established in the first quarter of 1969. In the first quarter of 1970, exports were up by 12% over the first quarter of 1969. Imports rose by 13%. Meanwhile, for the first time since last October's revaluation, the Bundesbank has cut the buying rate for the U.S. dollar to D-mark 3.630 -- the official floor. Bank sources explained the move as part of an effort to deter heavy inflows of foreign funds and to increase imports by making the D-mark more expensive in relation to other currencies. The selling rate of D-mark 3.660 remains unchanged. West Germany's foreign exchange reserves have been rising steadily since the beginning of February on an average of about $42 million per week.

EEC membership talks may start in Luxembourg

BRUSSELS -- The six Common Market countries now agree that entry negotiations with Britain and the other three candidate countries (Ireland, Norway, and Denmark) can begin at the end of June or the beginning of July, but no precise date has been fixed for the first session. Luxembourg has proposed June 29 and 30. If this date is accepted, the meeting would be held in Luxembourg. An alternative date within the first two weeks in July could also be chosen. In this case, the Ministers would go to Brussels. Now that the major French condition for starting negotiations has been accepted -- the package deal on Community financing was completed on April 22 -- France is actively seeking a quick opening for the talks. One of the first tasks of the negotiators will be to decide which issues will be treated in joint sessions of all ten countries and which ones will be handled by the Six themselves. French Foreign Minister Maurice Schumann, in contrast to the days of de Gaulle vetoes, recently commented that British estimates that the entire negotiations would be completed within 12 to 15 months did not appear unrealistic to him.

France back on road to strong economy

PARIS -- After two years of economic uncertainty, France appears to have regained its equilibrium. $155 million in short-term debt to foreign central banks has been repaid. Balance-of-payments figures look strong -- a surplus of $697 million was recorded for the quarter just ended -- and reserves have increased to $2.72 billion. The Government has taken steps toward dismantling the wide-ranging credit controls that were imposed after the riots of May - June, 1968, and stiffened after the 12.5% devaluation of the franc last August 8. Perhaps the measure most indicative of the Government's new-found confidence is the one that increases the amount of currency that Frenchmen may take out of the country to $270 in any one year. However, the most important in terms of impact on France's economic growth are seven measures designed to boost investment. These measures increase the amount of credit that the Government will make available to small, medium and large firms and regional development groups. Minister of Finance Giscard d'Estaing has noted that there will be no immediate easing of consumer credit controls. In fact, Government targets for 1970 -- a balanced budget, a balanced trade account, and moderate price rises -- depend on restricting consumer spending. France still owes a medium-term debt of $985 million to the International Monetary Fund and an estimated $387 to French commercial banks.

Evidence points to British price explosion

LONDON -- Evidence pointing to a coming "price explosion" in Britain continues to mount. After indications that manufacturers' prices had risen by an annual rate of 7% in the first quarter, a new survey by Taylor Nelson Investment Services on British business opinion notes that almost a third of the firms in their 52-company sample are expecting to increase prices by 5% to 7% again this year. A further 40% said that they would increase prices but did not specify the amount, and another 17% stated that they would raise prices by 8% to 10%. Four-fifths of the companies interviewed indicated that their suppliers planned price hikes.

Germany caught in wage-price spiral?

FRANKFURT -- Three of West Germany's five economic institutes predict that the current wave of price and cost increases in the Federal Republic could be self-perpetuating. For 1970, the institutes of Kiel, Essen and Hamburg estimate that overall prices will rise by 7% instead of by the 5% officially predicted by the Government. Construction prices could be forced up by as much as 16%. The three institutes suggest invoking Germany's growth and stability law -- which permits the Government to increase corporation and income taxes by up to 10% -- as a means to stem this advance. However, the institutes of Berlin and Munich take the view that the economy is already showing some signs of slowing and that no dampening measures are needed.

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All of the five institutes agree that present measures should remain in force. These include blocking parts of the state and federal budgets and the current high bank rates. The Economics Ministry reports that it will issue a supplement to its own economic forecasts after studying the advice of the institutes. Some German trade unions have already responded to the Kiel, Essen,and Hamburg institutes' position by stating that they will not accept a rise in consumer prices of more than 3% without pressing for new wage demands.

Check clearance problems in Ireland

DUBLIN -- The entire bank check clearance system in Ireland is on the verge of breakdown. Already, clearance of checks has been discontinued between the Republic and Northern Ireland. A strike by the Irish Bank Officials Association, which is seeking a revised salary agreement for its members, has forced the Irish Associated (clearing) Banks to restrict operations to transactions that can be balanced within the same branch. Building societies, insurance companies, and finance houses are now all asking for payments to be made in cash or in Post Office money orders. The banks will not execute standing orders while the present labor dispute lasts,and they have already limited their hours to 2-1/2 hours each morning.

Swiss concerned over Sec. Rossides' comments

BERNE -- Swiss Government officials have expressed doubts about giving United States authorities blanket access to Swiss numbered bank accounts for investigations of tax fraud. Pierre Nussbaumer, of the Swiss Foreign Ministry, explained that the present U. S.-Swiss double taxation agreement provides for an exchange of information for the prevention of fraud, but stressed that this relates only to data already in official hands. Concerned Swiss officials have reacted vigorously to comments by Eugene Rossides, American Assistant Secretary of the Treasury,indicating that the Treasury was hoping to obtain financial records from Swiss authorities to help curb the illegal use of secret bank accounts. Rossides also reportedly stated that the U. S. Treasury has discovered provisions in Swiss law that make tax fraud a criminal offense. Traditionally, the Swiss do not prosecute tax offenders.

European stock for U. S. corporations?

LONDON -- Merrill Lynch, Pierce,Fenner & Smith Securities Underwriter Limited,the offshore financing subsidiary of the U. S. company, is discussing with a number of American firms the possibility of a European stock, convertible share-for-share into the common stock of the issuing corporation, to be sold to Europeans. This would provide a new way for U. S. concerns to tap the Eurodollar market. Reportedly, one such issue is ready and only awaits an improvement in market conditions before being offered. Preferred stock,evidenced by European Depositary Receipts and convertible--after six months -- into the common stock of the parent company, would be offered. This stock would have a dividend similar to the parent common stock. For the European buyer, there would be no premium on conversion. (A premium of between 5% and 10% is normal for convertible Eurobonds.) Merrill Lynch, with its large office chain in Western Europe, has access to the viable secondary market that would be necessary to insure the success of the plan.

U. S. loans for European DC-10 buyers

AMSTERDAM -- The United States Export-Import Bank has announced loans totaling $78.9 million to three European airlines to help finance their purchases of 14 Douglas DC-10 jet airlines. K. L. M. (Royal Dutch Airlines) and Swissair, which will buy six planes apiece, will each receive loans of $33 million (24% of the stated purchase price). Another $12 million loan is earmarked for France's U. T. A. (Union de Transports Aériens), which has ordered two DC-10 aircraft. All of the airlines will pay 18.5% of the contract price in cash, and McDonnell Douglas, General Electric Company, and other lenders will provide the balance of the financing. Loan repayment is expected to be over 10 years at 6% a year interest on the outstanding balance. The DC-10's will be delivered between November, 1972 and February, 1975.

Ugine-Kuhlmann changes oxyethylene production structure

PARIS -- In a letter to stockholders, Ugine-Kuhlmann, the French metallurgical and chemical giant, has announced changes in its present system of producing oxyethylene. Through a subsidiary, the firm has held almost 40% of the French market for the chemical. Now, the subsidiary -- Marles Kuhlmann -- will be joined with Total Chimie -- a joint subsidiary of Française des Pétroles and Française de Raffinage -- to form a new company, Ethylox. Ethylox will base its production at Marles Kuhlmann's old plant at Gonfreville, but through additions will be capable of doubling capacity to about 75,000 tons a year by 1971. New output will probably be transformed into glycol -- used for antifreeze, lubricants, and synthetic fibers -- or other oxyethylene derivatives. The Ethylox capital of about $5 million will be held 66% by Ugine-Kuhlmann and 34% by Total Chimie. However, 17% of the Total Chimie stake may be sold to Union Chimique Elf-Aquitaine, another French oil firm.

Arco acquired by American firm

GENEVA -- International Chemical and Nuclear Corporation (I.C.N.) of Pasadena, California, has acquired the Swiss-based firm, Arco, a producer of synthetic pharmaceutical products. An initial $8 million in I.C.N. shares was paid for the company, and Arco shareholders stand to receive a further $12 million in I.C.N. stock as a "performance incentive." It is expected that Arco will become a member of the I.C.N. pharmaceuticals division, although it will retain its former identity and management. I.C.N. reportedly plans to invest almost $40 million in its new acquisition over the coming year.

Phillips strikes North Sea oil

OSLO --The four-company consortium headed by United States Phillips Petroleum has announced a major new oil strike in the North Sea. At the test well, Ekofisk 2-X, in the Norwegian sector,oil has reportedly been flowing at the rate of 2,000 barrels a day. The latest is Phillips' second strike in the area. Last year, after a similar strike, a consortium spokesman announced that other wells would have to be discovered in order to make any project commercially viable. The consortium, whose other members are Agip, Petrofina, and Petronord, has been drilling in the North Sea since 1963.

Bourse report

LONDON -- Influenced by Wall Street, both equities and bonds declined sharply. PARIS -- Mainly irregular. FRANKFURT -- Weak. Leading chemicals registered steep losses. MILAN -- Most sectors closed lower. BRUSSELS -- Steady decline on all fronts. AMSTERDAM -- Hesitant trading.

EUROMARKET NEWS

Common Market Reports

EUROMARKET NEWS

Issue No. 69 No. 134, May 12, 1970

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Commission sends farm proposals to EEC member Governments

BRUSSELS -- In a first major initiative to push member Common Market Governments toward accepting the main elements of the Mansholt Plan, the EEC Commission has finalized a series of six proposals for reform of Community agriculture. Up until now only isolated farming measures, such as slaughter premiums for cows, have been accepted by the Six. The first proposal in the new package suggests financial aid to improve farm structures, but it stipulates that aid should go only to those farmers who can prove that they plan to develop their land in an economically viable manner. The second proposal outlines pensions for farmers, including the payment of premiums eight times the rental value of plots if the owner will quit farming. Next, the Commission asks for establishment of a network of social and economic information to help those who decide to quit as well as those who decide to continue farming. A further measure invites the Member State Governments to design legislation encouraging the withdrawal of land from agricultural use through grants for afforestation. Other proposals suggest ways to increase EEC meat production and outline decision-making powers that could be given to producers' organizations.

Germany sets up national communication system

FRANKFURT -- The West German Post Office and four German firms have signed agreements that will lead to the establishment of a national communication system. Clients throughout the Federal Republic will soon be able to connect to a computer by telephone or telex. Deutsche Datel-Gesellschaft Fuer Datenfernverarbeitung, a new concern, in which the Post Office will hold a 40% interest, has been created to run the operation. The other participipants are Siemens and Nixdorf Computer, which each hold 20% of the $805,000 capital, and A. E. G. Telefunken and Olympia Werke, which share the remaining 20%. According to spokesmen, the aim of the system will be to give relatively small users of computers the advantages of electronic data without the need to buy their own machines. Deutsche Datel will rent computer time to clients and will sell or rent the necessary teleprinter terminals. It will also standardize programs.

Big U. K. hotel merger

LONDON -- In a surprise merger move, Britain's Trust Houses and Forte Holdings have announced plans to combine operations and form one of the world's largest hotel and catering services. The new firm--Trust Houses Forte--will have gross assets of $240 million and own 203 hotels in the United Kingdom and Ireland, plus such plush Continental establishments as Paris' George V, Trémoille, and Plaza Athénée. Among its catering customers will be almost all of Britain's airports. Forte shareholders are being offered one share of Trust Houses common for each preferred share and, because of their loss of control in the company, nine shares of Trust Houses common for eight shares of Forte common. The Forte family will be the largest stockholder in the concern, holding almost a 10% interest. Company spokesmen have remarked that the most interesting aspect of the merger, apart from the similar size of the two firms, is that the two are in direct competition in very few areas. The hotel overlap is thought to be restricted to only a few cities.

I. O. S. undergoes upheaval

GENEVA -- Investors Overseas Services, the firm that manages $2.3 billion through 18 mutual funds, has been hit by falling prices on its stock and rumors of financial instability. Uncertainty over I. O. S. in Germany caused a 75% drop in its shares from their 1970 high. The group's stock was also under strong pressure in London. To meet the difficulties, I.O.S. created a crisis management team to supervise the whole of its operations. After six days of around-the-clock meetings, Bernard Cornfeld announced that he would step down as chairman and chief executive officer. He will, however, along with Edward M. Cowett, the former president who also resigned, continue as member of the board. Named to take over as chairman was Sir Eric Wyndham White, former Secretary General of GATT, and Richard M. Hammerman was named president and chief executive officer. It was also announced that John M. King, chairman of the board of King Resources, was negotiating for control of I. O. S. At the last report, he was in active competition with a group of European banks led by the Rothschild interests.

Meanwhile, a senior official of the West German Economics Ministry told a press conference in Bonn that investigations of I. O. S. activities by the Federal Banking Supervisory Commission have uncovered no questionable practices so far and that the liquidity ratio of funds sold in the Federal Republic was "surprisingly high." Germany appears to be at the heart of I.-O.S. difficulties, and the presence in Geneva of Victor-Emmanuel Preussker, head of the group's Orbis Bank, and Erich Mende, head of its German operations, has given weight to views that I. O. S. will completely restructure its German operations. The exact moves planned may be contained in a report due to be presented to the German Bank Commission. One question that remains to be answered is the role that certain German and Swiss banks, long miffed over business that I. O. S. has kept from them, played in the affair. In London, two I. O. S. stocks--I. O. S. Ltd. and I. O. S. Management--staged their first notable recovery, partly as a result of Wall Street buying.

Halt in Swiss-franc loans of foreign borrowers

ZURICH -- Leading Swiss banks have come to an agreement with the National Bank to introduce a "temporary pause" in the issue of Swiss-franc loans of foreign borrowers. The move comes at a time when the country is experiencing heavy demands for long-term funds. Foreign borrowers and the local subsidiaries of foreign corporations have so far this year placed nine loans on the Swiss capital market--all at interest rates of between 6.25% and 6.75%. Because of the attractions of the foreign issues, Swiss borrowers are having difficulty placing their bonds. Recently, the commission responsible for enforcing the country's voluntary local control plan raised the ceiling of public Swiss bond loans (less conversions) to $212 million a quarter. No indication has been made of how long the "pause" will last.

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Irish try to settle week-old bank crisis

DUBLIN -- Both sides in the bank dispute, which has virtually halted all conventional banking services in Ireland, will meet in labor court to try to hammer out a solution to the week-old crisis. Clearing banks have remained paralyzed since April 30, when a strike by the Irish Bank Officials Association (I.B.O.A.) forced them to restrict transactions to those that could be balanced in the same branch. Now, after two important concessions by Ireland's associated (clearing) banks, the I.B.O.A. will join in conciliation talks. I.B.O.A. officials have insisted that any negotiations toward a new contract must include the issue of retrospective payment and compensation for a 25% salary cut that the banks announced when the walkout began. However, bank spokesmen state that an agreement to discuss the issues does not imply any commitment to accept them. Observers point out that hopes for an early resumption of Irish banking activity are not justified since talks are likely to be long and difficult. Neither group, however, wishes to appear as the culprit in the crisis. During the week, Dublin banks, which have limited their hours to 2-1/2 hours each morning, have been under a heavy rush of customers as firms tried to cash large checks to meet payrolls. But since the firms cannot place customers' checks against their withdrawals, unauthorized overdrawn accounts are multiplying.

Drop in 1969 Italian steel production

ROME -- Steel production in Italy fell slightly in 1969, although consumption increased by 13.2% over 1968. The decrease in output, from 17 million tons in 1968 to 16.4 million tons in 1969, was attributed to Italy's autumn strikes, when most of the industry's labor campaigned for a new contract. According to the Steel, Iron and Non-ferrous Metals Association, Italian steel imports fell by about 10% last year.

British reserves rise, "swap" debts decrease

LONDON -- In April, for the eighth consecutive month, British reserves of gold, currency and Special Drawing Rights rose. An increase of $50.4 million was officially recorded. This figure was achieved despite loan repayments under short-term "swap agreements" to foreign central banks. It can be estimated, using figures cited in the budget speech of Chancellor of the Exchequer Roy Jenkins, that Britain's "swap" liabilities have been reduced to about $240 million. Final clearance of these debts will probably depend ultimately on the strength of sterling on the foreign exchange markets. In this respect, April was an unspectacular month, the spot rate averaging about $2.4060.

Dunlop raises tire prices; other U. K. manufacturers should follow

LONDON-- All major British tire firms are expected to follow Dunlop's lead and announce price hikes shortly. Dunlop, the U. K. market leader, notified its wholesale customers that it would raise its tire prices by 7-1/2% on May 4. Firestone and Avon immediately said that they would hike their prices by the same amount. Industry observers expect a similar announcement soon from Goodyear, Michelin, and Pirelli--the other major concerns that manufacture in the U. K. Spokesmen attributed the Dunlop action to poor market conditions. Low new car sales plus hesitation on the part of auto owners to replace worn tires have depressed overall sales. Meanwhile, labor and material costs in the industry have risen. No manufacturer has changed its recommended retail prices, but a spokesman for Britain's National Tyre Distribution Association said changes on at least truck and agricultural vehicle tires would automatically be passed on to the consumer.

Salzgitter wins East German construction contract

FRANKFURT -- Salzgitter, West Germany's Government-owned steel concern, will become general contractor for an electro-steel plant in East Germany. The unit is expected to be located at Hanningsdorf, near East Berlin, and should be worth about $19 million to the builder. AEG-Telefunken and Demag are also expected to participate in the project. Sources at the Hannover Trade Fair have insisted that Salzgitter has strong hopes of receiving a second East German contract, this one for a plant at Riesa.

Four of top Irish companies merge

DUBLIN -- Four of Ireland's top companies, with combined 1969 profits of $7.6 million,are planning to merge to form one giant industrial group. The firms are P. J. Carroll, United Distillers, Irish Glass Bottle, and Waterford Glass. Together, they employ nearly 4,000 people. P. J. Carroll, Ireland's largest cigarette manufacturer, had a 1969 turnover of $76 million. United Distillers was formed in 1966 through the merger of John Power, Cork Industries, and John Jameson. It produces whiskey,gin, and vodka, and distributes a range of wines. The only clue to future reorganization of the four firms was provided by a communiqué issued on behalf of the group by the Investment Bank of Ireland. It said that all four would retain their separate identity while combining financial resources and manpower.

Swedes combine fertilizer production

STOCKHOLM -- The three main Swedish producers of fertilizers--Forenade Superfostfat Fabriker, Svenska Saltpeterverken, and Kvaveverket--will merge. Together,the three concerns control almost 97% of Sweden's artificial fertilizer production. They claim to hold 70% of Sweden's market. The State Investment Bank will provide a $14 million loan to facilitate the deal. The three companies had a combined 1969 turnover of about $50 million.

Sea-air cruise agreement announced

LONDON -- Britain's Cunard and Overseas National Airways,the U. S. charter airline, have agreed in principle to own and operate two new 17,000- ton cruise liners in a joint venture. The first ship, worth about $12 million, is reportedly under construction at Rotterdam and will enter into service in 1971. The second, not yet under construction,may be ready by autumn in 1972. Both vessels will be operated in the Caribbean and the Mediterranean on a fly-cruise basis. Cunard will be responsible for operating the vessels and Overseas National will provide the marketing. Another similar sea-air agreement may soon be announced by Trans World Airlines. T. W. A. has reportedly acquired control of the Oceanic Special Shipping Company, a firm that operates cruise ships. Through an agreement with Holland-America Line, T. W. A. may be ready to launch a cruise vacation service.

Dutch rubber battle heats up

THE HAGUE -- The battle for Rubberfabriek Vredestein is warming up. The Goodyear Tire and Rubber Company has raised its bid for the Dutch rubber concern from 380% to 450% of par value. Meanwhile, B. F. Goodrich, one of Goodyear's main U. S. rivals, has filed a writ in The Hague demanding that Vredestein offer to Goodrich all the shares of a tire subsidiary, N. V. Nederlands-Amerikaanse Autobandenfabriek, Vredestein. Goodrich already holds a 21% interest in the subsidiary and is its largest single customer. The Goodrich-Vredestein cooperation began in 1946, and Goodrich spokesmen say that Vredestein still holds technological knowledge which it has pledged to keep secret. Moreover, in 1964, Vredestein had pledged to offer all of the subsidiary's shares to Goodrich in the event of a takeover bid. However, the Vredestein board of directors has agreed to let Goodyear acquire just over 50% of its capital and has already issued the firm an estimated 18.3 million shares.

Swiss protest Jaguar delivery delays

LONDON -- In what was termed the first recorded mass protest of car buyers against non-delivery, 20 Swiss businessmen demonstrated outside the Berkeley Square headquarters of British Leyland over the delays in delivery of the Jaguar XJ6's that they had ordered. They were met by Leyland Chairman Lord Stokes, invited to lunch in the company showrooms and taken on an organized tour of London. Lord Stokes explained that worldwide demand is so heavy for the XJ6 that the 14-month delay that the Swiss experienced is not unusual. Jaguar's marketing staff claim that 529 of the autos were exported to Switzerland during the company's last financial year, more than double the amount shipped the previous year. Jaguar, which exports half its output, plans production increases. The firm presently manufactures only 28,000 cars a year.

Laporte and Solvay planning new move

BRUSSELS -- Britain's Laporte Industries and Belgium's Solvay have started talks on establishing a jointly owned and operated titanium dioxide plant in the Common Market. The plant will probably be built near Antwerp. The expected capacity is 40,000 tons annually. An Antwerp site would allow easy access for the ore needed in the chloride process that will be employed at the unit. Early this year, the two firms agreed to cooperate on a multi-national basis, initially by pooling their active oxygen and hydrogen peroxide interests.

Electronic communications firm for Sweden

STOCKHOLM -- The Swedish Telecommunications Administration and the L. M. Erickson group will jointly subscribe the needed $2 million in capital for the creation of a new technical development and manufacturing company. Called Ellemtel Development Company, the firm will concentrate on the development of advanced electronic communications systems. The resulting products will be marketed worldwide by Erickson. S. T. A. is primarily interested in producing equipment for its own networks in Sweden.

Bourse report

LONDON -- Equities flatten out on Wall Street dip. PARIS -- Easier, in quiet conditions. FRANKFURT -- Irregular. MILAN -- Most sectors advance in moderate trading. BRUSSELS -- Dull market. AMSTERDAM -- Local industrials mixed. Dutch State loans quietly steady to firm.

EUROMARKET NEWS

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Common Market Reports

EUROMARKET NEWS

Issue No. 70 May 19, 1970

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EEC sets date for ceremonial opening of entry talks

BRUSSELS--The Common Market will start formal entry talks with Great Britain, Ireland, Denmark and Norway, the four countries that are official candidates for EEC membership, on June 30. Ministers from all ten countries will gather in Luxembourg for the opening ceremony. Serious discussions will not get under way until July, when one early session will be held in Brussels before the normal EEC mid-summer vacation period.

The Common Market presently is trying to put the finishing touches on its negotiating position. It must still be decided who will represent the Community at the discussions. Most probably, the chief negotiator will be the president of the Ministerial Council. The role of the Commission during the discussions will likely be limited to preparing positions on special problems that could arise during the talks.

Commission reduced to nine members

BRUSSELS -- The Common Market will implement the provisions of the Treaty merging the Councils and the Commissions of the three Communities and trim the Executive Commission down to nine members from the present 14. Also, an Italian, as yet unnamed but expected to be nominated before the end of May, will replace Jean Rey as president. In the new Commission, France, Germany, and Italy will each have two representatives; Holland, Belgium, and Luxembourg will have one each.

The process of selecting delegates to the Commission could prove a difficult political test in Italy, the Netherlands, and especially in Belgium, where the parliament will be forced to choose either a Fleming or a Walloon. The exercise is expected to be closely watched by Great Britain to determine just how the Six themselves react to Community treaties in the face of local pressure.

There is continuing discussion among EEC Foreign Ministers on how large the Commission should be in a ten-member Community. The current view is that the Commission will one day again be composed of 14 members. Britain, France, Germany, and Italy would each have two delegates and the remaining six countries one.

American group wins control of I.O.S.

GENEVA -- After a week of tense negotiations, an agreement has been reached on the terms of a rescue operation for Investors Overseas Services, the firm that manages $2.3 billion of investors' money through 18 mutual funds. Rumors of financial instability had caused heavy slides in I.O.S. stock prices in Germany and London. To meet the difficulties, the firm had created a crisis management team, which met daily, to supervise the whole of

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its operations. But the verdict of the team was that public confidence in I.O.S. was badly shaken. Thus, Bernard Cornfeld, founder and director of the firm, was forced to resign and bids were considered for future control of the company. A consortium led by John M. King, and reportedly backed by the Bank of New York and the Fidelity Insurance Co. of Richmond, Virginia, won out. King will purchase outright an undisclosed amount of the company's unissued preferential capital at a price of $4 a share. In addition, he will administer another 12 million of Cornfeld's preferential shares for the next three years. The board of directors of I.O.S. will be enlarged from 23 to 27 members, 11 of whom will be chosen by King from the present board; the remaining 16 he will nominate outright. Finally, the King consortium has arranged a $40 million credit line for I.O.S. from unnamed banks and will attempt to resolve the firm's difficulties with the Securities and Exchange Commission.

German Government heartened by capital exports, averted Ruhr coal strike

FRANKFURT -- The West German Government, increasingly worried because of pressures created by an overheating economy, could find at least some recent developments encouraging. Direct capital exports appear slowly to be catching up to foreign investments in Germany. Net capital imports increased by only 13% in 1969 to reach a total of $5.2 billion. During the same period, direct capital exports rose by 23%. The Federal Republic now has over $4.8 billion invested abroad. But most German investment is concentrated in a relatively few countries. Belgium, Luxembourg and Switzerland account for over one-fifth of the total.

The threat of a major coal strike in the Ruhr has temporarily been averted. Miners were awarded a basic pay increase of 7.75% plus fringe benefits. This is less than the 8.5% which they had demanded. The Social Democrats, the dominant party in Germany's coalition Government, were anxious to avoid a walkout--an event that would have hurt their chances in upcoming regional elections. But the only way that the Government can pay for salary increases is through higher coal prices or an increased coal subsidy.

In other labor action, I.G. Metall, the Federal Republic's biggest union, reached agreement with employers on one of the Social Democrats' most cherished principles--provisions for workers' savings. Now, four million metal workers will receive about $7.20 more per month. However, this money will have to be invested. The estimated cost of the program to employers will be about $370 million per year. Already, accords on similar programs have been signed with one million public service employees. The Social Democrat aim is to ensure a growing share in the national wealth for workers and at the same time to prevent too big a concentration of assets.

Strikes at components suppliers hurt U.K. auto manufacturers

LONDON -- British automobile industry output, already reduced by strikes at Pilkington and Dunlop, is now threatened by strikes at another components supplier. The entire labor force at Borg Warner has walked out, leaving three automatic transmission plants idle and stopping supplies to Ford, Rootes, and British Leyland. The strike began when 600 men at Borg Warner's Kenfig factory voted to stop work in support of a claim for a $9.60 a week pay hike. The company has offered about $5. Workers at Letchworth

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and Port Talbot, the other two plants, voted to strike soon afterward. A Borg Warner spokesman said that meetings with unions and the Engineering Employers Federation to discuss labor's claims will be started shortly. Meanwhile, the effects of a week-old strike by 1,500 men at Fort Dunlop, Birmingham, has spread to Dunlop's Leicester plant. At Leicester about half of the work force has been laid off because of a shortage of rubber materials produced at Fort Dunlop. The five-week-old dispute at Pilkington, one of Britain's major glass manufacturers and largest supplier of glass to the U.K. automotive industry, continues. Shop stewards at Pilkington now claim that professional agitators are prolonging the strike of 11,000 glass workers with strong-arm tactics. Pilkington has already offered about $10 a week in pay increases. Officials at Jaguar have stated that the Pilkington strike is costing them about 765 cars a week.

EEC farm price support system hit Italy in 1969

BRUSSELS -- Italy had the highest deficit under the Common Market's farm price support system last year. EEC Commission figures show that the Italian deficit under the price guarantee section of the farm fund reached $177 million. Only Germany, which was $171.5 million in the red, could come close to this. France and the Netherlands made a profit. The French, who contributed only 22% of the funds needed to run the system, got back over 40% in reimbursements. Since 1962, the year the farm fund was set up, the French have netted $747 million from the guarantee section, the Dutch $222 million. Overall, it is the Germans and not the Italians who have paid in the most. Since 1962, Germany has run up a $555 million deficit, and Italy's stands at $365 million. Oddly, however, Italy is the only member of the Six which has shown a profit under the guidance section of the fund --intended for the reform of farm structures. Since 1962, the Italians have gained $89 million. All the other Member States registered heavy deficits.

Germans envision merger law

FRANKFURT --Stringent regulations aimed at controlling cartels and mergers are outlined in a new bill now in preparation in the Federal Republic of Germany. If the bill becomes law, all mergers will have to be reported without delay to the German Federal Cartel Authority. The regulations especially affect firms which, after a merger, would have 20% or more of a particular market. Provisions are also outlined for the "decartelization" of companies which because of a merger employ more than 10,000 workers or have an annual turnover exceeding $132 million. The main guideline for future Government approval of mergers will be whether the merger improves or harms competitive conditions.

Commission worried by past merger trends

BRUSSELS--Since 1962, almost 70% of all purchases of stockholdings in Common Market companies were made by firms that are not incorporated in one of the six EEC countries. The Common Market Commission is particularly worried about the large number of mergers between EEC and U.S. firms compared with the relatively small number of mergers between firms in the Community. In order to encourage intra-Community enterprises, the Commission has suggested in a new report that the European Investment Bank offer aid to finance the regroupment of firms within the Members States. Overall, since 1962, non-EEC companies were involved in 68% of the moves in the Common Market metal industry, 65% of those in chemicals, 63% in food, 62% in textiles, and 62% in service companies.

Italy braces for more strikes

ROME -- Italy, which lost more working days (10,000) in 1969 because of strikes than any other major European country, was bracing itself for another month of stoppages of practically all State services. Railwaymen walked out again for 24 hours on May 12. Their demands were not totally met and new strikes are planned soon. A strike of Italy's top civil servants which started on May 8 has put activity even at the Foreign Ministry at a standstill. Rome garbage collectors are ready to resume their protests. More walkouts are planned by "semi-State" employees and school and university teachers. End-of-the-year examinations may not be held in either Italian secondary schools or universities because of teachers' intentions to engage in strike action from now until the end of the school year.

C.G.E.-Alsthom hopes for new G.E. license

PARIS -- France's C.G.E.-Alsthom is set to acquire a new General Electric license. This one would permit it to construct nuclear reactors using General Electric's BRW process. C.G.E.-Alsthom is especially banking on receiving the license in order to win an E.D.F. (Electricité de France) contract for construction of a reactor at Fessenheim, a project that still counts Schneider as a bidder. C.G.E.-Alsthom has been told confidentially that it will receive preference if its deal with General Electric goes through. Schneider, through its subsidiaries, uses Westinghouse patents, and at the moment, Westinghouse, whose bid for Jeumont-Schneider was vetoed by the French Government last December, is not preferred in France.

Ford to try new dealership approach in U.K.

LONDON -- In a departure from traditional automobile industry methods,Ford will introduce a plan in Britain under which young businessmen will be provided with the capital necessary to set up dealerships. The men selected will also be paid a salary at the start. In return, they will be expected to buy the dealership with the profits that they make. Ford's U.K. director of sales, Sam Troy, points out that the company is not trying to gain control of a large number of dealerships. Instead, the plan should enable promising men without large financial resources to eventually run their own firm. Up to now, Britain's big four automakers have relied on a prospective dealer's own money--often as much as $350,000 is needed--to create new dealerships.

Levi Strauss may manufacture on Continent

PARIS -- Levi Strauss, the U.S. clothing manufacturer whose trade name is synonymous with blue jeans in three European languages,is reportedly ready to establish manufacturing operations on the European continent. This is a move which would complement an already well-established distribution presently centered in Brussels. In France, Levis are distributed by Les Etablissements Frenkel, which claims to have sold 700,000 pairs of blue jeans, 1,500,000 pairs of Levi corduroy slacks, and 300,000 Sta-Prest Levi trousers in 1969. Up until now Levi Strauss has made most of its sales mileage out of its ability to persuade Europeans that its trousers represented the authentic American Wild West. All of its products were imported. Levi company spokesmen in Brussels do not appear to be worried over the possible promotional disadvantage of selling Europeans a Wild West that is manufactured in their own backyard.

ELDO drops Blue Streak

PARIS -- ELDO, the European Launcher Development Organization, has decided to abandon Britain's Blue Streak rocket as the main booster for its future communications satellite rocket. Instead, the permanent council of the group will recommend to member governments that a new $500 million launcher be developed for Europa III. The first stage of Europa III will reportedly be modeled after France's L-120 booster, which carries 120 tons of liquid propellant. The second stage, known as the H-25, will use a high pressure engine. Science ministers of France, West Germany, Italy, Belgium, and the Netherlands will meet in Brussels in June to approve the project. The ELDO decision was taken because of a British Government decision in 1968 to reduce its contributions to the group.

British pump firm bought by Ingersoll-Rand

LONDON -- Ingersoll-Rand, the U.S. firm which manufactures pumps and other industrial equipment, has purchased the Gateshead division of Britain's SPP Group, a facility that produces pumps and filters. The 250,000 sq. ft. Gateshead works employs about 900 workers. The purchase price was not announced but SPP said that the deal would allow it to release about $6 million for redeployment among its other enterprises. Ingersoll-Rand already has five manufacturing plants in the U.K. but none of these is engaged in pump activities. The U.S. concern was reportedly eager to increase its international marketing position for large centrifugal pumps.

AmEx introduces guilder card

AMSTERDAM--American Express has launched a credit card in the Netherlands, its tenth local currency card. Dutch businessmen, who will receive and pay their accounts in guilders, will be charged about $15 annually for the service. Accounts will be administered from the American Express Computer Service Center at Haywards Heath, England.

Borregaard plans expansion

OSLO --Norway's Borregaard industrial group plans a $72 million investment program during the next five years. Most of the money will go toward expansion and consolidation of activities at Sarpsborg, the group's Norwegian headquarters. Borregaard recently secured a long-term loan of almost $3 million from Austrian financial institutions to push expansion there. Last month the group announced a 1969 profit increase of about $8 million.

Bourse report

LONDON -- Losses outnumber gains as sensitive stocks swing even on small transactions. PARIS -- Well maintained in quiet trading. FRANKFURT -- Dull. MILAN -- Prices lower under uncertain market conditions. BRUSSELS -- Firm in active trading. AMSTERDAM -- Local industrials mixed; State loans quietly weaker.

EUROMARKET NEWS

Common Market Reports
EUROMARKET NEWS

Issue No. 71 No. 135, May 26, 1970

EFTA talks to precede British EEC entry

BRUSSELS -- The Common Market Commission has decided that future relations between the EEC and European Free Trade Association (EFTA) countries that are not candidates for Common Market membership should be defined before Britain, Ireland, Norway, and Denmark sign the Treaty of Rome. Once exploratory contacts with the EFTA countries are completed--probably by the end of 1970--the EEC will work out a position for negotiations.

The difficulty Britain's EFTA partners would have in holding together in the face of Common Market negotiations will be complicated by the fact that each has a different view of its national interest. For the countries that are politically neutral--Switzerland, Sweden, and Austria--the problems will be acute. All are eager to obtain the maximum advantage from an enlarged free-trade area, but the logic of close EEC association involves economic, monetary, and political consequences that they might not be ready to accept. The Swiss, for example, could not associate themselves with the principle of free movement of labor within Europe. The Swedes would object to closer links through the EEC with NATO. Portugal and Iceland are not ready to face full Common Market industrial competition.

The Commission has suggested three possibilities that are theoretically open to the EFTA countries in their associations with the Common Market: non-preferential trade agreements, preferential trade agreements, and customs union. All three would involve difficult negotiations. Non-preferential agreements would provide adequate trading concessions only if they involved a vast range of tariff cuts--something that would have to be agreed to within the framework of a new kind of Kennedy Round. Preferential agreements, even if eventually acceptable to the Common Market, would have to be endorsed by GATT. A customs union or a free-trade area appears to be the approach favored by the Commission, but a free-trade area is contrary to the Community's traditional policies. Also, countries that were not members of the EEC would have no say in the decisions on tariffs and rules of competition, but policies in these areas would apply to them.

Italy hit by strike fever

ROME -- Fiat's management has warned labor union officials that it may be forced to close down the company's Turin works unless current wildcat strikes are stopped. On May 15, thirty such walkouts all but cut off supplies to production lines. At Turin, wildcatters are demanding the dismissal of employees who did not participate in a union-organized strike on May 13. Evidence of just how much strikes have hurt the Italian motor in-

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dustry comes from newly published statistics showing that sales of foreign cars in Italy jumped by 39.1% last year. The increase gives foreign producers 20.25% of the present domestic market. Just before the massive wave of walkouts last autumn, foreign makes accounted for only 15.19% of all cars sold in Italy.

At the moment, a tide of strikes is sweeping Italy. All newspapers, except those published by the extreme right wing, ceased publication as printers joined the thousands of other newspaper and news agency employees that struck on May 18. Trains in northern Italy came to a halt on May 21. On May 23, secondary-school teachers joined the walkouts. Firemen, some farm workers, department store clerks, gas station attendants, dock workers, and most civil servants are already on strike. The three main Italian labor unions have stopped short of declaring a general strike but current actions are having virtually this effect.

Amid the uproar, politicians are pressing on with their electoral campaigns. On June 7, voters go to the polls to elect municipal and provincial councils and members of the new regional assemblies. The creation of regions, each with a degree of autonomy, is the most important change in Italy since World War II.

Roosa urges organization to guarantee free capital movements

GENEVA -- Robert V. Roosa, a leading United States monetary authority, has proposed new rules for governing capital flows and a new way of managing the U.S. balance-of-payments deficit. Central to his ideas would be the creation of an international organization resembling GATT (General Agreement on Tariffs and Trade) that would establish rules to regulate movements of capital. Presently, under GATT regulations, no country can act against free trade principles unless it meets specific conditions. Generally, the first move by countries in balance-of-payments difficulties is to curb the outflow of funds through exchange controls. Mr. Roosa would like to see guidelines established that would guarantee free capital movements. Speaking to business and financial men at a gathering sponsored by the National Industrial Conference Board, he predicted that the U.S. balance-of-payments deficit would run to about $3 billion or $4 billion in 1970. But the recession in the U.S. could reduce imports and help American earnings on trade. Roosa also thought that foreign funds, now avoiding Wall Street because of the stock market price collapse, may start returning to the U.S. toward the end of this year. He pointed out that the chief cause of the payments difficulties was Government spending abroad, which averaged about $7 billion a year during the last half of the last decade.

Spanish group fined $24 million

MADRID-- A group of Spanish businessmen have been fined almost $24 million for misusing Government export loans intended for Maquinaria Textile del Norte de Espana (Matesa). Government officials stated that $79 million of a $142 million loan was specifically given to Matesa, which manufactures textile machinery, for use in exporting its machines abroad. The convicted group of businessmen diverted the funds, using them to buy interests in foreign textile firms. Machinery on which the loans were made, although

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supposedly sold outside of Spain, was in fact sent to one of the company's foreign branches. One of the group, Barcelona businessman Juan Vila Reyes, was fined more than $23 million and sentenced to three years in prison.

I.R.C. buys Rolls-Royce interest

LONDON-- The Industrial Reorganization Corporation (I.R.C.),a British Government agency, will acquire part ownership of Rolls-Royce in exchange for $48 million in financial aid. Rolls-Royce, hit by more than a 50% profit drop in 1969, has run into severe cash problems in developing advanced jet engines. Spokesmen say that cost margins for the RB 211-22 engine are being overrun. The sales potential for the unit, which is being developed for Lockheed's Tristar airbus, is as yet unclear. The I.R.C. reportedly does not intend to retain Rolls-Royce shares as a permanent investment. However, it will seek to appoint a director to the Rolls' board during the time that it holds a substantial interest in the company.

Frigidaire seeking production agreements

LONDON-- General Motors' U.K. subsidiary Frigidaire hopes to persuade other British appliance makers to produce products that would be sold under its name. In this way, Frigidaire could compete with Italy's giants, Indesit and Ignis. Frigidaire is seeking agreements on refrigerators and automatic washing machines and dishwashers. In another move, Frigidaire will phase out operations at its Kingsbury plant. The step will allow G.M.'s A.C. Delco division to use the factory for motor component production.

French takeover move

PARIS -- Etablissements Motte et Cie., a Brussels-based group, and the Banque pour l'Expansion Industrielle of Paris have gained control of the board of directors of Henri Duprez et Cie., a French manufacturer of furniture materials and household linens. After consultations, the two groups decided that the chairman of Duprez will be named by Motte. No decision has been taken on the future of three Duprez subsidiaries: Lisières Etoiles, Stylco, and Fabrication et Diffusion Textile du Nord.

I.C.N. looks for German company

FRANKFURT -- International Chemical and Nuclear Corporation of Pasadena, California, will soon buy a small West German pharmaceutical firm. I.C.N. president Milan Panic has confided that talks are well underway with several concerns. I. C. N. recently purchased control of Switzerland's ARCO S. A., a Lugano-based pharmaceutical operation. In that deal it also acquired Comptoir de la Parfumerie,a sales organization that markets pharmaceuticals. I. C. N. has reportedly earmarked $40 million for investment in Europe.

Pinto engine contract won by British Ford

LONDON-- Ford of Britain will supply the engine for the sub-compact Pinto, a new car that the U.S.'s Ford Motor Co. is expected to introduce later this year. The deal should be worth about $80 million a year, one of the biggest single contracts ever won by a British automobile manufacturer. The four-cylinder engine will be produced at British Ford's Dagenham plant. Gearboxes will be manufactured at Halewood. The Pinto will be assembled at factories in the United States and Canada.

AGIP interested in Davis Straits

ROME -- AGIP, the Italian oil company, has reached an agreement with the Danish Government to prospect for oil off the coast of Greenland in the Davis Straits. The area is adjacent to a region where several major international oil companies have been prospecting for two years. AGIP plans to start explorations this summer.

I.O.S. Group sets up in the Netherlands

THE HAGUE-- Investment Properties International,a Canadian firm controlled by Investors Overseas Services, has formed a Dutch company. The new concern, I.P.I. Financial Corporation,has an initial capital of about $5 million,20% of which is paid up. Investment Properties International specializes in real estate investment.

I.T.T. acquires German food interests

FRANKFURT--Two West German food firms,Groenland GmbH and Lippische Frischkost Frosterei GmbH,have been acquired by International Telephone and Telegraph Co. Specializing in frozen foods, they had a combined 1969 turnover of about $16 million. I.T.T. already controls Conserven-En Diepvriesfabrieken Grovo,a Dutch food group which owns producing subsidiaries in Germany. Recently Belgium's General Biscuit N.V. alleged that I.T.T. was systematically buying up its shares on the Brussels Bourse. However, I.T.T. officials deny this claim.

Morgan Refractories in Belgian move

BRUSSELS -- Britain's Morgan Refractories, part of Morgan Crucible, will stake 60% of the necessary $100,000 capital for a new Belgian company, to be called Morgan Ceramic Fibres S.A. The U.S.'s Babcock and Wilcox will supply the other 40%. The new concern will manufacture and market glazed and crystalline fibers.

New London bank formed

LONDON -- The London Multinational Bank Ltd. has been formed by an international banking consortium composed of Chemical Bank of New York, Crédit Suisse, Baring Bros. and Co., and Northern Trust of Chicago. It will offer an extensive range of services. Share capital has been fixed at $12 million. Lord Cromer, the former governor of the Bank of England, will be chairman of the organization.

Viatron France established

PARIS -- Viatron Computer Systems, the U. S. manufacturer of terminals for data processing systems, has established Viatron France S.A. Located in Paris, the firm will act as a sales subsidiary for Viatron's U.S.-manufactured products. Capital has been fixed at about $200,000. Viatron already has sales subsidiaries in Britain and Belgium and plans to open one soon in West Germany.

Bourse report

LONDON -- Uncertain tone in light trading. PARIS -- Firm. Banks, retailers,and metals well maintained. FRANKFURT -- Slight losses overall. MILAN -- Easier trend in active trading. BRUSSELS -- Quietly irregular. AMSTERDAM -- Local industrials mixed.

Common Market Reports
EUROMARKET NEWS
Issue No. 72 June 2, 1970

Italian to head Common Market Commission

ROME -- The foreign ministers of the six Common Market countries have chosen Christian Democrat Franco Maria Malfatti, the Italian minister of posts and communications, to head the executive Commission, replacing Belgium's Jean Rey. The term of office of the 14-man "interim" Commission established three years ago when the Communities' institutions were merged expires on June 30, 1970. At that time the Commission of the three European Communities is to be reduced to nine members in accordance with the Treaty establishing a single Council and single Commission.

Full economic and monetary union sought by EEC

VENICE -- In another session of the Council, Member States' finance ministers committed their governments to a full economic and monetary union over a nine-year period. This would lead to the establishment of a single European currency -- money that would be used by all members of the Common Market, including the current applicant States of Britain, Ireland, Norway, and Denmark.

Inflation haunts O.E.C.D. meeting

PARIS -- Inflation is what worries the free world's finance ministers the most. Gathered for the annual meeting of the O.E.C.D., they decided that world interest rates must remain at their present high level. They also adopted the view that sharp reductions in the growth of trade and output were preferable to a continuing wage-price spiral.

Inflation's growth throughout the industrial world was the most urgently discussed topic during the three-day get-together. Prices in the O.E.C.D. area are now rising at an annual rate of 5%, double the rate of the past ten years. Apart from adverse domestic effects, price increases at this rate make operation of the international monetary system doubly difficult. The finance ministers decided that their only answer to the problem was to pursue restrictive measures already in force and to pay particular attention to income control. High interest rates are an integral part of this approach.

A continuation of current restrictions could lead to a contraction in world economic activity. However, the ministers felt that it was preferable to run the risk of world recession rather than to allow continuing monetary erosion. They resolved that O.E.C.D. nations should pursue an increase in aggregate output of 65% in the decade ahead, but, at the same time, predicted a drop in the combined growth rate from 5% in 1969 to 3% in 1970.

The decline could be the sharpest in the United States. There, an expansion rate of 3% in 1969 might fall to 0.75% in 1970. A grouping of Canada, France, Britain, Japan, Italy, and Germany will produce a drop from 7.5%

to 6%. Predictions on trade prospects show the growth rate for O.E.C.D. exports slipping from 16.25% last year to 12% this year. Imports should drop from 15.75% to 11.75%. The ministers expect U.S. exports during 1970 to remain largely unchanged from 1969. However, exports of the other major trading nations could tumble from 17.5% to 13.75%.

European Bourses hit by Wall Street gloom

LONDON -- Inflation, the I.O.S. "affair," and Wall Street "contagion" are the reasons cited by most experts for the steady decline in stock prices on European Bourses. Most markets reached their 1970 highs in January; since then prices have fallen steeply. In four months the London Ordinary index has dropped by 22%; the German Herstatt index by over 20%. Stockholm is down by 23%, Zurich by 19%, and Milan by 14%. Prices on the Paris Bourse are off by 13% and those on the Amsterdam Bourse by 12%.

The rapid rise of inflation in most European countries has dampened interest in long-term and, in some cases, medium-term investment. As one British observer states, Europe has long been used to living with a 3% rate of inflation. It is not used to living with a 6% rate and still less with an accelerating rate. Moreover, Government measures to curb inflation in Britain, France and West Germany have put pressure on company profits and appear to hurt overall growth.

The drama at Investors Overseas Services has frightened many small investors away from Europe's Bourses. The French and German stock markets have often been under suspicion because of indications that prices were too easily manipulated by insiders. I.O.S.'s problems have now convinced many small investors that their suspicions were well-founded. Also, heavy calls for redemption have forced the Geneva-based firm to unload large blocks of shares. This has added to market slides. Meanwhile, John M. King announced that he was giving up his attempt to gain control of I.O.S. It was unclear at the moment whether his decision was based on an unfavorable ruling from the S.E.C. or whether he was having trouble raising the financing he would have needed to follow through on his original plans.

Europe's problems have been accentuated by Wall Street's crisis. Investors' confidence in European Bourses is rooted in American business stability. The drop in prices on the New York Stock Market indicates to Europeans that American firms are in trouble. That means that European firms are not healthy either.

Pressure on Eurobonds

LONDON -- A slide in convertible bonds which began two weeks ago has continued on the Eurobond market. Also, the straight debt sector is facing what some insiders call a price crisis. The only part of the market that is still showing signs of vigor is that for floating rate bonds. The success of E.N.E.L.'s $125 million issue has started rumors of more such offerings. Texaco has already denied that it plans a $75 million floating rate issue, but another, as yet unidentified, U.S. company is reportedly ready to try one of between $50 and $75 million.

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Britain is biggest SDR spender

PARIS -- Britain was the biggest spender of International Monetary Fund Special Drawing Rights (SDR's) during the first quarter of 1970. It was also the only major industrial country to reduce its holdings of the new reserve asset. The Bank of England lowered its reserves of SDR's to 74% of allocation with disembursements of $105.2 million, a third of total SDR transactions since the plan came into existence.

France, Denmark, Luxembourg, and Sweden have not yet bought or sold SDR's. The other major industrial countries increased their holdings by 6% to 15%. The largest recipient of SDR's so far is the International Monetary Fund itself. The I.M.F. has accepted $147.6 million worth.

Rise in free-market price of gold predicted

BRUSSELS -- The manager of Consolidated Gold Fields, D.O. Lloyd-Jacob, has predicted a rise in the free-market price of gold to at least $45 an ounce by 1973. Total private purchases of gold in 1969 reached 1,170 tons. Slightly more than this -- 1,220 tons-- was used for fabrication purposes. Jewelers purchased about 905 tons. Based on present estimates of supply and demand, use of the metal would increase to 2,165 tons by 1973.

O.E.C.D. warns France on inflationary trends

PARIS -- The latest O.E.C.D. economic survey of France warns that present French price trends, if allowed to continue, could lead to a revival of heavy inflation. Government economic policy in France presently has two main aims: further strengthening of the country's balance of payments, and containment of wage-price increases. The O.E.C.D. report concludes that France has largely succeeded on the first count, but insists that new wage demands and price increases make it doubtful that it will succeed on the second. French Finance Minister Valéry Giscard d'Estaing indicated recently that controls on consumer credit, in force since September 1969, might be relaxed this summer.

Goodyear - Vredestein merger halted

THE HAGUE -- An agreement in which the U.S.'s Goodyear Tire and Rubber Co. obtained a majority interest in the Dutch rubber concern Vredestein has been judged a breach of "good faith" by the president of a law court in the Netherlands. As a result, Goodyear will not be permitted to exercise rights that it acquired in the Dutch firm through a private stock issue.

More legal proceedings, aimed at preventing any Goodyear-Vredestein cooperation, will be started soon by B.F. Goodrich, Goodyear's American rival and Vredestein's long-standing partner. Goodrich has had cooperation agreements with Vredestein since 1942 and holds a 21% interest in one of the Dutch firm's subsidiaries. Goodrich claims that in 1964 Vredestein agreed to offer all of the subsidiary's shares to it in the event of a takeover bid. However, the Vredestein board, in an attempt to sever contacts with Goodrich, recently arranged to sell just over 50% of the company's outstanding stock to Goodyear. Goodrich has reacted through the courts and apparently will successfully block the deal.

Franco-British group to set up U.S. company

PARIS -- The American subsidiary of Louis Dreyfus et Cie, a French international trading concern, will join forces with two British firms--Standard

Life Insurance and City Wall Properties Ltd. -- to form a new company in the U.S. The organization, called D.W.S. Inc., will promote new buildings and building sites. Reportedly, D.W.S. Inc. is looking for an American partner to provide expertise in some of its ventures.

Leyland and Innocenti start talks

ROME -- British Leyland Motor Corp. has opened negotiations with the Italian automobile manufacturer Innocenti. Leyland would like to produce a compact car in Italy. Innocenti, which already has commercial and technical agreements with Leyland, is reportedly ready to cooperate in the scheme. However, the Italian firm would like to create a new subsidiary, which not only would produce the compact car but also would be responsible for some existing Innocenti activities.

Swiss firm prepares bid for Billman-Regulator

STOCKHOLM -- Landis and Gyr, a Swiss electrical engineering firm, is negotiating a takeover of Billman-Regulator, a leading Swedish manufacturer of heating, air-conditioning, and industrial equipment. Swedish Government limitations on foreign share acquisitions will prevent an outright exchange of shares between the two firms. The course currently under consideration by Landis and Gyr is an exchange of shares of their Swedish holding company, Euroclimate, for those of Billman-Regulator.

As an alternative measure,the Landis and Gyr board of directors is considering the offer of about $25 per Billman share up to 60% of the outstanding shares. Another interested Billman buyer -- a syndicate led by Carlo Gavazzi of Milan -- has reportedly started buying up the firm's stock on European Bourses.

Bankhaus Bache to reduce banking activities

FRANKFURT -- A spokesman for Bankhaus Bache, the West German affiliate of the U.S. firm Bache and Co., said that the firm's banking business will be scaled down to permit concentration on U.S. and Canadian stock brokerage and portfolio management. However, Bankhaus Bache will retain its banking license in the Federal Republic and its seat on the Frankfurt Bourse. The firm has three branches in Germany. Rumors persist that the firm will eventually close up shop.

Paris Bourse Commission can't control takeover battle

PARIS -- The Paris Bourse Commission, created in 1968 to safeguard the rights of the small shareholder and oversee takeover battles, has publicly admitted its inability to regulate Agache-Willot's bid for control of Bon Marché stores. The two companies have refused to comply with a warning, instructing them to keep the market informed of progress in the deal.

The Bourse Commission states that the firms have also failed to protect the interests of small stockholders. Recently, a challenge by small Belgian shareholders to the bid was rendered harmless by the immediate appointment of the two Willot brothers (directors of Agache-Willot) to the directorate of Bon Marché. On May 22, Bon Marché offered its shares on the Bourse at about $27, after assuring the Commission that they would open at $29.

The Bourse Commission also has had problems in guaranteeing the flow of information from participants in Elf Erap's bid for Antar.

New Finnish hydrogen peroxide firm

HELSINKI -- Kymmene of Finland, Laporte Industries of Britain, and Solvay Chemicals of Belgium have formed a new company, OY Finnish Peroxides, to manufacture hydrogen peroxide in Finland. The plant will be located within Kymmene's existing industrial complex at Kuusankoski and should begin operations near the end of 1971. Kymmene was one of the pioneers in the field of pulp bleaching for industrial paper uses. Solvay and Laporte, before their recent cooperation agreement, were separately engaged in studies in this field. Products will first be geared to Finland's paper, polymer, and plastics industries.

Wankel powered car planned by Citroën, N.S.U.

PARIS -- An automobile powered by a Wankel engine may be produced jointly by France's Citroën and West Germany's N.S.U. starting next year. Marketing efforts would first be aimed at France. Later, the car would be sold in Germany through Audi-N.S.U. Citroën and N.S.U. have already formed joint Swiss and Luxembourg subsidiaries to coordinate their activities.

Franco-German insurance agreement

PARIS -- A cooperation agreement, which could lead later to the establishment of joint subsidiaries, has been concluded by Union des Assurances de Paris, the top French insurance group, and Gerling Konzern, the second leading German insurance company. For the moment, the two will only exchange information and coordinate their services.

DuPont to open Luxembourg plant

LUXEMBOURG -- E. I. DuPont de Nemours plans a new factory in Luxembourg. The plant will be used to produce Cronar, a polyester used extensively by the film industry as a film base. When complete, DuPont's installation is expected to increase worldwide manufacturing capacity for the product by about one-quarter. Raw materials will come from European sources. Chief customer for the new operation will probably be DuPont's German photographic products subsidiary, DuPont Fotowerke Adox.

Bourse report

LONDON -- Leading stocks follow Wall Street down. PARIS --Well maintained; internationals irregular. FRANKFURT -- Generally lower in dull trading. MILAN -- Most sectors show heavy drop following heavy selling. BRUSSELS -- Dull market. AMSTERDAM -- Locals and internationals ease on fears of further downtrends on Wall Street.

Common Market Reports
EUROMARKET NEWS

Issue No. 73 No. 136, June 9, 1970

EEC takes stand against flexible rates

VENICE -- No quick moves will be taken to increase flexibility among the exchange rates of the world's major currencies. Recently at the O.E.C.D. and International Monetary Fund, United States officials argued that more flexibility would remove threats of a dollar devaluation. Other supporters of the idea pointed out that less rigid exchange rates would permit central banks to conserve reserves when currencies are under pressure on exchange markets.

Now,however,Common Market finance ministers and central bankers have firmly indicated that the EEC countries will maintain the existing 0.75% fluctuation on either side of their dollar parities. They will hold this narrow margin even if the I.M.F. decides to set wider ones.

The decision was reached at a two-day meeting in Venice and represented a compromise between German, Dutch, and French views. The general differences between their positions remain strong. Most observers feel that a widening of fluctuation margins would be a first step to the introduction of a crawling peg system under which some Common Market currencies would move gradually upwards against the dollar.

The EEC countries may not be able to maintain narrow exchange margins without massive financial support for weaker members' currencies. To this end, France proposed that the Community establish a "stabilization fund" to provide such aid. The idea, however, was vetoed by the Germans who insist that monetary cooperation can come only after close economic coordination. France, which wants immediate steps to be taken toward EEC monetary integration,also asked that the Community countries begin reducing their fluctuation margins and intervening on exchange markets to support member countries' currencies. But the Germans feel that the EEC must exercise more control over the economies of inflation-prone members before such a step is taken.

The Germans still believe that studies on flexible exchange rates can continue. However, most other European central bankers are convinced that moves to wider margins are dead. The Six will now take a common position in the I.M.F., for all accounts silencing the views of the Germans and probably the British. Without Common Market cooperation,it is very unlikely that a plan for more rate fluctuation could succeed.

Canadian action puts pressure on some European currencies

LONDON -- The Canadian dollar has undergone a de facto revaluation of 4.3% on the London exchange market, closing on its first day of trading as a floating-rate currency at 96.48 U.S. cents. Turnover was heavy. Opening at 94.65 U.S. cents,the Canadian dollar was traded at one point at $1 U.S.

European currencies have also come under strong speculative pressure following the Canadian Government's decision to unpeg its dollar. The Dmark moved up to its highest permissible level against the U.S. dollar. The Dutch guilder also traded at high levels. But the Swiss franc eased and the British pound weakened, indicating that pounds are being sold for stronger currencies.

French Government sources have indicated that Canada might have been acting in collusion with the United States. The French view (denied by U.S. officials) is that the U.S. is hoping to create experiments in floating rates. Eight months ago the West Germans allowed the Dmark to float. If several other currencies were to float, a precedent could be set, and the International Monetary Fund would be obliged to recognize the procedure in its articles of agreement.

For the moment, the International Monetary Fund has issued only one statement, urging Canada to return to a fixed parity as soon as possible.

I.O.S. affair continues

PARIS--The drama continues at Investors Overseas Services. John M. King's bid for the firm which manages $2.3 billion through 18 mutual funds was not successful, opening the door for new rescue operations. France's Banque Rothschild will try to arrange a consortium to save the Geneva-based company. Also, there are strong indications that I.O.S. may set up its own group in cooperation with the Drexel Harriman Ripley brokerage house in New York.

Rothschild general manager Paul Vincent indicated that the French bank's consortium could be formed quickly, but refused to reveal any details on its composition. Rothschild was first on the scene when the I.O.S. crisis developed in May. However, its offer was judged too stringent by I.O.S. and was rejected in favor of the more generous King terms. Since then the bank has been content to sit by, waiting for the King bid to fail. However, some doubt exists over Rothschild's ability to provide the type of expertise required to solve all of I.O.S.'s problems, which are mounting. The total asset value of I.O.S. funds has dropped $300 million in the past month. Heavy redemption claims are thought to account for much of this amount. The biggest declines were in the Fund of Funds and the I.I.T. Fund, the company's two largest. I.O.S. sales forces in Germany have reportedly offered their services as a unit to several rival operations. Also, the U.S. Treasury, the Bank of England, and the West German Bundesbank have announced that they are taking a closer interest in the affair.

One arrangement that might be adopted is a decentralization of the I.O.S. empire. National funds would become independent in their operations and eventually be taken over by different and localized groups.

It remains to be seen whether I.O.S. will accept the Rothschild terms which it has already once refused. Also, Paris business circles remain sceptical that the Rothschild consortium can be formed. Vincent indicated that several European banks would be part of the group, but the German banks, which would have to cooperate, have steadfastly denied that they were taking any part in the consortium.

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I.O.S. may yet put together its own rescue operation. Bernard Cornfeld, founder and former president of the firm,has increased his contacts on the subject with several underwriting groups. He has no power to negotiate for I.O.S.,but indications are growing that I.O.S. may seek to pull itself out of its own crisis.

EEC ministers agree on economic and monetary priorities

VENICE -- Common Market finance ministers have agreed on five priorities for economic cooperation between member countries during the first three-year phase of the nine-year EEC move toward economic and monetary union. Starting in 1971, the Six will coordinate budgetary policies, harmonize budgetary procedures, and take concerted action on credit policies. They will also adopt common targets in medium-term economic planning and coordinate short-term credit policy. 1980 has been fixed as the deadline for full economic and monetary union.

Fiat set for big European moves

TURIN -- In a move that will send ripples throughout the European automotive industry, Fiat will acquire virtual control of Citroën, France's second largest auto producer. The boards of Fiat,Citroën and Michelin--which currently controls the largest block of shares--have agreed that new shares will be issued, permitting the Italian firm to increase its 30% interest in Citroën's holding company to 50%. The holding company owns 50% of Citroën. Fiat will control only 25% of Citroën's production interests. However, both Citroën and Michelin have agreed that Fiat will determine production policy.

Fiat managing director, Umberto Agnelli,already certain that the deal will receive French Government approval, has outlined the direction that Fiat-Citroën cooperation will take. His long-term plan calls for the setting-up of a "General Motors of Europe." Fiat and Citroën will retain their individual identities; so will the other Fiat-controlled companies: Ferrari, Masseratti, Autobianchi, and Lancia. Each company will concentrate on a different kind of car. Together, they will plan a division of models, offering options to cover every $50 step on the European market. The group will also control important truck producing interests, including Unic and OM inItaly and Berliet in France.

Agnelli's short-term plan calls for Citroën to manufacture parts which will be assembled in Fiat plants in Italy. Autobianchi may produce a car to plug the gap in the middle of Citroën's model range. Also, Fiat will reportedly ask for export help from Citroën. The Italian firm has, because of strikes and new import regulations, lost part of its domestic market to foreign manufacturers.

The Fiat-Citroën combine will attempt to win at least 10% of every European market.

CEDEL to compete with Euro-clear on Eurobond market

COPENHAGEN -- International bond dealers,gathering for their second annual meeting, found that, like most other sectors of the financial world, the Eurobond market is in a period of uncertainty. Bond prices are off,yields have risen to 10%, and the number of new issues has dropped. Also,traders in the secondary market are feeling heavy profit pressures.

One major problem is that the Eurobond market lacks accepted rules to regulate its day-to-day operations. Delay in delivery has been cut -- from months to weeks -- during the past year, but the decline in business activity appears suspiciously responsible for this improvement. Banks, brokers and investment houses are now worried that secondary market problems may be further complicated by competing clearing systems.

One clearing system is already in existence. This is Euro-clear, developed by Morgan Guaranty Trust Company, which now has 160 participants and handles an estimated 50% of all Eurobond secondary market transactions. Competition to the method comes from a group of Luxembourg banks which have devised another system and plan to put it into operation in 1971. It will be called CEDEL (Center of Delivery) and about 50 banks have already expressed an interest in participating. Most Eurobond men think that with two competing operations, the market's transfer problems will grow before they diminish.

G.M. reportedly will seek Volkswagen cooperation agreement

WOLFSBURG -- The U.S.'s General Motors and West Germany's Volkswagen may arrange a cooperation agreement. The move could come about because of talks between G.M. and Wankel GmbH, a company indirectly controlled by V.W. which has a large stake in the development of the Wankel engine.

Rumors indicate that Wankel GmbH is up for sale. Spokesmen at Opel, G.M.'s West German subsidiary, have indicated that General Motors has a close interest in the rotary combustion engine, which uses neither pistons nor valves. 60% of the rights to the motor are owned by Audi-N.S.U., a firm that is at least 75% controlled by Volkswagen. An N.S.U. spokesman said that his firm would not oppose a sale of the Wankel GmbH holdings to G.M., because N.S.U. would still retain a controlling interest in the engine.

A G.M. purchase of the Wankel GmbH rights would give it a monopoly on the engine among American automotive concerns. The feeling at N.S.U. is that too much money has been spent on conventional types of motors to persuade American manufacturers to shift quickly to the Wankel rotary model. However, N.S.U. spokesmen agree that this set-up could be totally transformed if G.M. decided to introduce it in any quantity. The same spokesmen think that G.M., harassed by anti-pollution critics in the United States, was heavily impressed by the results of the engine in a California-state pollution test.

France's Citroën recently decided to build a number of Wankel-powered cars for experimental purposes. It reportedly is ready to offer a consumer model early in 1971. Britain's Rolls Royce also has a license to explore the engine's military uses. Any move by G.M. for the Wankel would entail an agreement with V.W., since the German company has the final say-so on the motor's uses. Opel is the second largest manufacturer on the German market. Volkswagen is the first.

Bourse report

LONDON -- Equity leaders steady at low levels, gilts experience scattered falls. PARIS -- Narrowly irregular. FRANKFURT -- Most shares show slight advances. MILAN -- Mixed in fair trading. BRUSSELS -- Irregular, reflecting slower Wall Street advances. AMSTERDAM -- Local industrials mainly higher. Plantations and shippings steady.

Common Market Reports

EUROMARKET NEWS

Issue No. 74 June 16, 1970

EEC fixes entry negotiation timetable . . .

LUXEMBOURG -- Common Market foreign ministers have fixed a timetable for preliminary entry talks with the four countries that are candidates for Community membership--Britain, Ireland, Denmark and Norway. After a formal ceremony to open negotiations in Luxembourg on June 30, 1970, EEC representatives will confer with British delegates on July 15, with the Irish on September 21, and with the Danish and Norwegian bargaining team in a joint session on September 22.

Simultaneous talks will be held with members of the European Free Trade Association that have not applied to join the Common Market. Now that the Community has decided to try to work towards some kind of political as well as economic union, full membership for neutral Sweden, Switzerland, and Austria has all but been ruled out. EEC planners will attempt to create a form of association for the three that will not damage their trade relations with the enlarged Common Market. Brussels spokesmen regard this as posing the biggest difficulty in the overall entry negotiations.

The British economy is viewed as less of a problem. Finance ministers of the Six will draw up a list of subjects covering the U.K.'s balance of payments and foreign debts on which questions will be posed to the British negotiators. The Community aim is to avoid an early, long written assessment of the U.K.'s economic prospects, something that could damage entry sentiment within British public opinion.

. . . plans limits on preferential agreements

LUXEMBOURG-- The European Economic Community plans to issue a statement of intention to be drawn up soon that will limit the number of preferential trade agreements to be concluded with non-Common Market countries. The statement will be presented to GATT (the Geneva-based General Agreement on Tariffs and Trade) and will be designed to reassure the Western trading world regarding EEC international trade policies. A Community treaty with Israel has been the main target of international criticism. Israel, as a non-European country, is not eligible for Common Market membership and thus cannot qualify for exemptions from the GATT rules that permit preferential trade agreements only if they lead to a free trade zone or a customs union. Up until now, the EEC has defended its treaty with Israel as being part of an overall Mediterranean policy.

Fears voiced on U.K. wages

LONDON -- Three authoritative groups voiced fears over the dangers of a coming "wage explosion" in Britain. The Industrial Reorganization Corporation (I.R.C.) and the Confederation of British Industry (C.B.I.)--both

U.K. organizations--pointed out that high pay settlements during the first quarter of 1970 have set a pattern for even bigger wage demands later in the year. Unions appear to be preparing to ask for across-the-board raises this autumn. The Bank for International Settlements (B.I.S.) also expressed alarm at the pace of wage inflation in Britain. The B.I.S.,however, viewed the U.K. situation as part of a present world phenomenon. Prices in Britain, which jumped a record 2.1 points on the official index in April, are under pressure. Lord Watkinson, chairman of Cadbury-Schweppes, indicated that corporate profits are currently narrow, meaning that each wage increase must immediately be passed on to the consumer.

Dollar doubts

BASLE -- Dollar fears dominated the private conversations of bankers gathered for the June meeting of central bank governors. The declared U. S. deficit of over $3 billion for the first three months of 1970 on an official settlement basis, brought expressions of concern that large scale deficits might become normal. The Swiss, and to a lesser extent, the Dutch and Belgians, were already unhappy about the high proportion of dollars in their reserves.

Bankers from almost all the Western trading nations agreed that the Canadian Government's decision to float its currency represented no threat to the present monetary system. However, some concern was expressed over the method and its effects on overall exchange rate adjustments. The majority of bankers at the meeting saw no hope for getting the required 80% voting majority in the International Monetary Fund to permit a 2% margin on either side of a currency's dollar parity.

Attention has now shifted toward finding a more basic substitute for the dollar as the center of the world's monetary system. Here, talk has been of Special Drawing Rights (SDR's) linked to gold instead of to the dollar.

Wider EEC transport policy planned

BRUSSELS-- A major review of the Common Market's common policy on transport has been called for by the EEC Commission. The move follows proposals that the policy be extended to cover shipping and civil aviation. Victor Bodson, Commission member responsible for transport, indicated that the present policy, which has not been adopted by the Six, covers only road, rail, and inland waterway transport and would not be sufficient once Britain and Norway enter the Common Market. He also told the Council of Ministers that the EEC should consider joint management of the national railways of member countries, a common fund to finance studies of transport problems, and investment programs to develop transport infrastructures within the member countries.

Carli-Colombo battle brewing

ROME -- Guido Carli, Governor of the Bank of Italy, and Emilio Colombo, chief of the Italian Treasury, appear ready for a head-on clash. Carli, in the Governor's annual report (published on May 30), admitted that the Bank had been too flexible in granting aid to local authorities, largely

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because of political pressure. He also implied that the increase in Italy's money supply since last June was exclusively the fault of the Treasury. Because of Italy's June 8 elections, Colombo has preferred to remain silent. He is now expected to reply.

Impasse remains over Jeumont-Schneider

PARIS-- French Government efforts to quietly resolve the Jeumont-Schneider "affair" have run into a roadblock. Last year, the Government stopped a Westinghouse bid for the 61% of the heavy electrical firm's stock held by Belgium's Baron Empain. The move threw France's nuclear and power industries into a crisis. Recently, the Government has been attempting to pressure Empain into selling his holding to the Compagnie Général d'Electricité (C.G.E.), a French electrical group with close ties to the U.S.'s General Electric. A C.G.E. takeover of Jeumont-Schneider would largely satisfy criteria for French control of France's nuclear industry.

Meanwhile, Westinghouse bought the Belgian electrical firm, Ateliers de Constructions Electriques de Charleroi (A.C.E.C.), another Empain holding. In the deal, it is believed that, through stock transfers, Empain became a large Westinghouse shareholder, acquiring an estimated 14% interest in the American firm. He is now resisting the C.G.E. offer, one that could hurt Westinghouse's European plans. Westinghouse itself is believed to have added pressure in France by threatening to lift Jeumont-Schneider's license for its pressurized water reactor if C.G.E. merger intentions are pursued.

One other contender for Jeumont-Schneider exists: Compagnie Electromécanique (C.E.M.), a subsidiary of Switzerland's Brown-Boveri. A C.E.M.-Jeumont-Schneider merger would be awkward for both the French Government and Westinghouse. It would result in a huge European group controlled neither by the French nor Westinghouse.

The French Government would like to see a C.G.E.-Jeumont-Schneider merger finalized by June 18, the closing date for tenders for France's next nuclear power station at Fessenheim. Government officials have privately indicated that the contract will go to C.G.E. Baron Empain has privately denied this.

Swiss chocolate combine

ZURICH -- The boards of directors of two Swiss chocolate concerns, Chocolate Tobbler of Berne and Suchard Holdings of Lausanne, will recommend a merger to stockholders of the two firms' interests. Suchard's capital is being raised to $4.8 million to permit a share-swap offer of two registered Tobbler shares for one Suchard "B" bearer share, plus $37 in cash. The merger will become effective if a 70% exchange is reached by June 23. Suchard shareholders would then be asked to approve a change in the company's name to Interfood Holdings, a group that would be the parent of all Suchard's interests and the majority stockholder of Tobbler.

International Harvester seeks bigger corner on Europe's construction market

PARIS -- International Harvester is pressing a bid for Yumbo, a French manufacturer of steam shovels, which has shown spectacular growth over the past three years. Since 1966, Yumbo, a subsidiary of Gevelot--a producer of firearms, ammunition, and automobile and truck carburetors--has doubled its annual turnover. In 1969, the firm built over 800 steam shovels. Sales for the year topped $17 million. Details of the bid are not yet known. However, International Harvester, which both produces and rents heavy construction equipment, is believed to be arguing that a merger must come quickly if both firms are to benefit from the current, relatively wide-open, market in Europe.

Breweries merge in Denmark . . .

COPENHAGEN -- Carlsburg and Tuborg,the two Danish breweries which together account for 85% of the beer consumed in Denmark,have merged. The two firms have been closely linked since 1903. At that time they agreed to form a price cartel in Denmark, splitting the market and profits. Carlsburg has now acquired half of the Tuborg share capital, which for the merger was doubled. Carlsburg already holds a substantial, but unknown, interest in Tuborg and, despite an official communique announcing that Tuborg had taken over Carlsburg, is expected to exercise control in the new firm. The brand names Carlsburg and Tuborg will be retained and the breweries will remain separate and competing units. The only moves to coordinate activities will be joint research and development efforts and, perhaps, joint marketing and distribution networks.

. . . beverage firms in Holland

AMSTERDAM -- Four Dutch beverage concerns plan to amalgamate their activities. The operation will take place in several stages. First, Kon Gist-em Spiritusfabriek and Zuid-Nederlandsche Spiritusfabriek will rationalize and then merge their interests. Second, Heineken and Coebergh will intensify their existing cooperation. Both groups will coordinate their respective marketing activities. At an unspecified date all four firms will merge to form one company.

S.A.S. acquires travel group

STOCKHOLM-- Scandinavian Airlines agreed to take over Nordiska Resebureau, a subsidiary of the travel and forwarding group of Nyman and Schultz. Nordiska accounts for 25% of all S.A.S. tickets sold in Sweden. The move was prompted by fears that another firm would soon buy out the agency, shifting the present S.A.S. business to other airlines. S.A.S. will also exercise an option to buy a further 12.5% of the shares of Nyman and Schultz, bringing its stake in Nordiska's parent company to 25% of equity.

Two new Courtaulds plants

DUBLIN -- Courtaulds,Britain's textile giant, will spend an estimated $7.2 million for two new factories in Northern Ireland. The largest will be an integrated warp knitting unit at Carrickfergus, which will employ 1,000 people. The other will be a knitwear operation at Newry,County Down, which will employ 400.

French firm hands over part of its operations to Germans

PARIS -- Lesieur-Cotelle, a French food and detergent company, has given control of its dry detergent operations to Henkel-France, a subsidiary of Henkel GmbH, West Germany's fourth largest chemical group. Lesieur-Cotelle will concentrate on producing liquid detergents, an area in which it already holds 50% of the French market.

I.O.S. picture remains unclear

PARIS -- The New York brokerage house, Drexel, Harriman Ripley, has confirmed reports that a group of American and European bankers has moved to attempt to form another rescue group for Investors Overseas Services. Members of this group include Marine Midland Grace Trust Co., Chemical Bank, New York Trust Co., Bank of America, Banque Rothschild, Dresdner Bank, and Banca Commerciale Italiana. Their purpose is to try to set up an operation that will extend financing and restore confidence in I.O.S. It is expected that any agreement for support will require some time to negotiate.

Bernard Cornfeld, founder and former chairman of the problem-ridden mutual fund company,reportedly returned to Geneva to attempt to regain control of I.O.S. Insiders at the firm's headquarters have given him a fair chance to accomplish this feat,pointing out that a vacuum has existed at I.O.S. since his ouster. However,spokesmen for France's Banque Rothschild discount this possibility. Meanwhile, a mysterious buyer of I.O.S. shares appeared. Under the name of Andrew Beckett, someone has placed ads in leading European newspapers offering to buy preferred shares of I.O.S. Ltd.

Despite denials from I.O.S.'s new chairman and president, Sir Eric Wyndham White, reports of negotiations to spin off operations on national lines persist. One I.O.S. insider insisted that a decision will be made soon to sell the British interests of International Life Insurance, one of the firm's most profitable operations.

Philips and Siemens get 50% of public computer market in Belgium

BRUSSELS -- Philips, the Dutch computer giant, and Siemens, the big West German computer firm, have been awarded a 50% share of the public computer market in Belgium. The Belgian Government decided that the two companies each deserved the guaranteed $1.2 million annual income because of their investment intentions in the country. The grant will probably represent 40% of the yearly turnover in Belgium's computer market. Philips is about to invest almost $24 million in installations while Siemens is ready to spend about $28 million. Quoted as a precedent by the government was an earlier contract which gave Bell Telephone a 10-year monopoly in Belgium's telephone market. The new arrangement has been viewed with concern by I.B.M., which, up to now,supplied almost half of the public sector's total computer needs in Belgium.

Bourse report

LONDON -- Equities fall on modest trading. Gilts dull. PARIS -- Hesitant in very quiet trading. FRANKFURT -- Institutional buying kept stocks off the bottom. MILAN -- Quietly irregular. BRUSSELS -- Mainly lower. AMSTERDAM -- Local industrials lower. Shipping, plantations, and banks quietly mixed.

EUROMARKET NEWS

COMMERCE CLEARING HOUSE, INC.

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Common Market Reports

EUROMARKET NEWS

Issue No. 75 No. 137, June 23, 1970

Tory Party wins in British election

LONDON -- The Tory Party, under the leadership of Edward Heath, wrested control of the Government from the Labor Party in the general election on June 18. Mr. Heath's 30-seat majority in Commons is the result of a voting shift against the government in power of around five percent. Such a swing is considered to be on the order of the shift toward Labor that turned Winston Churchill out of power in 1945.

Mr.Heath led negotiations for British entry into the Common Market in 1961-1963, and because of his commitment to the notion of European solidarity, his election is thought to be a good omen for success in the new British negotiations starting this month.

Mr. Heath's cabinet will include: Reginald Maudling, as Home Secretary, Iain MacLeod, Chancellor of the Exchequer, Sir Alec Douglas-Home, Foreign Secretary, and Lord Carrington, Defense Minister. Mr. Anthony Barber, Chairman of the Tory Party, will be Britain's chief representative in the negotiations with the Common Market, with cabinet rank.

U.S. agrees to O.E.C.D. study on incomes policy

PARIS -- In what was termed by most observers as a major concession, the United States accepted an O.E.C.D. recommendation, calling for a joint study to determine methods of ending inflation in the 22 O.E.C.D. member countries. An incomes policy was listed as one of the elements to be studied.

Concern over the startling increase in international inflation has been expressed at all O.E.C.D. conferences since March. This week was no exception. The O.E.C.D. secretariat has revised its 1970 inflation forecast for member countries to 5%, up from a previous estimate of 4.25%. U.S. inflation is now predicted to hit 4.75% during the year, instead of 4%. In Germany, Japan, France, Italy,Britain and Canada the rate has been changed from 4.5% to 5.25%. Export prices, which traditionally lag behind domestic prices in the O.E.C.D.,were found to have risen by 20% since the beginning of 1970.

The O.E.C.D. recently urged the United States to adopt an incomes policy. However, no major trading nation has ever succeeded in implementing one successfully. U.S. sources at the O.E.C.D. felt that European countries could not now consider such a measure. Their problems stem more from excessive demand rather than cost-push.

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Europeans worried by threatened U.S. textile quotas

BRUSSELS -- Textile and clothing manufacturers in the Common Market called on the Six EEC member Governments to step up protectionist efforts on their behalf. The move was viewed as an attempt to discourage current efforts in the United States to unilaterally limit textile imports. European merchants worry that limits on U.S. imports of textiles from the Far East would force Japanese, Taiwan and Hong Kong producers to increase their exports to Europe, an action that could ruin the present European market.

The Community, up to now, has not made textiles an exception in its proposals for trade preferences for developing countries -- a subject that is now under discussion in the O.E.C.D. The U.S. and Britain have. European textile interests are now seeking to convince the EEC that it should align its position with that of America and Britain. The Common Market will probably not be ready to do this. The EEC has, however, suggested informal discussions on textile problems with Britain and Japan under established G.A.T.T. (General Agreement on Tariffs and Trade) procedure. This could open the way to an agreement under which the U.S. would be permitted to impose tariff quotas in one area, only if it relaxed them in others.

Record coupons hit Eurobond market

LONDON -- The once buoyant European capital market, now suffering from depressed demand, will be tested by two new Eurobond offerings, one carrying the record coupon rate of 9-1/2%. In addition to the record coupon, Continental Oil International Finance Corporation's issue will be priced at a discount to shed high yields. The previous high for a coupon was 9-1/4%. The second offering, a 10-year 12 million unit of account issue by the South African Electrical Commission, will also set a precedent. It will carry the highest coupon ever offered for a unit of account issue -- 9-1/4% . (The unit of account is an artificial currency, roughly equal to the U.S. dollar.) The actual price fixing for both issues will take place in late June.

On the European money markets, the British pound dropped to $2.39-5/8, its lowest in several months. Half of the fall appeared before release of the U.K.'s May trade figures. The Dmark was also under pressure, falling sharply in spot dealings against the dollar. The Bundesbank reportedly offered support for the forward rate on the dollar for the first time since last October's Dmark revaluation.

Fiat in Citroën waiting game

PARIS-- In an interview with France's weekly news magazine L'Express, company director Umberto Agnelli indicated that Fiat hopes to manage Citroën, the number 2 French car builder, on an equal basis with Michelin, France's largest tire concern. In 1968, Fiat was thwarted in a takeover bid for Citroën by former French President Charles de Gaulle. Instead, to help solve Citroën money problems, the Government authorized Fiat to take a 30% interest in Citroën. Recently Fiat offered to increase this interest. The Italian car company now hopes that it will be permitted to take almost 50% control of the Citroën holding company, which in turn owns 50% of Citroën. This would fit in with its plans to create a pan-European auto firm, styled along the corporate lines of the U.S.'s General Motors. Agnelli indicated

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to L'Express that Fiat would like to manage Citroën on a fifty-fifty basis, leaving Michelin a kind of veto power in cases where the French national interest might be at stake.

Algeria nationalizes five oil companies

PARIS -- Five oil firms have been nationalized by the Algerian Government. The interests of British-Dutch Shell, Amif (a subsidiary of Italy's Montecatini), Elwerath-Sofrapel (a West German consortium), Phillips Petroleum, and Drilling Specialties (a Phillips' subsidiary) will now be run by the national Algerian oil company, Sonatrach. Algeria plans to reimburse the firms for their losses. According to Algerian sources in Paris, the action was taken because the five companies were investing little of their profits in Algeria. E.R.A.P. and Compagnie Française des Pétroles, two French oil concerns with holdings in Algeria, were permitted to remain temporarily. However, tax talks between the two French firms and the Algerian Government are reportedly on the verge of breaking down.

I.O.S. gets new chief

GENEVA-- Spokesmen for U.S. banks represented at last week's two-day meeting at the Banque Rothschild in Paris indicated that no progress has been made toward forming a new rescue operation for Investors Overseas Services. The I.O.S. empire, composed of 18 mutual funds, is thus still looking for the backing that will enable it to solve its many problems.

The problems continue to mount. A history of unusual corporate generosity, which may have led to I.O.S.'s ready cash problems, began to unfold in Geneva. The crisis-torn company had outstanding loans and guarantees in favor of directors, officers, employees and friends of over $30 million at the end of 1969. In dealings with banks, it has become obvious that no rescue operation can be based on immediate payment for I.O.S. equity. The idea that Bernard Cornfeld,founder and former president of the group,could mount his own rescue operation if only world stock markets would improve, has also died.

The new strongman at I.O.S. is Sir Eric Wyndham White. After a board room showdown with Cornfeld, he was given full power to conduct negotiations with U.S. and European banks and to operate the day-to-day management of the financial conglomerate. Sir Eric, according to I.O.S. insiders, has the backing of middle-range employees and salesmen that will be needed to guarantee the morale of the company.

Sir Eric, as a former head of G.A.T.T., may also be able to instill the confidence that I.O.S. needs from European banking circles.

Commission looks at Dunlop-Pirelli deal

BRUSSELS-- The Common Market Commission is reviewing Dunlop-Pirelli merger arrangements. The two firms recently concluded an agreement, in principle, in which merger plans leading to the creation of the world's third largest tire producing concern were outlined. The Commission is especially interested in the effect that the projected merger will have on the European tire market.

A.K.Z.O. affiliates to merge

AMSTERDAM -- Two affiliates of the Netherlands's A.K.Z.O. chemical group -- American E.N.K.A. and International Salt -- will merge some of their operations. Complete plans remain unannounced. However, American E.N.K.A. intends to change its name to American A.K.Z.O. Corporation soon. Final arrangements for the merger will be completed in July, and in September an extraordinary meeting of the stockholders of both companies will be called to approve final moves.

Bendix in West German move

FRANKFURT-- A new company is being formed by the U.S.'s Bendix Corporation and its Paris-based affiliate D.B.A. to manufacture disc brakes for the West German automotive market. The new firm's leading product will reportedly be a floating caliper brake, developed by D.B.A., which is currently selling well in the U.S., France, Italy and Spain. The first phase of the effort will be construction of a $15.6 million production facility at Saarbrücken.

Saint-Gobain drops American subsidiary

PARIS -- France's glass giant Saint-Gobain announced that control of its ailing American subsidiary will be given to an American investment group. Outdated technology, plus adverse market conditions, led to a production fall at U.S. Saint-Gobain's five plants last year. Early in 1970, Saint-Gobain paid out $1.2 million to help finance the U.S. firm's deficit.

Dutch steel expansion

AMSTERDAM -- The Dutch steel firm Koninklijke Nederlandsche Hoogovens en Staalfabrieken plans a $166 million expansion. New investments will be made in rolling mills and coke plants, largely to replace obsolete equipment. The company's tinplate production lines will also be modernized. The firm hopes to raise annual steel output to 6 million tons by 1973.

Swiss cement takeover

ZURICH -- Holderbank Financière, a Swiss-owned cement concern, plans a takeover of the cement interests of Schweizerische Cement-Industrie-Gesellschaft, a Swiss-based holding company. The move will increase Holderbank's total annual production capacity from 20.6 million to 25.5 million tons. This should produce yearly sales of close to $190 million. To facilitate the takeover, Holderbank will double its capital in two steps from $17.8 million to $35.8 million.

European firms win U.S. Army contract

PARIS -- Laboratoire Central de Télécommunications and Le Matériel Téléphonique, two French firms, and Standard Elektric Lorenz, a German company, have been awarded a U.S. Army supply contract for radar systems. The three European firms will provide the Army with a system known as R.A.T.A.C., used for the guidance of field artillery on the battlefield. Initial supplies will come from the European concerns. After an as yet unspecified period, the U.S.'s ITT-Gilfillan of Los Angeles will manufacture the equipment under license.

Bourse report

LONDON -- Good profit statements from leaders push rally in gilts. PARIS -- Mixed in dull market conditions. FRANKFURT -- Losses predominate in quiet trading. MILAN -- Insurances head gains. BRUSSELS -- Quiet and irregular trading. AMSTERDAM -- Local industrials mixed. Shippings and plantations steady.

Common Market Reports

EUROMARKET NEWS

Issue No. 76 June 30, 1970

Inflation, production decline haunt new U.K. Government

LONDON -- Inflation, which the O.E.C.D. estimates will hit a rate of 5.25% this year in Britain, will likely be the first major concern of the new U.K. Government. Prices rose a record 2.1 points on the official British index in April. They continue to be under pressure. Labor unions are being pressed by their membership to make spectacular wage demands in order to keep up with rises in the cost of living. A nation-wide dock strike is threatened for July 14 unless employers grant dockers an 80% hike in their basic weekly pay rate.

A sharp fall in overall U.K. economic activity for the first quarter of 1970 has been reported by the Central Statistical Office. This news plus indications of rising unemployment makes Britain suspiciously ripe for the type of economic problems that the United States has been facing throughout this year. One dilemma facing the new Government is whether to cut indirect taxes to stimulate sales and output--this would also reduce the tax element in prices--or wait and see whether stimuli adopted in the budget of the preceding Government take hold.

New national income and expenditure data appear to indicate that the level of British economic activity may have been lower than assumed at the time of preparations for this year's budget. The U.K. GNP fell from 103 1/2 (on the 1963 base) in the last quarter of 1969 to 102 in the first quarter of 1970. The new Government may decide to discard the present budget for a new one in the fall.

Optimism remains on Britain's Common Market entry bid

BRUSSELS -- Opinion in the Common Market is that no real problems either as to the speed or the nature of entry talks with Britain will be posed by a new U.K. Government. Some doubt exists over whether the British will now be ready to start concrete negotiations on July 21. Real bargaining may not begin until September. Edward Heath, the new British Prime Minister, is regarded by EEC officials as being a more "genuine" European than his predecessor, Harold Wilson. However, fears persist in Brussels that when the principal conditions for British entry become clear, probably one year from now, Heath may have trouble winning House of Commons acceptance of the price that the U.K. will be forced to pay for Common Market entry. The Heath Government has moved fast to reassure the Six on its entry intentions. Anthony Barber, a close confidant of Heath, has been appointed minister in charge of negotiations. Sir Alec Douglas-Home, Britain's new Foreign Minister, plans to attend the opening ceremony in Luxembourg, to stress the importance which the Government attaches to the negotiations.

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Warning on U.S. attitude toward enlarged EEC

LONDON -- Harald Malmgren, of the U.S.'s Overseas Development Council, warned that American economic and foreign policy could shift sharply against Britain and Western Europe if an enlarged Common Market does not fully respect U.S. interests. He emphasized that U.S. agricultural exports to the present European Community declined by 40% since the application in 1967 of the EEC's agricultural policy. Increases in Common Market production have also produced surpluses, turning the Six into net exporters instead of net importers. This has increased U.S. - EEC competition in third world markets. Malmgren added that if Britain were included in the Common Market agricultural policy as it is now applied, the U.S. would demand heavy compensation for "breach of access rights."

Leaders voice fears on Italian economy...

ROME -- Italy, whose economy remains strike-torn, appears to have suffered a foreign trade deficit of about $939.2 million during the first five months of 1970. This compares with a $4.8 million deficit in the corresponding period of 1969. The State Statistics Institute has published figures showing a trade deficit for the first three months of this year of almost $592.8 million.

Several of Italy's top officials have issued public warnings on the state of the Italian economy. Recently, Guido Carli, Governor of the Bank of Italy, told the magazine l'Espresso that industrial production is faltering. Ugo La Malfa, Secretary of the Republican party, stated in a newspaper letter that a crisis much graver than the one in 1964 was on the horizon. Amintore Fanfani cautioned that Italy's social and political situation remains brittle. Carlo Donat Cattin,Labor Minister, insisted that if development continued to be guided by the profit motive, Italy would have to face the prospect of at least 4 million unemployed over the next ten years.

...and consider new taxes

ROME -- New taxes are under study by officials in Italy. However, the Government intends to make good on a promise to increase the level of tax-free allowances on income taxes. Labor unions have urged that this allowance be increased to about $1,200 a year. Raising the allowance will mean that other revenue sources will have to be found. But many Italian economists have indicated that even without an increase in the tax-free allowance,it was imperative that the Government find new sources of revenue as soon as possible. The present level of Government spending will require an additional $500 million to $1 billion annually.

Direct taxation will probably be increased. Moves under study include increases in gasoline prices, special purchase taxes on cars above a certain price level or cylinder capacity, and new taxes on perfumes,furs, jewelry, yachts, and motorboats. In a related effort, the Treasury and the Bank of Italy may raise the yield on all types of bonds.

Irish bank crises still unresolved

DUBLIN -- The Association of Chambers of Commerce, the Dublin Solicitors' Bar Association and the Dublin Stock Exchange have appealed to Ireland's

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new Minister of Finance, George Colley, to intervene in the two-month-old Irish bank strike. All of Ireland's 900 branch banks have remained closed since late April when the Irish Bank Officials Association staged a walk-out over pay demands. Nègotiations between the I.B.O.A. and Ireland's associated (clearing) banks have since been broken off, but a resumption of the talks is expected soon. Meanwhile, a severe cash crisis has hit Ireland. Virtually all normal bank transactions are halted. Also, unauthorized overdrawn accounts are now the rule rather than the exception.

Community to consider butter price cuts

BRUSSELS--Sicco Mansholt, a vice president of the Common Market Commission, reportedly is preparing a case for cuts in EEC butter prices. Estimates place the Community's self-sufficiency in butter at 111.1%. One fear is that the EEC's present butter predicament will grow worse once new members have joined the Community. Acceptance by Britain of high butter prices could lead to a rapid increase in U.K. butter production, accompanied by a fall in butter consumption. This would disrupt any calculations based on present production levels. At the moment, the Six are reducing their butter surplus, but only at enormous expense. Stocks were at 302,000 tons at the end of 1969. By the end of 1970, they should be reduced to 242,000 tons. But the butter policy has cost the EEC $518 million in 1970, compared to $348 million in 1969. The Common Market will start examining butter prices this autumn along with plans for the 1971-72 farm season. During entry negotiations, Britain could be expected to support butter price cuts, simply because of the effect the high EEC prices would have on the U.K. cost of living.

EEC proposals pose no constitutional problems in France

PARIS -- National Assembly voting on two important EEC bills will proceed as in the case of any normal treaty. France's Constitutional Council ruled that two decisions of the EEC Council of Ministers, one allowing the Common Market its own financial resources, the other giving the European Parliament budgetary powers, did not require changes in the Constitution in order to become law in France.

Oil fever in the North Sea

LONDON -- More oil has been found in the North Sea. The well, according to the Esso Exploration Company, cannot be exploited commercially. However, the strike, which is 180 miles north of Phillips' major Ekofisk find, has provided impetus to search efforts under way. Currently, six mobile rigs are operating in the British sector of the North Sea. Five of them are drilling in Scottish waters. At the moment, most of the exploration companies present are also working out plans for new drilling areas, gained under the recent distribution of licenses by the British Government. They expect to begin seismic surveys later this summer and drilling in the fall.

French air controllers disrupting traffic across Europe

PARIS -- The on-again, off-again slow-down being staged by French air traffic controllers is beginning to disrupt air transport all over Europe. The U.K. is especially affected. The French controllers are joined from time to time by meteorological and communications personnel. The effort is aimed at securing higher pay and changes in work rules. At times, the French staff refuse to handle more than six flights an hour. This backs up arrivals and departures at other airports all over Europe. Particularly hard hit are Britain's Heathrow,Gatwick and Lutton airfields, where delays have been as much as five hours. However,every European airline which operates flights to or across France is affected. Efforts to reroute traffic in order to avoid French air space throws heavier burdens on German, Italian, and Spanish controllers, causing delays in those countries.

Bundesbank issues new warning

FRANKFURT --The Bundesbank has warned the West German Government that social spending must either be cut or taxes raised if control of the economy in the Federal Republic is to be regained. The Central Bank admitted that efforts to check inflation through high interest rates have failed,largely because of a recent heavy inflow of foreign exchange. Reserves in the Federal Republic rose by almost $111.1 million in early June. The inflow, supposedly caused by the floating of the Canadian dollar,has not continued; however,nervousness over the stability of the Dmark has. Interest rates may now have to come down in order to keep unwanted money out. The Bundesbank will probably raise minimum reserve requirements by 10% to 20% on July 1.

West German unit labor costs are now growing at a rate of 10% per year,the sharpest since 1948. Basic wages are now 14% higher than a year ago. However, productivity is growing by only 4%. The Bundesbank indicates that a new wage-price explosion can be expected in the Federal Republic this autumn. The Central Bank once again denied reports that a new revaluation of the Dmark is being planned.

EEC aircraft cooperation

BRUSSELS --Five major European aircraft producers intend to increase cooperative efforts in order to face mounting competition from the U.S. aircraft industry. The Dutch and German branches of VFW-Fokker,France's Marcel Dassault,Italy's Fiat,and Belgium's S.A.B.C.A. told the EEC Commission that they would begin joint planning and production efforts,as well as cooperate in raising financing. The five firms also asked for Commission help in persuading EEC member Governments to cover economic risks inherent in the long periods of aircraft development time.

Michelin expands in Britain

PARIS -- Michelin, France's leading tire manufacturer,plans a new plant in Dundee, Scotland. The firm already has two factories in Britain. Production at Dundee will start in mid-1972. Output will be 6,000 automobile tires per day. Michelin recently stepped up expansion efforts in Europe and North America. The company plans to raise about $250 million in the next two years to cover investment expenses.

Bourse Report

LONDON -- Equities strong on tax cut hopes. PARIS -- Banks, metals, oils, and chemicals well maintained. FRANKFURT -- Mixed in quiet trading. MILAN -- Firm, but volume below average. BRUSSELS -- Quiet. AMSTERDAM -- Generally mixed; industrials quietly mixed.

EUROMARKET NEWS

Common Market Reports
EUROMARKET NEWS

Issue No. 77 No. 138, July 7, 1970

Britain adopts hard line on EEC agricultural policy

LUXEMBOURG -- In a formal statement, Anthony Barber, Britain's chief negotiator, opened the U.K.'s second bid for Common Market entry by indicating that Britain's contribution to financing the Six's common agricultural policy would be one of the crucial elements of the negotiations. This stance contrasted sharply with that taken by Ireland and Denmark, two of the other three Community entry applicants. They agreed to accept the main lines of the Common Market's agricultural policy.

Agreements among the Six, concluded earlier this year, on a new system of agricultural financing appear to be the chief of Britain's entry worries. Arrangements by which the U.K. will be phased into this financing system will probably provide the main stumbling blocks to the negotiations. There are other problems as well. Britain would like to obtain association agreements with the EEC for Commonwealth countries in Africa and the Caribbean. Up to now, the Six have been willing to consider arrangements only with those in Africa. The exact role that the European Free Trade Association --the organization that Britain will leave to join the Common Market--will have in relation to the EEC must also be determined. However, no real problems appear to exist between Britain and the Six on the question of closer European economic and monetary integration.

Barber indicated that unless a solution to the agricultural financing problem could be found, Britain would not be able to join the Common Market. Despite this assertion, top EEC officials continued to publicly express their confidence that, this time, the U.K. entry bid would succeed. Among Common Market circles, only Norway's opening statement was badly received. Foreign Minister Sven Stray asked that Norway be given special arrangements, permitting free trade with other Nordic countries and protection for Norwegian agriculture and fisheries.

EEC insists on acceptance of Community rules

LUXEMBOURG -- Britain, Ireland, Denmark and Norway--the four applicants for Common Market entry--will have to observe six principles throughout the negotiations. As outlined by Pierre Harmel, Belgium's Foreign Minister and President of the EEC Council of Ministers, the principles are: Solutions to any problems affecting the candidates must be sought in the establishment of transitional rules, not in changes in existing Common Market rules; the transitional measures must adhere to detailed time tables and must start with initial significant mutual tariff reductions; increases in the freedom of transport for industrial goods must be synchronized with the enlargement of the agricultural common market; for trade purposes, the transitional period will be the same length for all four candidates; for other fields, the transitional periods can vary, depending on the nature of the problems and the countries involved; the various accession treaties, once agreed on, must come into force on the same date.

Italian Government resigns

ROME -- The coalition Government of Italian Premier Mariano Rumor resigned on July 6 after being in office for a little more than three months. The reason given for the Government's resignation was its lack of success in solving the economic and labor troubles that have brought the nation to a general strike situation. Also,the Italian political scene has been rocked by internal disagreement over methods of dealing with communists newly elected to regional legislatures. Premier Rumor's Government was the 31st to be formed in Italy since the war.

Pressures mount on Swedish kronor...

STOCKHOLM-- Despite evidence of a mounting Swedish trade gap and rumblings that the trend points toward devaluation, the Swedish Government continues to maintain an air of calm. Foreign trade for Sweden in the first five months of 1970 ran a deficit of almost $343 million. The deficit for the same period of 1969 was $108 million. Only two months ago Finance Minister Gunnar Strang predicted that the deficit would be about $109 million.

The trade figures plus drains on central bank gold and foreign currency reserves have provided ammunition for opposition warnings that the kronor would soon have to be devalued. The Government has denied this, but Government spokesmen have publicly stated that no moves are being contemplated that would improve the trade deficit.

Most observers feel that the Government will wait until September, when general elections are scheduled, before considering a devaluation of the kronor.

...and on Danish kronor too

COPENHAGEN -- The Danish kronor is under pressure in foreign exchange markets. Denmark was one of the countries that were severely affected by last year's world currency crisis. Just after revaluation of the West German Dmark, Danish reserves were almost completely exhausted. Prime Minister Hilmar Baunsgaar expects to take economic measures designed to counter inflation and reduce Denmark's balance of payments deficit. Denmark had a payments deficit of about $412 million in 1969.

Algeria toughens stance in dispute with French oil firms

PARIS -- Algeria has ordered the French owners of the 485-mile Trapsa oil pipeline, which runs from In Amenas to La Skirra, to cut rates sharply or face unspecified restrictions. A statement prepared by the Algerian Government accuses French oil firms of inflating prices of the pipe used in the line, thereby reducing Algeria's oil revenues. Algeria has demanded a cut amounting to about $10 million in its pipeline payments for this year. In addition,it has demanded a rebate of $20 million for "excessive" payments in 1969.

The Algerian Government recently broke off tax discussions with E.R.A.P. and Compagnie Française des Pétroles, two French oil concerns with large holdings in Algeria. It demanded payments of more than 70% of the two firms' turnover pending settlement of a long dispute over oil prices. The talks are expected to resume soon. The Algerian holdings of five other Western oil companies were recently nationalized by the Algerian Government. The French concerns, which control more than 60% of Algeria's oil production, are expected to be allowed to remain.

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EEC team in Washington to discuss U.S. textile policy

BRUSSELS -- A high-level EEC trade team arrived in Washington last week for two days of informal talks on U.S.-EEC trade. One pressing topic on the Community delegation's discussion list was U.S. textile policy. Now that American negotiations with the Japanese for voluntary quotas on exports of textiles have broken off, the EEC is afraid that the U.S. is considering controls for textile imports. This could hurt Community textile producers in two ways: through reduction of their textile exports to the U.S. and through an increase in Japanese exports to Europe--something that would ruin current price structures in the Common Market.

The EEC delegation sought to persuade Washington officials to discuss the problem in G.A.T.T. on a multilateral basis. The U.S. has preferred bilateral talks up to now.

Bank of Italy increases foreign currency reserves

ROME -- In addition to a $250 million credit transfer with Japan, the Bank of Italy has admitted taking two other steps in order to increase its foreign currency reserves. First, it has converted special drawing rights worth $50 million. Second,it will receive payment in advance of two promissory notes from the Bank of Canada. The notes together total $68 million. They were not due until 1971.

I.B.M. to produce new model in Britain

LONDON -- The British subsidiary of International Business Machines will make the System 360 Model 165,largest of the two computers in I.B.M.'s new series. This model will be the most powerful computer produced by I.B.M. outside the United States. I.B.M. France builds the 360 Model 65, previously the largest built outside the U.S. Spokesmen for I.B.M. England say that the Model 165 will be produced at Havant, Hampshire.

New DuPont investment in West Germany

FRANKFURT -- DuPont de Nemours Deutschland GmbH, a wholly-owned subsidiary of E.I. DuPont de Nemours of Delaware, plans a $17.9 million investment to enlarge capacity at its artificial fiber plant at Uentrop, near Dortmund. The new capacity of the facility will be 80,000 tons a year. Two-thirds of this will be devoted to polyester production, the rest to nylon. Present capacity at the plant is 50,000 tons of material a year.

Philips builds new Brussels plant

BRUSSELS -- Philips Gloeilampenfabrieken will build a plant at Tessenderloo, to produce batteries for radios, television sets, and flashlights. Work on the $7.2 million installation will be started by Philips. Originally, Japan's Matsushita Electric Industrial Co. of Osaka was to have taken part in the project. Philips spokesmen indicate that this cooperation still depends on an approval from the Japanese Government. If and when Matsushita is permitted to proceed, Philips will agree to a joint agreement on operating the unit. The project is expected to be completed in January 1971.

Grand Met takes over Mecca

LONDON -- Britain's Grand Metropolitan Hotels group has made an agreed $79.2 million bid for the Mecca entertainment and catering complex. Grand Metropolitan, which owns 50 hotels worldwide, had forecast a 1970 pre-tax profit of $20.6 million. Mecca had pre-tax profits of $12.2 million in 1969. The new group will be capitalized at $285.6 million. Its potential turnover has been estimated at $480 million.

West German business newspapers merge

FRANKFURT -- West Germany's two leading business newspapers, Handelsblatt and Industriekurier, will merge. The result will be one large national business daily, which will appear for the first time late in September. The new publication will be based in Düsseldorf and will have an initial production run of 55,000 copies a day. Spokesmen at Handelsblatt are confident that circulation will reach 100,000 without too much difficulty. Handelsblatt bought a 50% share in Becker und Wrietzner Verlag, Industriekurier's publisher, early this year and recently was reported to have acquired a controlling interest.

Phillips finds giant North Sea oil field

LONDON --Results from test drillings have proved that the field discovered by the U.S.'s Phillips Petroleum Co. in the North Sea will be capable of producing 10,000 barrels of top quality crude per day. The U.S. firm operates a four-company consortium which has been drilling in the Ekofisk structure--185 miles off the Norwegian coast--for the past three months. Belgium's Petrofina, another firm in the consortium,has indicated that the strike could solve much of Europe's oil supply problems. Phillips has a 36.96% share in the group. Petrofina holds 30%, France's Petronord 20%, and Italy's Agip 13.04%.

Possible Norwegian refinery near North Sea oil fields

OSLO -- Norsk Hydro, a Norwegian chemicals and metals concern, has been offered a site in western Norway, near Bergen, for an oil refinery and integrated aluminum plant. The exact location of the site is believed to be only about 500 miles from Phillips' major Ekofisk oil strike. Norsk Hydro's acceptance reportedly hinges on allocation by Norway's Ministry of the Interior of electric power from a proposed station near the site.

Pilkington goes public

LONDON -- Britain's largest private company, Pilkington Brothers, will go public sometime late in 1970. The firm, one of the world's biggest glass manufacturers, is expected to be valued at over $240 million. Observers feel that the flotation could be the largest in the history of the London Stock Exchange. Schroder Wagg will handle the issue.

Bourse report

LONDON -- Gilts good, but equities drift. PARIS -- Quiet. FRANKFURT -- Weak in light trading. MILAN -- Most sectors eased on light profit-taking. BRUSSELS -- Quiet and irregular. AMSTERDAM -- Local industrials off, shippings and plantations weak.

Common Market Reports
EUROMARKET NEWS

Issue No. 78 July 14, 1970

Italy's Andreotti asked to form government

ROME -- Italy's new premier designate, Giulio Andreotti, is trying to form a new coalition government following the resignation of the government headed by a fellow Christian Democrat party member, Mariano Rumor. Whether Mr. Andreotti can form the 32nd post-fascist Italian government depends on his getting support from the leaders of Italy's four major political parties. Rule by a coalition government is unavoidable in Italy at this time of economic and social turmoil since no one party is in control of Parliament.

Germans adopt plan to cool economy

BONN -- The West German Parliament has approved a program to cool down the grossly overheated economy. The program includes a temporary 10% surcharge on personal and company taxes, to be held in a special account and refundable after the boom subsides, but not later than March 31, 1973. Also included is a six-month halt on special depreciation allowances. The other points are less concrete: a pledge to hold down inflationary spending in the 1970 budget, a plea to Parliament for comprehensive tax reform, a request to the Bundesbank for new credit policies that would reduce interest rates, and an appeal for a voluntary incomes policy under which labor and management would settle for non-inflationary wage rises.

Vacant jobs rose to a new record of 891,700 in the booming economy in June, while registered unemployment dropped to 94,800, and the number of foreign workers rose to another record of 1.8 million. Experts believe that the vacancies situation may have reached its peak due to seasonal trends, but note that the greatest strain is in the nonseasonal metalworking and electrical industries, where there are 225,400 vacancies.

Flexible exchange rates--little progress

PARIS -- Representatives of the Group of Ten, the leading Western industrial nations, agreed to further study of three plans to allow more flexibility in exchange rates. But it was stressed that no changes could be expected in the near future. One problem is that the Common Market nations have yet to reach agreement on the question, the French in particular being strongly against any change in the present system which allows rates to move by only 2% on either side of the fixed parity.

Good outlook for Holland

THE HAGUE -- The Dutch Government's Central Planning Bureau predicts good domestic economic progress over the next two years, provided wage demands are kept reasonable. Industrial output should rise by 5% per year, and an almost parallel rate of increased productivity should mean that the work week can be reduced to an average 41-1/4 hours for manual workers. Exports should grow by 10% per year with imports rising by a comfortable 8% annually. Investment is seen to rise at 6% per year, concentrated in the chemical and metalworking industries, utilities and construction, with savings easily providing the necessary pool of capital. The overall balance of payments should show a surplus of some $276 million by 1973.

Deniau to head Market talks with Britain

BRUSSELS -- France's Jean-François Deniau, 41, will be responsible for the Common Market Commission's role in the negotiations with Britain, handling technical aspects under the overall chief negotiator, the president of the Council of Ministers. The choice of Deniau was virtually automatic--he led the Commission delegation during the 1961-63 negotiations with Britain which ended with President de Gaulle's veto. Deniau will also be in charge of discussions with the other EFTA members not seeking membership--Switzerland, Austria, Portugal, Sweden, and the EFTA associate Finland.

British watch and wait on economy

LONDON -- The new Conservative Chancellor of the Exchequer, Iain Macleod, told Parliament that he would not be introducing an autumn supplementary budget, and that no immediate steps would be taken to stimulate demand in the economy. Inflation was the major problem, he said, and tight money was still necessary, so he called on banks and finance houses to continue with present restrictions on lending. But Macleod made it clear he would use some of the many nonbudgetary measures available to a British Treasurer to stimulate the economy when he thought it necessary. The most likely moves are changes in the purchase tax and easing of installment credit restrictions. He reported that there were some hopeful signs of increased industrial production and a good gain in engineering export orders, to offset the recent picture of stagnant production and high unemployment.

EEC investment growth prospects

BRUSSELS -- A report by the Common Market Commission shows that EEC businessmen expect to expand their already booming investments in the coming months. 1969 estimates of investment this year have already been increased in all the Member States, the Commission said. The figures are impressive. French businessmen, who at the end of last year expected to increase investment by 19% in 1970, now expect a 27% increase. In the other countries the figures are(old expected increases in parentheses): Germany 22% (16%), Italy 42% (41%),Luxembourg 68% (57%), and Belgium 56%. Most of the investment drive is in the metalworking and basic materials industries, the Commission says. General industrial production is expanding well but is expected to taper off as companies struggle with full utilization of capacity and labor shortages.

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Morgan Guaranty creates IDR's for U.S. stocks

BRUSSELS -- Morgan Guaranty has formally announced the creation of international depositary receipts (IDR's) to simplify international trading in leading U. S. companies. It issued IDR's for some 30 Japanese companies earlier this year. IDR's represent shares deposited with Morgan Guaranty in New York. In bearer form,with coupons for dividend payments,they eliminate the physical transfer of stock certificates. IDR's will also be handled by Morgan's Euroclear bond clearance system, and participants in the system will be able to handle IDR's simply as book entries. IDR's are expected to become available about September 1.

Philips massive loan

LONDON -- With Eurobond flotations so difficult and expensive at present interest rates, Philips Gloeilampenfabrieken, the parent company of the worldwide concern,has gone back to the classic straight bank loan. A group of some 50 international banks has granted Philips a $250 million five-year loan with the interest rate varying at three- or six-month intervals on a 3/4% above interbank rate basis. Philips will take up the loan in units of at least $50 million, in Eurodollar or European currencies. The loan was put together by N. M. Rothschild and Sons, Manufacturers Hanover Ltd., and Amsterdam Rotterdam Bank NV and Pierson, Heldring and Pierson, of Holland.

British auto strike settled

LONDON-- Britain's strike-plagued auto industry swung into full production again after severe disruptions caused by a three-week strike at Lucas Component Co., which has a near-monopoly position in electrical equipment for British-built cars. Some plants, such as the Jaguar line producing the new XJ-6,shut down and others were turning out thousands of vehicles which now must be brought back on to the lines to be equipped with starters, ignition, lights and similar components.

IOS changes in Germany; Mende out

GENEVA -- Dr. Erich Mende, former West German deputy Chancellor, has been relieved of his position as head of the German operations of the troubled mutual fund giant Investors Overseas Services (IOS). The move was taken as part of a reorganization of the IOS structure in Germany, but was not surprising after public criticism of IOS by Dr. Mende. A new holding company, Orbis Finanz GmbH, will group all the German interests of IOS and be headed by Sir Eric Wyndham-White, chairman and chief executive of the parent company in Geneva.

British publishing merger

LONDON -- Penguin Publishing, the founders of the concept of publishing classics in paperback, is to be taken over by a subsidiary of S. Pearson and Sons, one of Britain's two leading publishing groups. The move will be in the form of a reverse take-over of Longman's Holdings by Penguin, in which Pearson Longman will end up with 65 - 70% of Penguin shares. The take-over had been discussed at length with Sir Allen Lane, the founder of Penguin, who died only a few days before the announcement. S. Pearson and Sons also has a controlling interest in Lazards Bank and wide investment, oil and industrial holdings.

Krupp turns the corner

FRANKFURT -- West Germany's Friedrich Krupp Group moved into profit last year for the first time in five years. Günter Vogelsang, chairman of the board since the management shake-up two years ago in which Berthold Beitz was ousted, announced a net profit of over D-mark 63 million ($17 million) for 1969 and predicted continued profits this year. The major steel subsidiary, Krupp Hüttenwerke and Friedrich Krupp GmbH were the key profit-makers,but the shipbuilding unit, A.G. Weser, continues in the red, though losses are being steadily reduced.

Bayer buys in Iran

COLOGNE -- West Germany's Farbenfabriken Bayer, one of the big three chemical groups,has bought a 50% stake in an Iranian synthetic fiber producer, Sherate Sahami Aliaf of Teheran.

Swedes buy into German paper

STOCKHOLM -- The Swedish Cellulose Company is buying the largest single holding, 25%,in Papierwerke Waldhof-Aschaffenburg (PWA) of West Germany, a leading European papermaker. Other major shareholders are Bayerische-Hypotheken und Wechsel Bank, and Landesanstalt für Aufbaufinanzierung. The Swedish company had an investment in one of the two companies that merged to form PWA.

Bourse report

LONDON -- Equities and gilts firmer but volume low. PARIS -- Mixed but showing signs of possible firmer tone. FRANKFURT -- Stronger on hopes of lower discount rate; motors,engineering,retailers strong. MILAN -- Stronger note, and most sectors showed small but positive gains. AMSTERDAM -- steady but with little buying interest.

EUROMARKET NEWS

Common Market Reports
EUROMARKET NEWS

Issue No. 79 No. 139, July 22, 1970

Down-to-business talks with Britain begin

BRUSSELS -- Anthony Barber, Britain's chief negotiator for EEC entry, began meeting with the EEC team on July 21 for the first practical talks after the formal application session. The meeting was devoted to assigning priorities to the various questions to be tackled. Recent discussion of the problems facing Britain had concentrated on agriculture as the most difficult stumbling block, but attention has now turned to monetary questions as being perhaps an equally vital issue. French Foreign Minister Maurice Schumann,in a question-and-answer session with French businessmen, went so far as to raise the specter of yet another French veto. In a restatement of France's opposition to increased flexibility in international exchange rates,he said that Britain could not go along with any U.S.-backed International Monetary Fund proposals for wider parity fluctuations and still expect to forward its candidacy for EEC membership. The Six, Schumann pointed out, have a formal agreement to oppose any wider parity fluctuations. It is known, however, that the Germans and Dutch are not too happy about this agreement. There is increasing talk in Brussels of the need to tie the Six currencies together and have them move as a bloc against other currencies, but the technical problems are formidable.

EEC plans talks with EFTA; Malta customs union near

BRUSSELS -- The EEC Commission will open talks in October with the members of the European Free Trade Association (EFTA) that are not applicants for EEC membership -- Portugal, Austria, Switzerland, Sweden, Iceland, and associate member Finland. The talks will be aimed at finding a means of lessening the impact on these nations of eventual EEC membership of Britain, the key EFTA nation, Denmark, and Norway.

Agreement is expected within days on a pact with Malta which should lead to a full customs union in two five-year stages, and under which Malta will swing from the Commonwealth to the EEC,whether or not Britain enters.

British trade deficit increases . . .

LONDON-- Britain's visible trade deficit jumped by £19 million ($45.6 million) to £51 million ($122.4 million) in June, the sharpest negative movement since April, 1969. The increase in deficit was nearly 50% above estimated invisible earnings for the month. The three-month rolling average, the most reliable short-term indicator, showed an average deficit of £31 million ($74.4 million) per month in the second quarter compared with a surplus of £11 million ($26.4 million) per month in the first quarter. Conservative spokesmen are saying that the figures confirm their election campaign claims that they would inherit a deteriorating economic situation from Labour. The Board of Trade says that several special factors are involved, including extra heavy imports ahead of the dock strike threat; officials say that the true position is nearer a balance. Observers are not quite so optimistic.

. . . and dock strike will make it worse

LONDON -- Thousands of dock workers went on unofficial strike in the Port of London and other major British ports despite agreement between their union and employers on a new contract. The union had called the threatened national dock strike when the accord was reached at the 11th hour. Port authorities were turning away export cargos in anticipation of extensive disruptions in loading schedules. It was not clear how long the unofficial movement would continue, but many of the workers were openly critical of union leadership.

German interest rates changed in surprise move

FRANKFURT -- The West German Bundesbank announced cuts of 1/2% in both the discount and the Lombard rates to 7% and 9% respectively. The move had not been expected before August 12 at the earliest. Last week, while welcoming the Government's imposition of a 10% temporary surcharge on individual and corporate taxes in an effort to cool down the economy, the Bundesbank said that credit restraint was still needed. It also would have preferred to see a firm tax increase instead of the refundable system that was enacted.

U.S. for textile talks with Europe, Japan

GENEVA -- The United States has agreed to talk with the EEC Commission, Britain, and Japan in Geneva this month to consider the threat to introduce a protectionist bill against imports of foreign textiles into the United States. The bill, sponsored by Rep. Wilbur Mills of Arkansas, has aroused extreme bitterness in Europe, coupled as it is with continued Congressional refusal to abolish the American Selling Price (ASP) rules on some chemical and other imports, which the United States was pledged to abolish under the Kennedy Round agreements. The EEC is threatening retaliatory action if the textile bill goes through, and the first U.S. product to be hit could be soybeans, the largest single U.S. export to Europe, a substantial amount of which comes from Representative Mills's state. Officials in Brussels suggest that the United States would be hard put to provide formal proof that imports are seriously affecting the U.S. textile industry, which their figures show to be in good health apart from some minor plants in South Carolina. These officials say that imports to the EEC increased some 34% last year.

Eurodollar loans

LONDON -- Two new straight Eurodollar loans have been announced for U.S. companies. Signal Companies, the oil and gas group, is guaranteeing a $75 million loan arranged by Western American Bank (Europe) for a Netherlands Antilles subsidiary. The five-year loan will carry interest at 1-1/4% above the London six-month interbank Eurodollar rate. The British investment bank of Singer and Friedlander headed a group of international banks

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which is extending a $30 million credit line from Eurodollar funds to Petroleos Mexicanos, the Mexican state petroleum company. The five-year loan will again be tied to London six-month Eurodollar rates.

CIBA-Geigy merger goes through

GENEVA -- The two giant Swiss-based international chemical and pharmaceutical concerns CIBA and Geigy have announced that they will proceed with their merger plans following agreement by the U.S. Department of Justice Antitrust Division on the merging of their U.S. subsidiaries. The original plans for a straight merger have been revised because of tax considerations, and CIBA will now take over Geigy to form a company with a combined turnover of over $1.4 billion. Shareholders of the two companies will have an equal stake in CIBA-Geigy Limited. The two companies operate in 80 countries, with North America their fastest-growing market. About half of Geigy's turnover is in the United States. No details of the effect of the agreement on the U.S. subsidiaries have yet been announced.

Renault plant for Algeria

PARIS-- France's state-owned Régie Renault auto company is to build an 800 million franc($145 million) plant in Oran, Algeria, to produce 25,000 passenger vehicles per year. The local content of the autos will vary from 65% to 80%. The plant will be designed to allow eventual expansion to twice the initial production figure. The basic model will be the Renault 6 small car in sedan, fastback, and light van models, regarded as particularly suited to the Algerian market because of its simplicity and low operating costs.

Japanese plastic move into Europe

BRUSSELS -- Kanegafuchi Chemicals of Osaka, Japan, linked with the Mitsui group, is reported to be near agreement with the Belgian Government to establish a $100 million plant at Kempen, the first Japanese move into the European petrochemical field. Products would include plastic sheets, pipes and molded products as well as a PVC-reinforced resin.

Ford plant for France?

PARIS-- Henry Ford II has suggested to President Georges Pompidou of France that Ford would consider building a major gearbox plant in France, possibly at Charleville in the northeast border region. Ford has no major installation in France, and Pompidou is known to have expressed keen interest in such an investment in private meetings with Henry Ford II. Ford officials say that several sites are under consideration in France but that no decisions have been taken.

Kodak European operation

LONDON -- Eastman Kodak will establish a separate European division in its International division, with headquarters in London. The new division, effective as of the beginning of 1971, will oversee Kodak photographic operations in Europe, under Norman A. Brick and Lucien Vacher.

Swiss talks for Hispano-Suiza

GENEVA -- The Swiss armaments company Oerlikon-Buehrle Holdings and the machinery manufacturers, Sulzer Brothers, are holding joint talks with the Hispano-Suiza arms and machinery group to take over some of the latter's operations. Oerlikon is seeking Hispano-Suiza's Geneva plants, use of its trademarks and some know-how and patents in the arms sector, plus control of a British subsidiary so as to increase its capacity by taking over one engineering plant and possibly a small foundry.

French cement expansion in Canada

PARIS -- Canada Cement Lafarge, a subsidiary of Ciments Lafarge of France, next year will start building a major cement plant at Bath, near Kingston, Ontario. Planned for an output of about one million tons per year, the plant will cost $49 million and should go into production in 1973. It will replace some existing production units in Ontario.

British Leyland-Alfa Innocenti talks

ROME -- Britain's major auto manufacturer, British Leyland, has joined Italy's state-owned Alfa Romeo to explore the possibility of buying out the Innocenti concern. Innocenti, which started as a motor scooter manufacturer, has been assembling British Leyland vehicles in Italy for several years and has won a steadily increasing share of the market with de luxe versions of the basic British product. Rumors that Innocenti has approached Nissan of Japan were denied, and observers saw the reports as a calculated leak to influence the negotiations, rather than a serious approach.

Another U. S.-British bank venture

LONDON -- Another U.S.-British bank consortium is setting up a London bank to tap the Eurodollar market. The London investment bank of Keyser-Ullman is joined in the venture with Maryland National of Baltimore, Indiana National of Indianapolis, First National of Atlanta, Mercantile Trust of St. Louis, and First Western Reserve Bank.

Whitehead joins Cunard

LONDON -- Commander Edward Whitehead, well-known chairman of the U.S. subsidiary of Britain's Schweppes soft drink company, has joined the board of the Cunard Steamship Company as a non-executive director.

Solid growth seen for Belgium

BRUSSELS -- The draft of Belgium's third five-year plan spanning the years 1971 to 1975 predicts an average annual growth rate of 4.8% and progressive reduction in unemployment to around 50,000. Proponents of the plan estimate that the introduction of the value-added tax (TVA) on January 1, 1971, under Common Market rules, will lead to a general 2% rise in prices. The draft plan now goes out for study by business and regional economic organizations.

Bourse report

LONDON -- Drifting lower on lack of buying interest; affected by dock strike and trade loss, but no selling pressure. PARIS -- Quiet ahead of long Bastille Day vacation. FRANKFURT -- Firmer tone in hopes of interest rate cut. MILAN -- Stronger, on hopes for formation of new government.

Common Market Reports

EUROMARKET NEWS

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Procedure problems trouble EEC talks with Britain

BRUSSELS -- On the first working day of negotiations to enlarge the Common Market, representatives from Britain and the EEC found themselves snarled by the technical question of just who would do the negotiating for both sides. The Common Market has leaned toward use of the Council of Ministers in close contact with the Commission for presentation of the EEC position. But even within the Six, there has never been any firm agreement on this. Now the EEC may decide to rely heavily on the Commission or permanent representatives to discuss entry problems with the British. The British in turn have proposed the creation of special fact-finding work groups to study transitional difficulties for the U. K. economy. The Six worry that such groups could rapidly assume negotiating powers.

U.K. suggestions on these technical difficulties could have opened the way for Common Market criticism--especially from the French--that the British were probing EEC weak spots, hoping to divide the Six and secure more favorable bargaining positions. However, Anthony Barber, the U. K. negotiator, made clear the British intention not only to accept Community agricultural policy in principle but also to adopt it. This stole much of the fire from previous French questions on the U. K.'s European loyalties. It also appeared to remove doubt over whether Britain would adopt other important Common Market positions,such as those on world currencies and parity fluctuations.

On the subject of the cost of entry to the British, the Commission has received a mandate from the Council of Ministers to study British estimates and bring them into line with Community figures.

Barber named to British Cabinet; Soames becomes negotiator

LONDON -- Anthony Barber, chief British negotiator for just one month, has been named by Prime Minister Heath to become Chancellor of the Exchequer, to succeed Iain Macleod, who died suddenly. Last week, Heath named Christopher Soames to take over Barber's post as chief negotiator of Britain's Common Market entry.

Andreotti attempt to form government fails

ROME -- Giulio Andreotti, a Christian Democrat,who tried for twelve days to put together a new Italian government,has admitted defeat and resigned his mandate. Italian President Saragat conferred with party leaders and other parliamentary heads over the week-end, but as yet no new candidate premier has been named.

U. K. dock strike continues

LONDON -- Dock union leaders must decide whether they will ask strikers to remove perishable foodstuffs from the ships lining Britain's quays. The Government has issued warnings that it might use troops if food shortages developed. It has also threatened price controls to hold down skyrocketing food costs (imported beef, now disappearing from the market, has risen as much as 24 cents a pound). Thousands of U. K. dockers have been on strike for more than a week, despite an 11th hour agreement between their union and employers on a new contract. An official court of inquiry is now looking into the wage dispute between 47,000 workers and the officials of 40 ports. The key to the disagreement centers on the basic rate of pay which the dockers want raised from $26.40 to $48. In sympathy with the British strikers, dockers in many Continental ports have refused to unload cargoes destined for the U. K.

EFTA nations will have to ask EEC for talks

BRUSSELS --The EEC Commission will not formally invite European Free Trade Association (EFTA) countries that are not candidates for Common Market entry to discussions. Instead, the countries in question--Portugal, Austria, Switzerland, Sweden,Iceland,and Finland--will have to ask for talks. Originally, the EEC intended to seek discussions in the hope of finding means of lessening the economic impact on EFTA nations of eventual British membership in the Community. Austria, which has been trying for an agreement with the EEC since 1961,will be given negotiating priority. The Commission envisions granting the Austrians an interim preferential trade agreement providing for mutual industrial tariff cuts of 30%.

EEC adopts position on inflation

BRUSSELS -- A Commission paper, calling for firm credit and budgetary policies to dampen inflation, has been adopted by Finance and Economic Ministers of the six Common Market countries. The Commission view is that excess demand and wage increases must be trimmed. The Ministers agreed that inflation was a problem, but not all were ready to share this view. France refused to accept the Commission's general remarks on inflation in the Community. French Finance Minister Valéry Giscard d'Estaing insisted that France's inflation has been imported. In his view, the French economy now needs to be pushed by a speedup in domestic consumer demand. This would help to cover slides in exports when the other EEC countries recover markets lost immediately after the devaluation of the franc.

During the debate on the paper,West German Economics Minister Karl Schiller did not dispute Giscard d'Estaing's assessment. However, he implied that unified EEC action could be taken to stem rising prices.

Lira devaluation called "absurd"

BRUSSELS --Emilio Colombo, Italian Treasury Minister, told Common Market Finance and Economics Ministers that devaluation of the lira would be an absurd answer to Italy's economic problems. He insisted that Italian industry remains competitive and currently is experiencing no trouble in finding orders. Production slowdowns have been caused simply by Italy's troubling social and political situation. Colombo indicated that balance of payments difficulties have resulted because industrial output has been

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slow to recover from last autumn's strikes. Capacity shortages have added to these recovery problems. Strikes in the Italian government and delays in tax collection have aggravated monetary difficulties.

Hot money influx into West Germany curbed by rate changes

FRANKFURT -- Brokers reported rising share prices and hectic foreign exchange dealings as West German stock and currency markets reacted to cuts in the country's discount and Lombard rates. The Bundesbank decision to lower the rates was not well received by West German financial circles. The action appears to counter previous policies of no credit relaxation. There is wide agreement,however,that a new influx of foreign money into the Federal Republic has been avoided for the moment. Dealers described the rate for the spot dollar as firming.

Austrian reserves surge in first half

VIENNA -- Contrary to gloomy predictions of a drop of $120 million in gold and foreign exchange reserves made earlier this year, Austria registered a foreign exchange increase of $72 million during the first six months of 1970. Austria's Gross National Product is also expanding. The present growth is 6%, 1% higher than predicted in official forecasts. Industrial output per working day increased by 10% during the first six months of 1970 over the same period in 1969. Chancellor Kreisky warned of firm Government resistance to any developments which threaten Austrian monetary stability, especially social proposals which could overtax the budget.

Record level for 1969 E. I. B. loans

BRUSSELS-- The European Investment Bank, set up under the Treaty of Rome to promote economic development in the EEC, concluded loan contracts worth $321.8 million in 1969. This represented a gain of over 50% over the $214 million in loans recorded during 1968. Paride Formentini, Bank president, stated that the expansion was made possible because of liquidity amassed in previous years when savings were high and interest rates moderate. Italy was the chief beneficiary of the service in 1969, receiving 15 loans worth $141 million.

German steel output now closer to demand

FRANKFURT -- West German steel output is now roughly back in line with demand. Output of rolled steel products in June surpassed new orders by only 52,000 tons. Producers are believed to be adjusting future rolling schedules to continue the link. Total output hit 2.23 million tons during the month.

French investment planners remain optimistic despite credit squeeze

PARIS -- The continuing squeeze on credit in France appears to be having little effect on industrial investment plans. According to a recent I.N.S.E.E. (France's national opinion institute) survey,French corporations hope to increase their investments by 26% this year. The same survey shows that the present plans of French firms imply a national investment increase of almost 60% for the three-year period of 1969-71. Curiously,another recent I.N.S.E.E. survey suggested that six out of every ten French companies are suffering from a liquidity shortage.

Monsanto expansion

BRUSSELS -- In a move designed to triple its European capacity, Monsanto announced plans to expand its acrylonitrile-butadiene-styrene production facilities in Antwerp. The firm will construct a new plant there. Production should begin early in 1972. Machinery incorporating new manufacturing processes capable of making a variety of Lustran ABS polymers will be installed.

Condea increases alcohol production

FRANKFURT -- Condea, the West German affiliate of Continental Oil Company (CONOCO), plans to expand its production of primary alcohol by 25%. Under the brand name of ALFOL Alcohol, the substance is used for the manufacture of cosmetics, shampoo, detergents, and plastics. Output at Condea's Hamburg plant will be increased from 53,000 to 65,000 tons per year. In a related move, Conoco recently announced its intention to spend $7.2 million to increase the capacity of its ALFOL Alcohol unit at Lake Charles, Louisiana.

Two firms link to provide France with telephone computer setup

PARIS -- The French subsidiary of Sweden's L. M. Ericsson concluded an agreement with France's Compagnie Industrielle des Télécommunications (C.I.T.). Cooperation between the two will be aimed at producing a computer-controlled telephone exchange for the French national telephone syndicate, the P. T. T. Within the framework of this agreement, Ericsson will permit France's State-run power firm, Compagnie Générale d'Electricité, to acquire a 16% interest in its French operations. Ericsson and C. I. T. intend to work out procedures for joint long series production runs.

Geigy firms up Lautern holdings

BASEL --The U. S.'s Cincinnati-Milacron Chemicals will sell its 50% interest in Deutsche Advance Produktion, a Lautern chemical concern, to Switzerland's J. R. Geigy. Geigy already controls the majority of the capital of Vereinigte Ultramarinfabriken, another Lautern firm which owns the other 50% of Deutsche Advance's outstanding shares. Deutsche Advance is a leading producer of stabilizers for the plastics industry.

Yugoslav - Danish chemical deal

COPENHAGEN -- Kromos, a Yugoslav chemical producer, and Hempel, a Danish chemical firm, signed a joint venture agreement which should lead to the joint production of ship paints. The Yugoslav company will invest $4.5 million in the effort; the Danish concern $2.8 million. A fabrication unit will be built at Umag in Yugoslavia.

Penguin eyes McGraw-Hill link

LONDON -- Executives of the U. S. publishing firm McGraw-Hill have held discussions with directors of Britain's Penguin Publishing. The two camps stressed that "nothing concrete in terms of a partnership" came out of the meeting. Penguin, which recently agreed to merge with Longman, another U. K. publishing house, is known to be interested in a U. S. link. For its part, McGraw-Hill reportedly told Penguin some time ago that it could provide more support than Longman. McGraw-Hill's representatives were reportedly encouraged by the reception they received at Penguin. A Penguin link with McGraw-Hill's British company rather than a direct tie-up with the U. S. firm is one of the possible forms of union.

R. I. T. to gain Wedd and Sotheby interests

LONDON --Rothschild Investment Trusts (R. I. T.) confirmed reports that it will take a minority interest in both Wedd Durlacher Mordaunt and Co., Britain's leading jobbing firm, and Sotheby's, the well-known auctioneers. R. I. T. will get a 10% interest in Wedd. Part of the agreement, however, reportedly stipulates that R. I. T. will qualify for 15% of Wedd's net after-tax profits. Speculation on the moves recently led R. I. T. to ask for a one-week suspension in trading in its shares on the London Stock Exchange. Prices of R. I. T. stock jumped by 13% before the suspension was granted.

German paper giant in joint Swedish venture

STOCKHOLM -- West Germany's largest paper manufacturer, Feldmühle A. G., will join with a Swedish combine to invest in a large newsprint mill at Hyltebruk, in Sweden. Feldmühle will hold a 25% interest in a new company --as yet unnamed--which will build the plant and plans eventually to buy most of the unit's output. Its Swedish partners in the effort are AB Statens Skogs-Industrier, Hyltebruks AB, Stora Kopparbergs,and AB Papyrus. Some $50 million will be invested in the project over the next two years. Annual output should hit 165,000 tons.

Burroughs International obtains credit facility

LONDON -- Hambros Bank arranged a $75 million three-year revolving credit line for Burroughs International of Cleveland. This credit facility carries a rate 5/8% above the London inter-bank rate for the dollar and is to be taken up in three to six-month drawing periods. Burroughs expects to draw at least 60% of the credit by the end of this year. The multi-currency arrangement will provide working capital to finance Burroughs' expansion in Europe and South America. It was guaranteed by Burroughs Corporation of Detroit.

Norwegian producer predicts European paper price hikes

AMSTERDAM -- Saugbrugsforeningn, Norway's leading pulp and paper producer, predicts that European prices will soon increase for most paper products. The rise would reflect the upward drift of industry costs for cellulose and wages. The Norwegian firm reported that its production for the first six months of 1970 ran well ahead of the corresponding period in 1969.

Ericsson wins Lebanese order

STOCKHOLM -- Sweden's L. M. Ericsson telephone company has won a contract from Lebanon's National Telephone Administration worth $8 million. The firm will supply telecommunication equipment for 60 automatic telephone exchanges.

Bourse Report

LONDON--Equity leaders firm, but trading inhibited by Britain's short-term economic uncertainties. PARIS -- Irregular. Electricals and metals well maintained. FRANKFURT -- Uncertain trading. MILAN -- Colombo's lira statement pushes quiet advance. AMSTERDAM -- Internationals quietly mixed. Shippings and plantations met profit-taking.